

Annual Report 2011-2012

Gaming Machines Act 1992

**Consumer and
Business Services**

**Report of the Liquor and
Gambling Commissioner
pursuant to section 74
of the Act**



Government of South Australia
Attorney-General's Department



28 September 2012

Hon. Minister for Business Services and Consumers

I am pleased to submit my annual report for the period ending 30 June 2012.

The report has been prepared in accordance with the requirements of section 74 of the *Gaming Machines Act 1992*.

A handwritten signature in black ink, appearing to be 'P White'.

Paul White
Liquor and Gambling Commissioner
Consumer and Business Services



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1. Major Issues

1.1 CONSUMER AND BUSINESS SERVICES

During 2011-12 the Office of the Liquor and Gambling Commissioner (OLGC) completed its merger with the Office of Consumer and Business Affairs (OCBA) to form the new Consumer and Business Services (CBS) division of the Attorney-General's Department.

All former OLGC and OCBA licensing, regulatory and business functions are now integrated and are located at Chesser House, 91-97 Grenfell Street, Adelaide. Also all hearings and matters set down for conciliation before my delegates have also relocated from Level 9, 50 Grenfell Street, Adelaide to the existing Residential Tenancies Tribunal facilities.

CBS plays a pivotal role in ensuring that the South Australian gambling industry operates in accordance with the requirements of various instruments of gambling legislation. This legislation is designed to encourage responsible attitudes towards the promotion, sale, supply and use of gambling products, minimise the harm associated with these products, and to maintain public confidence in the State's gambling industries.

As foreshadowed in my last report, during 2011-12 my office implemented an integrated compliance and enforcement framework to assist me to fulfil my regulatory responsibilities. As a result, all former inspectorial functions (casino, liquor, gaming and wagering) were combined. The former compliance and enforcement functions of OLGC and OCBA have also been integrated with the formation of the Investigations and Inspections Branch, which, as at 30 June 2012 continues to be located at 50 Grenfell Street, Adelaide.

During 2012-13 it is my intention to complete the relocation of the Investigations & Inspections Branch to Chesser House.

To provide flexibility in responding to liquor and gambling priorities, all inspectors within the new branch are multi-skilled across all legislation types and perform their duties under a rostered working arrangement. This change in functionality now allows inspectors to focus solely on compliance and enforcement functions at times of the day or night when liquor and gambling licences are most active.

Contemporaneously, the framework for the investigation of complaints, non-compliance and referrals from internal CBS business units and external agencies was also consolidated and is now facilitated by a team of investigators who are also cross-skilled in liquor, gambling, wagering and charity legislation.

Further, the re-engineering of business processes within the merged CBS entity will continue and include an integrated online web presence, streamlined management reporting and the cross skilling of staff to enable them to provide services across the various industries now regulated by CBS.

To maintain the CBS commitment to excellence in customer service, it is also my intention to integrate all existing front of house customer functions into one single Customer Service Centre to be located at street level at Chesser House, 91-97 Grenfell Street. This will provide a single point of contact for all customers of CBS in one convenient location, with appropriate access to all relevant CBS services. It will also deliver a safer, custom-built environment for customer enquiries as well as a sustainable and future-proof customer service model.

1.2 APPROVED TRADING SYSTEM

During 2011-12 the first trading round for gaming machine entitlements under the new market price trading system was conducted.

The official trade of entitlements (the Trading Day) was conducted on 14 June 2012, being the date that offers regarded as accepted for the trading round were determined and the amount of the Purchaser Price (i.e. the amount that purchasers paid) and Vendor Price (i.e. the amount that sellers were paid) was established.

The key outcomes of Trading Round 1/2012 were:

- a total of 81 gaming machine entitlements were traded;
- 13 gaming machine entitlements were cancelled;
- seven gaming machine entitlements were transferred to the holder of the special club licence (Club One);
- a Purchaser Price of \$72 630.30 (plus GST);
- a Vendor Price of \$54 472.73 (plus GST); and
- commission of \$19 972.89 payable to the Gamblers Rehabilitation Fund.

As a result of this trading round, the number of gaming machine entitlements and hence the number of gaming machines which may be operated in South Australia has reduced from 12 900 to 12 887.

1.3 REGULATORY FRAMEWORK

During 2011-12, there were a number of significant amendments to the regulatory and administrative framework for gaming. These included:

- the cessation of the State Procurement Board as the single gaming machine supplier in South Australia due to the role of the board in the administration of the *Gaming Machines Act 1992* (the Act) being abolished;
- amended annual reporting requirements under the Act in relation to:
 - the number of expiation notices issued (section 8.6 of this report);
 - the number of prosecutions commenced (section 8.7 of this report); and
 - the number of persons and orders against such persons barred from gaming venues (section 9 of this report);
- the introduction of a new system for the trading of gaming machine entitlements; and
- the introduction of an offence for the sale or supply of gaming machines, components or equipment without an approved contract, or with inducement.

2. Legislative Amendments

As advised in my last annual report, the *Gaming Machines (Miscellaneous) Amendment Act 2010* (the Amendment Act) was passed by both Houses of Parliament on 25 November 2010.

The Amendment Act included improvements to responsible gambling environments, provisions to expiate certain offences and removed the fixed price of \$50 000 on gaming machine entitlements traded through the approved trading system.

The first two tranches of provisions were proclaimed on 1 January 2011 and 1 June 2011 respectively.

A third tranche of amendments came into effect on 1 July 2011.

1 July 2011 Amendments

These amendments primarily related to the role of the State Procurement Board in the administration of the Gaming Machines Act being abolished, the introduction of a new system for the trading of gaming machine entitlements and amended annual reporting requirements.

A summary of these amendments can be found in Appendix A.



Amendments 2012-13

A number of further significant amendments will come into effect in December 2012.

These include—

- the imposition of mandatory periods when gaming operations will not be allowed to be conducted if a gambling provider has not entered into a Responsible Gambling Agreement (RGA) with a recognised industry body or has not provided a copy of the RGA to my office; and
- new mandatory licence conditions which will apply to all gaming venues which operate between 2am and 8am.

I note that the Independent Gambling Authority (IGA) has recognised Club Safe Limited and Hotels Responsible Gambling Early Intervention Agency Limited (also known as Gaming Care) as industry bodies with which a licensee may enter into a Responsible Gambling Agreement.

