

THE CASINO ACT 1986
CASINO LICENCE

1. Interpretation

1.1 In this Licence –

“the Act” means the Casino Act 1986 (as amended);

“affiliate” means any subsidiary or holding company of the Licensee and any other subsidiary of that holding company where “subsidiary” and “holding company” have the meanings given in section 1 of the Companies Act 1974 (as amended);

“AML/CFT requirements” means the requirements of the following anti-money laundering and countering the financing of terrorism enactments and any equivalent future legislation:

- (a) Part 3 of the Proceeds of Crime Act 2008;
- (b) Sections 7 to 11 and section 14 of the Anti-Terrorism and Crime Act 2003;
- (c) Parts 2, 3 and 4 of the Terrorism and Other Crime (Financial Restrictions) Act 2014; and
- (d) Gambling (Anti-Money Laundering and Countering the Financing of Terrorism) Code 2019.

“the Commission” means the Isle of Man Gambling Supervision Commission;

“the casino” means the premises comprising the Palace Hotel & Casino, Central Promenade, Douglas, shown edged red on the plan annexed to this Licence;

“the Licensee” means PALACE HOTEL & CASINO LIMITED whose registered office is at Palace Hotel & Casino, Central Promenade, Douglas, IM2 4NA;

- 1.2 The Interpretation Act 2015 applies to this Licence as it applies to a public document (within the meaning of that Act).

2. Grant of Licence

- 2.1 This Licence shall come into force on 1st May 2023, and shall expire in accordance with section 5(1) of the Act.
- 2.2 This Licence shall not come into force unless on or before the date specified in clause 2.1 the Licensee has surrendered to the Commission pursuant to section 5(10) of the Act the licence that came into force on 1 February 2016 (GC2015/0014), and was subsequently renewed by the Commission in accordance with section 5(2) of the Act.

3. Rooms to be used as gaming rooms or for supply of liquor

- 3.1 Subject to the provisions of the Act, the rooms forming part of the casino and shown edged blue and marked "Gaming Room" on the annexed plan may be used as gaming rooms.
- 3.2 Subject to the provisions of the Act and the Liquor Licensing and Public Entertainments Act 2021 –
- (a) The rooms specified in clause 3.1; and
 - (b) The rooms forming part of the casino and shown edged green on the annexed plan,

may be used for the sale or supply of intoxicating liquor.

4. Facilities etc. to be provided by Licensee

- 4.1 The Licensee shall provide at the casino –
- (a) A hotel with not less than 135 bedrooms and associated dining rooms;
 - (b) Not less than 2 gaming rooms;
 - (c) Not less than 2 public bars or 1 public bar and 1 Bistro/Bar (elsewhere than in the gaming rooms) for the sale and consumption of intoxicating liquor; and
 - (d) Parking for not less than 80 cars.

5. Conditions

- 5.1 This Licence is subject to the following conditions (being the conditions required by section 4(3) of the Act):
- 5.1.1 That the Licensee complies at all times during the currency of the licence with AML/CFT requirements.
 - 5.1.2 The annual fee payable by the Licensee to the Treasury on the grant of this Licence is £423,000.
 - 5.1.3 The annual fee payable by the Licensee to the Treasury on each successive anniversary of the grant of this Licence is calculated in accordance with the following formula —
$$L + \text{CPI adjustment}$$

Where —

"L" is the annual fee for the Licence in the immediately preceding year; and

"CPI adjustment" is the inflationary increase in that annual fee calculated by using the CPI inflation rate.

"CPI inflation rate" means the Consumer Price Index rate of inflation calculated by the Cabinet Office as at the September immediately preceding the date on which the annual fee is payable.

- 5.1.4 If the CPI inflation rate is less than 0%, the CPI inflation rate shall be deemed to be 0% for the purpose of calculating the annual fee.
- 5.1.5 The amount of the Licensee's liability to machine games duty ("MGD") for the playing of dutiable machine games on the premises to which this Licence applies in the four calendar quarters preceding the payment of an annual fee, shall be offset against that annual fee.

The amount of MGD offset against an annual fee shall not exceed the amount of that annual fee.

- 5.1.6 Where the Licensee has no liability to machine games duty in any of the preceding four calendar quarters -
- (a) the Treasury will determine, after consultation with the Licensee an amount to be used as the liability for that quarter ("the agreed amount"); and
 - (b) if or when the actual liability to machine games duty for any quarter is established by the Treasury then that amount must be substituted for the agreed amount and any adjustment required made to the amount of MGD offset against the annual fee. Any difference must be paid or refunded, as the case may be, within one month of the figure for the recalculated amount of MGD being notified to the Licensee.

- 5.1.7 In Year 10 of the Licence period, if the actual liability of the Licensee to MGD during that year is less than the amount (MGD) used to calculate the annual fee for Year 10, by a factor of ten per cent or more, then the annual fee must be recalculated. If the recalculated figure is greater than the annual fee that the Licensee has paid for that year, the difference must be paid by the Licensee as arrears in respect of that fee within one month of the difference being notified to the Licensee.