My office will advise all licensees by bulletin of these amendments and will engage with recognised industry bodies to ensure that licensees understand the consequences of these amendments.

3. Gaming Licences

3.1 GAMING MACHINE LICENCES

To be eligible to apply for a gaming machine licence the applicant must hold either a hotel licence, club licence or a special circumstances licence (where that licence was granted on surrender of a hotel or club licence or is a major sporting venue or headquarters for a sporting code) under the *Liquor Licensing Act 1997*.

As at 30 June 2012, there were 557 active gaming machine licences, under the following categories of liquor licence:

461	Hotels
58	Clubs
38	Special Circumstances

A further 27 licences were under suspension.

Two licensees surrendered their gaming machine licences during 2011-12, one as a result of the surrender of the associated liquor licence and one after transferring all of their GMEs to Club One.

3.2 GAMING MACHINE MONITOR LICENCE

The gaming machine monitor licence authorises the holder to provide and operate an approved computer system for monitoring the operation of all gaming machines in South Australia (excluding those operated by the casino licensee under the *Casino Act 1997*).

The monitoring licence is held by the Independent Gaming Corporation Ltd (IGC), an incorporated body jointly owned by the Australian Hotels Association (AHA) and Licensed Clubs Association of South Australia (Clubs SA).

Monitoring System

The central monitoring system to which all gaming machines are connected is the prime source of control over the security, integrity and proper operation of gaming machines. The system also collects, processes and summarises gaming statistics for all venues and provides data to CBS for the assessment of gaming tax.



Secure Internet Based Customer Reporting Facility

IGC operates an internet reporting facility to allow gaming machine operators and manufacturers to access information and reports from the monitoring system via the Internet.

For a small monthly fee, the facility allows licensees to download formatted reports from the IGC website to access gaming machine statistics and events for that venue. It also provides downloadable data which can be imported into other data management applications.

The information obtained from the monitoring system via the internet facility is used to fulfil some licensee record keeping obligations and in other cases supplements the data recorded at the venue.

As at 30 June 2012, there were 423 licensees and seven manufacturers / service providers utilising the Secure Internet Based Customer Reporting Facility.

Information Data Port

The Information Data Port (IDP) facility was approved in February 1999. This facility allows gaming machine licensees to access machine information electronically, reducing the need for licensees to undertake manual meter readings.

The ExtremaDX Terminal Controller provides licensees with direct IDP functionality (i.e. no additional hardware is required to be provided by IGC).

As at 30 June 2012, all venues are now able to access IDP data directly from the ExtremaDX Terminal Controller located on their premises.

Fees

IGC charges an establishment fee for new gaming machine operators. This was maintained during 2011-12 at the same rate as 2010-11. Gaming machine licensees are also charged a monthly monitoring fee for each gaming machine connected to the monitoring system. Monitoring fees are the prime source of income for the IGC and must cover all of its costs. Monitoring fees are approved by the Minister and are reviewed on a regular basis.

Service and Maintenance of the Monitoring System

IGC is responsible for the service and maintenance of the central monitoring system. However, as a condition of the gaming machine monitor licence, IGC is required to appoint sub-contractors for the installation, servicing and repair of the central processor hardware for the central monitoring system.

The following sub-contractors have been approved to perform service and maintenance functions for IGC:

Telstra Corporation Ltd	Chubb Security Australia Pty Ltd
Bytecraft Systems Pty Ltd	Wormald Fire Systems
Computer Site Services	IOCANE Pty Ltd
Firewall Systems	IBM Ltd
First Five Minutes	Internode Systems Pty Ltd
Hewlett Packard	Sungard Availability Services
Scientific Games Online Entertainment Systems Inc	Trend Micro Incorporated
AMTEK Services Pty Ltd	

3.3 GAMING MACHINE DEALER'S LICENCE

A gaming machine dealer's licence authorises the holder to manufacture gaming machines and prescribed gaming components and to sell or supply such equipment to a holder of a gaming machine licence, a holder of a gaming machine service licence or another gaming machine dealer.

There were 21 licensed gaming machine dealers as at 30 June 2012.



Acon Technology Pty Ltd	Multinational Entertainment
Ainsworth Game Technology Ltd	Neo Interactive Systems
Aristocrat Technologies Australia	Perera Ventures Pty Ltd
Aruze Gaming Australia Pty Ltd	Shuffle Master Australasia Pty Ltd
Astute Marketing	Statewide Gaming Supplies
Atronic Australia	Tower Gaming
Global Gaming Industries	Transcity Pty Ltd
HITEK Gaming	Universal De Desarrollos Electronicos S
IGT (Australia) Pty Ltd	Victorian Gaming Systems
Konami Australia	Video Lottery Consultants Inc
Macmont Gaming Supplies Pty Ltd	

From 1 July 2011, the role of the State Procurement Board in the administration of the Gaming Machines Act was abolished. As a result, the Board ceased to be the single gaming machine supplier in South Australia.

New arrangements for the procurement of gaming machines have now been established to facilitate the movement of gaming machines within the industry, directly between gaming machine licensees and gaming machine dealers/service agents.

Crucial to this process, gaming machine dealers are only permitted to enter into a sale agreement with a holder of a gaming machine licence using a form of contract approved by my office.

As at 30 June 2012 the following seven gaming machine dealers have had one or more forms of sale contract approved:

- Ainsworth Game Technology;
- Konami Australia;
- Statewide Gaming Supplies;
- Aristocrat Technologies Australia;
- Macmont Gaming Supplies;
- IGT (Australia); and
- Shuffle Master Australasia.

3.4 GAMING MACHINE SERVICE LICENCE

Gaming machine service licensees are authorised to install, service and repair gaming machines on licensed premises.

As at 30 June 2012, there were 2 central service licensees:-

- Bytecraft Systems Pty Ltd; and
- Amtek Services Pty Ltd



Maximum Gaming Pty Ltd

At the request of the licensee, the gaming machine service licence held by Maximum Gaming Pty Ltd was surrendered effective 11 January 2012.

Licensees and Affiliates

While gaming machine licence holders are required to contract with one of these central service licensees for the servicing of machines, each has affiliations with other licensees in regional areas.

Regional Location	Affiliated Licensees
Adelaide Hills	Deborah Jayne Younger (Tungkillo)
Barossa Valley	Shamrock Gaming Services
Eyre Peninsula	Fleet Electronic Services (Port Lincoln) West Coast Electronics (Ceduna) BGSTECH (Whyalla) Brumfield Electronics (Cleve)
Fleurieu Peninsula	Electec Technologies (Goolwa)
Flinders Ranges & Outback	Oaklands Electrical (Port Pirie) Office National (Port Augusta) Augusta Electronic Centre (Port Augusta / Stirling North) Mike Maylin Construction (Cooper Pedy) Ridsdale Electrical (Leigh Creek) Mine Power Solutions (Roxby Downs)
Kangaroo Island	Visionfix (Penneshaw)
Limestone Coast	GI & JV Clark (Keith) Donna's Electrical (Naracoorte) Green Triangle Electrical Services (Mount Gambier) Gambier Electronics (Mount Gambier)
Murray River	Murray Computer & Office Shop (Murray Bridge) Mannum Electronics (Mannum) Pippos Technology (Loxton) Riverland Gaming (Loxton)
Yorke Peninsula	Kym Lange t/a YP Gaming B-Built Technologies (Moonta) SYP Security Services (Yorketown)

4. Special Club Licence - Club One

Section 14(1)(ab) of the Act allows a 'special club licence' to be granted which authorises the licensee to possess approved gaming machines and to operate them on premises in respect of which someone else holds a gaming machine licence as agent of the holder of the gaming machine licence.

Under section 24A of the Act, this licence is held by a body called Club One.

Club One is a not for profit organisation created by the Licensed Clubs Association of SA (Clubs SA) and the SA National Football League (SANFL).



As the holder of the special club licence, Club One can, with the approval of the Liquor and Gambling Commissioner, acquire gaming machine entitlements from the non-profit sector (i.e. Clubs and Community Hotels) and re-allocate those gaming machine entitlements to other licensed gaming machine venues to be operated by the host venue.

The profits derived by Club One through such allocation agreements are distributed to sporting clubs and community associations through a program of grants and sponsorships.

This section provides an update from previous reports on the activities of the special club licensee.

As at 30 June 2012, Club One held 261 gaming machine entitlements comprising:

- 40 entitlements allocated to the Adelaide Juventus Sports & Social Club (trading as Oakden Central);
- 10 entitlements allocated to the Roxby Downs Club;
- 190 entitlements allocated to hotels; and
- 21 unallocated entitlements.

The 190 entitlements allocated by Club One to hotels are held across various hotel groups comprising of the following [entitlements allocated as 30 June 2011 shown in {brackets}]:

Hotel Group	Number of Entitlements
Club Management Services (CMS)	70 {75}
Jones Group	31 {31}
Australian Leisure and Hospitality Group Limited (ALH)	23 {18}
Coles Group	15 {15}
Eureka Group	12 {12}
Reserve Group	10 {12}
King Group	8 {8}
Plush Group	13 {8}
Jillcar Pty Ltd	4 {4}
Chinbiya Pty Ltd	4 {4}
TOTAL	190 {187}

A summary of all entitlements allocated to these hotel groups by Club One as at 30 June 2012 can be found in Appendix B.

4.1 CLUB ONE AGREEMENTS

Section 24A(4)(a) of the Act and conditions 5, 6 and 8 of the special club licence provide that Club One is required to submit various agreements and contracts to the Commissioner for approval. A summary of approvals granted by my office during 2011-12 is shown below.

Vesting Club Agreements

Approvals for four separate Vesting Club Agreements between Club One and three clubs were granted during 2011-12.

- RSL Colonel Light Gardens Sub Branch
- Moorook and District Club Inc (2 Agreements); and
- Berri Club Inc



These Vesting Club Agreements allow Club One to enter into arrangements with non-profit associations whereby gaming machine entitlements (GME) are sold to Club One so that they may be placed in other venues holding a gaming machine licence. The non-profit association or “vesting club” as part of the agreement receives a lump sum payment or an annual fee payment in respect of each GME sold to Club One.

Temporary Allocation Agreement between Club One and the Eureka Tavern

Club One submitted for consideration a Temporary Allocation Agreement (TAA) with Eureka Tavern, a member of the Australian Leisure & Hospitality Group Limited (ALH).

The TAA between Club One and the licensee of the Eureka Tavern was approved on 2 September 2011 until 26 April 2012, being the same date that the agreements between Club One and other hotel groups were due to expire (see below for details concerning the extension of this and other agreements with various hotel groups).

Renewal of Host Club Allocation Agreement between Club One and Adelaide Juventus Sports & Social Club Inc

Club One submitted for approval, an application to renew the Host Club Allocation Agreement (HCAA) with the Adelaide Juventus Sports & Social Club Inc (AJSSC) to allow for the ongoing allocation of 40 gaming machine entitlements to AJSSC (trading as The Oakden Central) for a further five years.

A summary of the agreement is as follows:

- AJSSC must hold and operate the 40 entitlements currently allocated to the AJSSC by Club One for the next five years;
- The term of the renewal agreement is for five years with rights of renewal as set out in the HCAA;
- AJSSC will pay Club One an annual licence fee in respect of these entitlements in accordance with the HCAA.

The HCAA between Club One and the AJSSC was approved on 7 December 2011.

Extension of Agreements Between Club One and Various Hotel Groups

Under agreements approved by the Commissioner, Club One allocates GMEs to various hotel groups and venues.

In return these venues pay a “parking fee” to Club One in respect of the GMEs allocated. For administrative purposes, it has been the practice to align the expiry date for such agreements to be consistent across each group.

As advised last year, the approval for each of these agreements was extended for an interim period of up to 12 months being 26 April 2012 to allow my office to review a submission made by Club One to justify its decision to continue with the current arrangements on an ongoing basis.

On 23 January 2012, approval was granted for these agreements to continue on an ongoing basis however, the right to review these arrangements was reserved.

Any subsequent amendments to the agreements by the parties must be submitted to my office for approval.