- 5.1.8 If the Licensee fails to pay to the Treasury when due any machine games duty to which the Licensee is liable for the playing of dutiable machine games on the premises to which this Licence applies then this Licence may be suspended or revoked pursuant to section 5(7) of the Casino Act 1986.

- 5.1.9 The Licensee shall notify the Commission of any change in the beneficial ownership of any in the Licensee.
 - 5.1.10 No person shall be appointed to be a director of the Licensee unless the Commission is satisfied that he is a person of integrity.
 - 5.1.11 The Licensee shall, whenever required by the Commission, provide such information as the Commission may require to satisfy the Commission –
 - (a) As to the profitability of the Licensee's business carried on at the casino;
 - (b) That the Licensee continues to have adequate financial means available to operate the casino;
 - (c) That the Licensee has complied with its obligations under clause 5.1.1.
 - 5.1.12 No structural alteration or extension of the casino shall be carried out without the consent of the Commission.
 - 5.1.13 No part of the casino other than a room specified in clause 3.1 or 3.2 shall be used as a gaming room or, as the case may be, for the sale or supply of intoxicating liquor.
 - 5.1.14 The whole of the casino shall remain in the occupation and under the control of the Licensee.
 - 5.1.15 The Licensee shall continue to provide at the casino the facilities and amenities specified in clause 4.1.
- 5.2 This Licence is subject to the following additional conditions:
- 5.2.1 The Licensee shall maintain accounting systems approved by the Commission and shall conform with such internal and external accounting practices as the Commission may require.
 - 5.2.2 The Licensee shall deliver in a form satisfactory to the Commission, on a quarterly basis, management accounts within two months of the relevant quarter end; and

As soon as practical, and in any event no later than 6 months after the end of every accounting year, shall deliver to the Commission a copy of its accounts in the form required by section 3 (general provisions as to contents and form of accounts) of the Companies Act 1982 (as amended) certified by an auditor qualified under sections 14 to 14C of that Act.

Failure to supply the specified documentation will be considered a breach of condition 5.1.11.
 - 5.2.3 The Licensee shall maintain and operate closed-circuit television cameras at such places within the casino as the Commission may

require and shall allow the persons engaged, and the officers appointed by the Treasury, to use them at such times as the Commission may require.

- 5.2.4 The Licensee shall notify the Commission of any charge or encumbrance (including any charge arising by operation of law) on any assets of the Licensee or its affiliate within 14 days of the same being created.
- 5.2.5 The Licensee shall not issue any relevant share capital without first notifying the Commission of the nature and amount thereof and the person who it is intended shall be the beneficial owner thereof when issued.
- 5.2.6 The Licensee shall ensure that the total of the Shareholders' funds (as defined by UK-G.A.A.P., and for the avoidance of doubt to include preferred share capital), shall not fall below five million pounds (£5,000,000) without the prior consent of the Commission.

The Licensee in respect of the period for which this Licence is issued shall maintain with a 'recognised bank' or an 'overseas deposit-taking institution', or such as may be agreed with the Commission from time to time, an indemnity to a level of forty thousand pounds (£40,000) or such other level as is approved from time to time by the Commission. The indemnity to ensure that claimants will be reimbursed in the event of a failure on the part of the Licensee to honour winnings for gaming won in the Licensee's gaming rooms, or to redeem cash chips issued for enabling any person to take part in any gaming by the Licensee, and to ensure the reimbursement of any monies outstanding on any electronic purse at the Casino of the Licensee due to the insolvency of the Licensee.

For the purposes of this Licence condition –

"electronic purse" means a gaming amount quantified by the Licensee and identified by use of a computerised "electronic purse" as approved by the Commission.

"Overseas deposit taking institution" means a bank or an institution that:

- a) carries on the regulated activity of deposit taking (within the meaning of the Financial Services Act) 2008 outside the Island;
- b) is regulated for that purpose by a regulatory authority (within the meaning of the Financial Services Act 2008) established outside the Island; and
- c) meets Basel and FATF standards.

“recognised bank”, means an institution licensed under section 7 of the Financial Services Act 2008 to carry on deposit taking (as defined for the purposes of that Act).

- 5.2.7 The Licensee shall surrender this Licence if the Licensee or any affiliate of the Licensee is granted a casino licence for premises other than the casino.
- 5.2.8 Any person specified in regulation 17 (Approval of Casino Staff) of the Casino Regulations 2011 (or any equivalent future legislation) or specified in section 12K (2) of the Casino Act 1986 must cooperate with the Commission, or persons appointed by the Commission (“Inspectors”) to carry out inspections of premises, including temporary premises, by:
- (a) Allowing free and unhindered access to all areas of the premises;
 - (b) Answering all questions posed;
 - (c) Providing access to information, documents and records as required and in the form specified; and
 - (d) Allow copies to be taken of such documents or records,

for the purpose of assessing the licensee’s compliance with the AML/CFT requirements.

The Licensee should note that failure to comply, without reasonable excuse, with any of the conditions attached to the Licence may result in the suspension or revocation of the Licence as provided for by section 5(7) of the Casino Act 1986.

Signed

Dated

April 2023