As at 30 June 2012, the hotel groups and venues subject to such arrangements were as follows:

Hotel Group	Premises
Jones Group	Bridgeway Hotel, Colonnades Tavern, Cove Tavern, Midway Tavern, Settlers Tavern, Tea Tree Gully Hotel, Woodcroft Tavern
Australian Leisure and Hospitality Group (ALH)	Elizabeth Tavern, Eureka Tavern, Findon Hotel, Playford Tavern, Slug ‘N’ Lettuce Tavern, Stockade Tavern, Village Tavern
Coles Group	Brighton Metro Hotel, Grand Junction Tavern, Hampstead Hotel, Hope Inn Hotel, Payneham Tavern



Hotel Group	Premises
Eureka Group	Regency Tavern, Richies Tavern, Tavern 540
Reserve Group	Flagstaff Hotel, Reepham Hotel
King Group	Modbury Plaza Hotel, Highlander Hotel
Plush Group	Barossa Brauhaus, The Old Spot Hotel, Smithfield Hotel Motel
Jillcar Pty Ltd	Semaphore Hotel
Chinbiya Pty Ltd	Aldinga Hotel

4.2 ALLOCATION OF CLUB ONE GAMING MACHINE ENTITLEMENTS

Club One was granted approval to allocate gaming machine entitlements to the following hotel groups and venues during 2011-12:

Hotel Group	Premises	Number of Entitlements Allocated To Venues
Plush Group	Old Spot Hotel	2
	Smithfield Hotel	3
ALH Group	Eureka Tavern	5
	TOTAL	10

Approval was granted for gaming machine entitlements at the following hotel groups and venues to be reallocated to Club One during 2011-12:

Hotel Group	Premises	Number of Entitlements Re-Allocated To Club One
Club Management Services (CMS)	Belair Hotel	3
	The Oxford	2
Reserve Group	Reepham Hotel	2
	TOTAL	7

In accordance with Vesting Club Agreements approved between Club One and three various clubs, the following gaming machine entitlements were transferred from the respective clubs to Club One during 2011-12:

Premises	Number of Entitlements Allocated To Club One	
RSL Colonel Light Gardens Sub Branch	2	
Moorook & District Club Inc	7	
Berri Club Inc	2	
	TOTAL	11

5. Approved Trading System

Background

Legislation was introduced by the South Australian Government in December 2004, with the objective of reducing the number of gaming machines that may be lawfully operated in South Australia to 12 086.

The legislation also introduced a trading scheme to enable gaming machine licensees to trade entitlements at a fixed price of \$50,000 per entitlement, provided that every fourth gaming machine entitlement sold in a trading round by a profit organisation (i.e. Hotel) was cancelled.

As a result, the total number of gaming machines able to be operated in South Australia was reduced by 2 218 to 12 900 including 50 gaming machine entitlements which were cancelled as a result of trading rounds conducted in 2005 and 2007.

The *Gaming Machines (Miscellaneous) Amendment Act 2010* was passed by both Houses of Parliament on 25 November 2010 and included amongst other things, the removal of the \$50 000 fixed price on gaming machine entitlements traded through the approved trading system.

On 14 July 2011 the South Australian Government introduced a new approved trading system to allow eligible persons to purchase and sell gaming machine entitlements under the amended Gaming Machine Regulations 2005 (the Regulations).

Unlike the former fixed price model, the new approved trading system provides for a market price model where:

- an eligible person is able to make an offer to **purchase** a gaming machine entitlement by specifying a maximum price that they are willing to pay for each gaming machine entitlement;
- an eligible person is able to make an offer to **sell** a gaming machine entitlement by specifying a minimum price that they are willing to accept for each gaming machine entitlement offered for sale;
- every fourth gaming machine entitlement sold in a trading round by profit organisations (i.e. Hotels) will be cancelled; and
- every fourth gaming machine entitlement sold in a trading round by non-profit association (i.e. Clubs and Community Hotels) will be transferred to the holder of the special club licence (Club One).

It was envisaged that the first trading round under the amended legislation would have been conducted during the first half of 2011-12 financial year. However, due to uncertainty about the treatment of GST for the sale and purchase of gaming machine entitlements, the announcement of the trading round was delayed until a private ruling could be sought from the Australian Taxation Office (ATO). The ATO confirmed that purchasers, vendors and the South Australian Government would be subject to GST requirements in relation to transactions under the trading system.

Following its ruling, the ATO published an edited version on its website at www.ato.gov.au/rba in the register of private binding rulings. This ruling can be accessed by quoting authorisation number 1011998370778.

As it was essential for all GST issues to be resolved before commencing a trading round, and noting that industry representative bodies preferred that the first trading round under the new trading system should not be held over the 2011 Christmas/New Year period, it was decided that any trading round announcements would not be made until early 2012.

Licensees and industry representatives were advised accordingly by bulletin.



Announcement

On 29 March 2012, I announced the establishment of a trading round for gaming machine entitlements (known as Trading Round 1/2012) by publishing a notice to this effect in the South Australian Government Gazette (p1227).

A copy of the announcement notice was sent to each gaming machine licensee, the holder of the special club licence (Club One), various industry and community representative bodies, legal practitioners and to subscribers to the CBS email service (“Heads Up”).

The Department of Treasury and Finance (DTF) also released a Market Statement (which was available from both the CBS and DTF websites) at the same time to inform potential purchasers and sellers about policy developments that could affect a decision to buy or sell gaming machine entitlements.

Significant Dates and Events for Trading Round 1/2012

The timetable for the trading round was designed to allow sufficient time for interested and eligible parties to make enquiries and submit offers to purchase or sell gaming machine entitlements. The timetable also allowed time for my office to evaluate and assess the eligibility of each offer in accordance with the Regulations.

Event	Date
Announcement Of Trading Round	29 March 2012
Submission Of Offers To Purchase Or Sell Entitlements Closed	4 May 2012
Drawing Of Lots For Identical Offers	12 June 2012
Trading Day	14 June 2012
Due Date For Payments By Successful Purchasers	28 June 2012
All Successful Sellers Paid By CBS	18 July 2012
Formal Closure Of Trading Round On CBS Website	30 August 2012

CBS Trade Team

A small team of CBS staff, led by a senior manager holding the delegated powers of the Liquor and Gambling Commissioner, was established to assume responsibility for the administration and conduct of the trading round.

Administration Fee

An administration fee of \$100 was payable in respect of each entitlement that an applicant offered to purchase and was required to be enclosed with each offer submitted to CBS. All applicants who submitted offers to purchase entitlements in Trading Round 1/2012 paid the correct administration fee.

Submission of Offers

49 applications consisting of offers to sell 472 entitlements were accepted for inclusion in the trading round including:

- 32 applications from profit venues to sell 318 entitlements; and
- 17 applications from non-profit associations to sell 154 entitlements.

29 applications consisting of offers to purchase 96 entitlements were accepted for inclusion in the trading round including:

- 28 applications from profit venues to purchase 95 entitlements; and
- 1 application from a non-profit association to purchase 1 entitlement.



Drawing of Lots

As there were multiple offers to purchase or sell gaming machine entitlements at the same amount, the Regulations require that the order in which offers were accepted to be traded was to be determined by the drawing of lots.

The drawing of lots was conducted by CBS in the presence of a representative of the Attorney-General's Department Internal Audit and Risk Services Unit who certified the results.

Trading Day

The official trade of entitlements (the Trading Day) was conducted on 14 June 2012, being the date that offers regarded as accepted for the trading round were determined and the amount of the Purchaser Price (i.e. the amount that purchasers would pay) and Vendor price (i.e. the amount that sellers would receive) was established.

The prices determined for Trading Round 1/2012 in accordance with the Regulations were:

- **Purchaser Price** \$72 630.30
- **Vendor Price** \$54 472.73

The Regulations provide that every fourth gaming machine entitlement sold in the trading round by—

- profit organisations (e.g. Hotels) will be cancelled; and
- non-profit associations (e.g. Clubs and Community Hotels) will be transferred to the holder of the special club licence (Club One).

81 gaming machine entitlements were sold in Trading Round 1/2012, of which 20 were cancelled or transferred to Club One and 61 were allocated to new venues.

Of the 81 entitlements sold, 53 entitlements were sold by profit organisations and 28 entitlements by a non-profit association. As a result, 13 entitlements from profit organisations were cancelled and 7 entitlements from the non-profit association transferred to Club One.

All applicants were advised in writing of the amount of the Purchaser Price, Vendor Price and whether their respective offers had been accepted.

The results of the trade were also published on the CBS website.

As a result of this trading round, number of gaming machines which may be operated in South Australia under this Act has reduced from 12 900 to 12 887.

Allocation of Entitlements

61 gaming machine entitlements were allocated to new venues as detailed below:

No. Of Venues	No. Of Entitlements Purchased	Total Entitlements Allocated
2	6	12
6	4	24
3	3	9
6	2	12
4	1	4
21		61



81 gaming machine entitlements were sold by vendors as detailed below:

No. Of Venues	No. Of Entitlements Sold	Total Entitlements Remaining on Licence
1	28	0
1	20	0
1	18	15
1	8	0
1	6	0
1	1	11
6	81	

Payments

Those licensees who successfully purchased gaming machine entitlements were required to pay the Purchaser Price of \$72 630.30 (plus GST) for each entitlement allocated to them in the trading round by 28 June 2012.

All payments were received in full by the due date, being \$4 873 493.13 (including GST) as payment from 21 purchasers for 61 gaming machine entitlements.

By 18 July 2012 each person who successfully sold gaming machine entitlements had been paid the Vendor Price of \$54 472.73 (plus GST) for each entitlement sold in the trading round.

A total amount of \$4 853 520.24 (including GST) was distributed to 6 sellers as payment for 81 gaming machine entitlements.

Gamblers Rehabilitation Fund

The Regulations require that any difference between the aggregate of the amounts paid by purchasers and the aggregate of the amounts paid to vendors for gaming machine entitlements sold in the trading round is payable as commission into the Gamblers Rehabilitation Fund.

An amount of \$19 972.89 was payable to the Gamblers Rehabilitation Fund.

Closure of Trading Round

Notice of closure of Trading Round 1/2012 was published on the CBS website on 30 August 2012.

6. Approval of Persons

Gaming machine licensees are required to seek approval for persons who occupy particular positions or who have associations with licences.

Persons can be approved in respect of more than one venue and approvals at gaming machine venues can be under more than one category. Categories include:

- gaming machine managers;
- gaming machine employees;
- committee members of licensed clubs;
- directors and shareholders of licensee companies;
- employees of the holder of a gaming machine service licence;
- employees and sub-contractors of the holder of the gaming machine monitor licence; and
- in the case of a body corporate that holds a licence, any other person in a position to exercise or exert control or substantial influence over the body corporate in the conduct of its affairs.



6.1 APPLICATIONS FOR APPROVAL

In approving a person in any of the above categories, the Act requires that the Commissioner must be satisfied that the person is fit and proper to occupy that position. Factors such as a person's reputation, honesty, integrity and creditworthiness are taken into account. In determining whether a person is fit and proper, regard must be given to the reputation, honesty and integrity of the person's known associates, including relatives.

A copy of every application is provided to the Commissioner of Police who may intervene in any proceedings before the Commissioner on the question of whether a person is fit and proper.

During 2011-12 a total of 2 759 applications were lodged by licensees seeking approval of persons under the above categories. Including applications outstanding from 2010-11, 2 933 applications had been granted as at 30 June 2012.

Interim Approvals

In January 2012, an internal policy to provide for the granting of interim approvals for gaming machine managers, gaming machine employees and gaming machine technicians was implemented. The objective of this policy is to reduce red tape for licensees by reducing the time taken to process applications for approval.

If the applicant is deemed suitable for approval, based on the information lodged with the application, the approval is granted on an interim basis, to become ongoing three months later in the absence of a decision to the contrary.

Any information subsequently provided to my office by the Commissioner of Police is considered and, if necessary, the interim approval is revoked.

This policy has dramatically reduced waiting times for approvals.

7. Gaming Machines and Games

7.1 APPROVAL OF GAMING MACHINES AND GAMES

Schedule 1(a) of the Act provides that only approved gaming machines, games and prescribed components may operate in South Australia. Section 40 of the Act gives the Commissioner the power to approve such machines, games and equipment.

If the Commissioner is of the opinion that a game is likely to lead to an exacerbation of problem gambling, the application must be refused. In determining whether a game is likely to lead to an exacerbation of problem gambling, the Commissioner must apply the principles prescribed by the Independent Gambling Authority in the *Game Approval Principles—Prescription Notice 2011*.

During 2011-12, no applications for games were refused.

7.2 TESTING AND EVALUATION OF GAMING MACHINES AND GAMES

The testing and evaluation of gaming machines and games is conducted by an accredited testing laboratory, primarily BMM Australia Pty Ltd and GLI (Australia). Some testing has also been undertaken by QALab Pty Ltd and Enex TestLab.

Test reports are received from these accredited testing laboratories, certifying that a gaming machine or game meets the current technical standards. In addition to this, the Independent Gaming Corporation (IGC), holder of the monitoring licence, certifies that the machine or game that is to be operated in a gaming venue is compatible with the central monitoring system and communications protocol.



During 2011-12, the following activity occurred for gaming machines, games and associated equipment for gambling:

	2011-12	2010-11
Games Approval Activity		
Orders approving a new game	51	39
Orders approving a new version of a game	48	1
Orders revoking the approval of a game	0	0
Gaming Machines Approval Activity		
Orders approving a new gaming machine	2	1
Orders approving a modification to a gaming machine	32	10
Orders revoking the approval of a gaming machine	0	0

The increase in new versions of games was due to an update to base software for IGT AU1 games. As a result approximately 40 existing approved AU1 games had to be reassessed against the new base software.

Further, Bytecraft also released a series of LCD replacement kits suitable for older gaming machine types. Accordingly the number of modifications to gaming machines reflect the approval of these kits for use with each machine model.

7.3 NATIONAL STANDARD FOR GAMING MACHINES

In developing a National Standard for gaming machines, a working party comprising of representatives from regulatory agencies in each Australian and New Zealand jurisdiction, continues to consult with gaming machine manufacturers, testing laboratories and other industry participants.

The official mechanism for the amendment and development of the National Standard is the Manufacturers' Forum which is held every two years in Sydney following the Australasian Gaming Expo.

The Gaming Machines National Standard Rev 10.1 remains the current version of the Standard.

8. Compliance and Enforcement

8.1 TARGETED RISK BASED APPROACH TO COMPLIANCE

The Liquor and Gambling Commissioner, as a statutory office holder, is required to actively regulate the liquor and gambling industries to ensure proper conduct and compliance with relevant Acts of Parliament.

The legislation aims to:

- encourage responsible attitudes towards the promotion, sale, supply, consumption and use of liquor and gambling products;
- minimise the harm associated with these products;
- reflect community values and expectations; and
- maintain public confidence in the State's liquor and gambling industries.

By its nature, the liquor and gambling environments contain a number of vulnerabilities such as problem gambling and the threat of irresponsible service of alcohol. Risk controls are integral to adopting a compliance approach to meet all legislative requirements. These risk controls incorporate active monitoring, auditing and investigation.



During 2011-12 CBS implemented a risk based compliance model consisting of four complementary approaches—

- self-assessment by licensees;
- risk based inspections (incorporating routine, targeted and thematic inspections);
- taskforce operations; and
- complaint based investigations.

These are summarised as follows:

Self Assessment by Licensees

My office has, with the support of the Australian Hotels Association and Clubs SA, designed a number of self-assessment checklists to assist licensees in fulfilling their supervisory and management responsibilities under respective liquor and gambling legislation and codes of practice.

Copies of the checklists are available online from the CBS website and from industry representatives.

While the completion of these checklists is not mandatory, they do provide licensees with a tool to not only educate themselves about their responsibilities in relation to liquor and gambling requirements but also a way for licensees to demonstrate a commitment to their legislative requirements.

Risk Based Inspections

While the self audit program forms an important part of the new compliance program, it is supported by a risk based inspection regime. The frequency of inspections is dependent on the perceived risk level of the licence.

The nature of the business and its associated risk factors influence whether the risk level of the licence is high, medium or low.

Notwithstanding the above, all premises with a gaming machine licence are subject to a minimum of one routine annual inspection either as a standalone inspection or in conjunction with an inspection of premises for the purposes of the *Liquor Licensing Act 1997*.

Targeted/Thematic Inspections

Under the risk based inspection regime, targeted/themed inspections allow my office to concentrate on common areas or themes that have been highlighted either through an analysis of intelligence data or complaints raised from the public, external agencies and/or the Police. The gaming elements of these operations focus on:

- how well licensees are meeting their legislative responsibilities;
- the degree of knowledge that licensees and/or staff have in regard to responsible gambling and intoxication issues;
- checking that there are appropriate systems and procedures in place for the proper operation of the licence; and
- other matters, including licence conditions and codes of practice obligations.

Taskforce Operations

My office also targets specific issues relating to liquor and gambling operations within particular regions or in connection with scheduled events. This is often undertaken unannounced and concentrates on the behaviour of the licensee and staff, including their interaction with members of the public.

During 2011-12, the gaming elements of these taskforce operations included the covert surveillance of gaming licensee operations in the following locations:

- Riverland with a focus on licensed gaming venues in Renmark, Berri, Loxton and Waikerie; and
- Limestone Coast with a focus on licensed gaming venues in Naracoorte, Robe, Penola, Millicent, Beachport and Mount Gambier.

Further details concerning these specific operations are shown later in this report.



Complaint/Non-Compliance Based Investigations

During 2011-12, the framework for the investigation of complaints, non-compliance and referrals from internal CBS business units and external agencies was centralised and is now facilitated by a team of investigators who are cross-skilled across liquor, gambling, wagering and charity legislation.

8.2 INTEGRATED COMPLIANCE FUNCTIONALITY

To assist me to fulfil my regulatory responsibilities, I have also implemented an integrated compliance framework.

During 2011-12, all industry based inspection functions (casino, liquor, gaming and wagering) were consolidated and now operates from within the new Investigations & Inspections Branch of CBS.

To provide flexibility in responding to liquor and gambling priorities, inspectors within the new branch are cross-skilled across all legislation types and are employed under a rostered working arrangement. This change in functionality allows inspectors to focus solely on compliance and enforcement functions at times of the day when liquor and gambling licensees are most active.

Accordingly, CBS has recruited staff for these positions and implemented appropriate rosters.

8.3 INSPECTION AND ASSESSMENT

Inspectors from the Investigations & Inspections Branch of CBS are responsible for the frontline inspection of approximately 6 000 licensed venues in the State (of which 557 held active gaming machine licences as at 30 June 2012).

These inspectors are supported by a team of investigators who are responsible for the investigation of complaints, non-compliance and referrals from internal CBS business units and external agencies in relation to liquor, gaming, casino and wagering legislation.

Compliance Assessments

Gaming venues represent less than 10% of all licensed venues in South Australia. Accordingly, compliance assessments will generally be conducted in conjunction with an inspection of premises for the purposes of the *Liquor Licensing Act 1997*.

The numbers of gaming focussed inspections conducted by CBS during 2011-12 are detailed below:

Inspection By Type	2011-12
Routine Inspections	658
Targeted Inspections	273
Thematic Inspections	110
Taskforce Operations	32
TOTAL	1 073

The primary method of assessing compliance has been through the onsite inspection of gaming venues (known as a routine inspection) according to a schedule of inspections based on their geographic location.

All gaming machine venues are subject to at least one routine inspection per year whereby a visual inspection of the premises is undertaken and measured against a standardised checklist. Items on the checklist cover matters such as the layout of gaming machines, compliance with codes of practice requirements and some licence condition responsibilities.



In addition, a number of targeted or themed based operations (over and above routine inspections) were also conducted. These included the use of covert surveillance and saturation type inspections to target specific compliance requirements across multiple venues.

Other methods used to detect non-compliance include the investigation of complaints and disputes lodged with CBS by patrons or external agencies and the review of advertisements placed in the Adelaide Advertiser, Messenger Press and country newspapers provided to CBS through a contracted media monitoring service.

The results of each assessment are recorded with any infringements subject to immediate corrective action by the licensee and/or the initiation of disciplinary proceedings.

Options available to deal with non-compliant licensees include the provision of verbal advice and education, warning letters, expiation notices and formal disciplinary action.

During 2011-12, 11.6% of assessments resulted in an infringement being identified, a reduction from 13.2% in 2010-11.

Taskforce Operations

During 2011-12, my office conducted a number of taskforce operations to target specific issues relating to liquor and gambling operations within particular regions or in connection with scheduled events. These operations were typically undertaken unannounced and concentrated on the behaviour of the licensee and staff, including their interaction with members of the public.

Riverland

In December 2011, my office conducted a liquor and gambling taskforce operation in the Riverland which included 23 gaming venues in Renmark, Berri, Loxton and Waikerie. In respect of these venues, covert surveillance was conducted to assess compliance with the Responsible Gambling Code of Practice and other relevant gaming machine legislation.

Inspectors assessed compliance against the following targeted items:

- minors within designated gaming areas;
- patrons playing multiple gaming machines;
- liquor being supplied to patrons whilst seated or standing at a gaming machine;
- cheques being cashed within the gaming area;
- a gaming manager was on duty; and
- a gaming manager and/or staff playing gaming machines.

Limestone Coast

In February 2012, my office conducted a liquor and gambling taskforce operation on the Limestone Coast which included 9 gaming machine venues in Naracoorte, Robe, Penola, Millicent, Beachport and Mount Gambier. In respect of these venues, covert surveillance was again conducted to assess compliance with the Responsible Gambling Code of Practice and other relevant gaming machine legislation.

In both cases, it was pleasing to note that inspectors found no instances of breaches in relation to the Responsible Gambling Code of Practice or other relevant gaming machine legislation.

Non Compliance Detected

The following tables provide a list of non-compliant matters detected during 2011-12 and give a comparison where applicable to the previous year. Common compliance types have been grouped together where possible.

It should be noted that 2011-12 was a year of transition which saw CBS move to a targeted risk based approach compliance model. Accordingly, under this new model the inspection rationale has become focussed on specific elements of the gambling compliance framework having regard to risk rather than being generic and all encompassing as in previous years.



Signage

Compliance Item	2011-12	2010-11
Gambling helpline cards/stickers including 'Gamble responsibly' (not available or affixed to ATMs and EFTPOS and/or gaming machines)	17	17
Code of practice not available	1	4
Warning to minors sign not displayed (at each entrance)	10	10
Playing of more than one machine sign including 'Gamble Responsibly' not displayed	12	7
Gaming licence not displayed (at principal entrance)	11	5
Governed by a code of practice sign including 'Gamble Responsibly' not displayed	1	2
Warning to minors sticker (not affixed to gaming machines)	14	8
Responsible gambling pamphlets including 'Gamble Responsibly' not displayed	0	2
Rules ancillary to gaming sign not displayed	4	3
TOTAL	70	58

Staff/Supervision

Compliance Item	2011-12	2010-11
Training - operation of machines- not completed or certificate not available at time of inspection	17	43
Responsible gambling training - not completed or certificate not available at time of inspection	17	41
All approved gaming staff on duty not clearly displaying ID badges	25	5
No gaming machine manager on duty	3	3
All staff not approved	0	1
Licensee/Gaming Manager on duty not clearly displaying ID badge	12	2
TOTAL	74	95

Advertising

Compliance Item	2011-12	2010-11
Advertising does not include either condensed or expanded warning message	0	11
TOTAL	0	11



Barrings

Compliance Item	2011-12	2010-11
All barring notices not being maintained in a folder or picture wall	1	2
All barring notices were not accessible by, or visible to, staff only and were visible to members of the public	11	1
Barring procedure not maintained (may be part of responsible gambling document)	1	6
Barring orders issued under section 59 have not been provided to LGC	0	3
TOTAL	13	12

Other

Compliance Item	2011-12	2010-11
Register of interaction with problem gamblers not maintained	30	n/a ¹
Person cannot obtain a drink in an area other than the gaming area	8	0
Machine condition inadequate (monitors, buttons etc)	5	29
Responsible Gambling Document not maintained	7	18
Gaming layout not approved	0	11
Logic board not sealed	4	5
Log Books not present and/or completed	4	4
Details of Rehabilitation Agency not available	3	0
Time of day not prominently displayed in gaming area	2	2
Structural alterations not approved	0	1
TOTAL	63	70

In keeping with the targeted risk based approach to compliance, the inspection of gaming venues during 2011-2012 included a component focusing on adherence with responsible gambling measures and licence conditions as can be seen from the increased detection rates of non-compliance in relation to:

- problem gambling interaction registers;
- signage requirements;
- identification badge requirements;
- display of gaming machine licences;
- accessibility to barring notices; and
- persons being able to obtain a drink in an area other than the gaming area.

¹ Previously assessed generically as part of the requirement to maintain a Responsible Gambling Document. During 2011-12 CBS has placed greater emphasis on specific components of responsible gambling measures, resulting in this item being assessed and reported individually this year.



I also note that compliance with the requirement for licensees to be able to demonstrate that persons approved under the Gaming Machines Act have completed appropriate training in Responsible Gambling and Operation of Gaming Machines has improved significantly over the last two years.

Further, the level of compliance in relation to the requirement to maintain a responsible gambling document has also improved dramatically with only seven instances of non-compliance compared to 18 last year.

I have a range of options available to me to deal with non-compliant licensees including advice and education, warning letters, expiation notices and disciplinary action.

8.4 MONITORING SYSTEM

One of the functions of CBS is to ensure that the operation, integrity and security of gaming machines is maintained at the highest standard.

The primary tool in performing this function is the central monitoring system operated by the Independent Gaming Corporation (IGC). The primary focus to ensure constant scrutiny of the operations conducted under the monitor licence is the integrity of the monitoring system itself.

The imposition of licence conditions and the approval of procedures and policies ensure that there are sufficient internal and external security and audit controls. These controls ensure that any manipulation of the data collected and produced by the monitoring system will produce an auditable trail and that the software or hardware of the monitoring system cannot be altered without the consent of CBS.

In order to be satisfied that only approved software and hardware is installed, CBS has a 'baseline' procedure for taking a snapshot of the system at any point in time. The process involves using a computer utility tool to provide binary comparison verification of the application software. The result is the production of a baseline order showing the current configuration of software and hardware of the system at a point in time.

This baseline document enables CBS staff to compare the system at any point in time with the last baseline document to ensure that no unauthorised changes have been made.

Any alteration to the approved system is evaluated and approved by CBS. A decision is made as to whether or not such alterations require specialist evaluation by a suitably qualified software testing facility or whether, upon production of results of test scripts, minor alterations can be approved without more detailed investigation.

Any alterations subsequently approved are installed in the presence of a CBS staff member and the baseline procedure is conducted following its installation.

Scrutiny of the operation of gaming machines is also maintained via the review and analysis of reports which are generated by the monitoring system. These reports are used by CBS staff to scrutinise both the operations of IGC as well as the operation of machines in the field. For example, reports can be used to detect a possible malfunctioning machine. The reports are also monitored by CBS to check that IGC has followed set procedures for trying to re-establish communications. Alternatively, some reports are used solely for scrutinising games installed in the field.

The monthly check of data and the rigorous testing of the system's functionality in the original system approval process ensures that the reports generated by the system can be relied on for the scrutiny of other licence holders.

No unauthorised adjustments were found to be made to data and no alterations were made to the system without approval.

8.5 DISCIPLINARY ACTION

Section 36 of the Act provides for disciplinary action to be taken against a licensee for the following reasons:

- the licence was improperly obtained;
- the licensee is not a fit and proper person to hold the licence;
- a person who occupies a position of authority in a trust or corporate entity that holds a licence is not fit and proper;
- the licensee has contravened or failed to comply with a provision of the Act, a condition of licence, the advertising code of practice or the responsible gambling code of practice;
- the licensee has been convicted of an offence against the Act or an offence punishable by imprisonment;
- the licensee has ceased to operate gaming machines on the premises; or
- it would be contrary to the public interest if the licensee were to continue to be licensed.

The most common reason for taking disciplinary action is the contravention of a provision of the Act, a condition of the licence or the codes of practice.

Section 36B of the Act provides that disciplinary action may be in the form of:

- a licensee reprimand;
- an addition to or variation of the conditions of licence;
- licence suspension;
- licence revocation;
- cancellation of one or more gaming machine entitlements;
- a fine not exceeding \$20,000.

Before taking any action, the Act requires that a licensee and the Commissioner of Police must be given at least 21 days written notice of any inquiry to determine if disciplinary action should be taken.

The Licensee must be afforded reasonable opportunity to call and give evidence, to examine and cross examine witnesses, and to make submissions.

Details of disciplinary action taken in relation to the Act are detailed in the table below.

Premises	Breach Details	Action Taken
Oxford Hotel	Failure to comply with licence conditions under the <i>Gaming Machines Act 1992</i> .	Reprimand
Woolshed On Hindley	Failure to comply with licence conditions under the <i>Gaming Machines Act 1992</i> .	Reprimand
Maylands Hotel	Failure to comply with Section 72A of the <i>Gaming Machines Act 1992</i> .	Reprimand
Elliston Hotel	Failure to comply with the licence conditions under the <i>Gaming Machines Act 1992</i> and the Responsible Gambling Code of Practice.	Reprimand



8.6 EXPIATION NOTICES

Where a licensee contravenes or fails to comply with a mandatory provision of the Responsible Gambling or Advertising codes of practice or commits an offence under sections 46, 50A, 51(1), 51(2), 54 or 57(3) of the Act, the offence may be expiated. Expiation fees range from \$160 to \$1 200.

In 2011-12, one expiation notice was issued by CBS.

Premises	Breach Details	Action Taken
Desert Cave Hotel Motel	<p>Failure to comply with section 50A of the <i>Gaming Machines Act 1992</i>.</p> <p>Failure by gaming machine employee to wear an identification card approved by the Commissioner while carrying out his or her duties on the licensed premises.</p>	Expiation Fee \$160

8.7 PROSECUTIONS

In 2011-12, no prosecutions were commenced by CBS for offences against the Act.

8.8 INVESTIGATIONS

During 2011-12, my office formally investigated 32 matters in relation to complaints and allegations of breaches of the Act.

Four complaints related to disputed gaming machine payouts or alleged machine malfunctions. Of these complaints, three were upheld in favour of the complainant, while one complaint is the subject of an ongoing investigation.

A further 28 matters were investigated in relation to alleged non-compliance with gaming legislation or codes of practice. The nature of these vary from simple matters such as warning messages not being displayed through to more complex matters involving late payment of gaming tax and withdrawals from an ATM exceeding \$200.

Following assessment by investigators:

- four licensees received a formal reprimand, including one reprimand which was as a result of an investigation which commenced in 2010-11;
- one matter was expiated;
- four gaming machine managers/employees were suspended;
- eight matters resulted in the issue of a caution;
- nine matters were dismissed;
- all licensees received a reminder about the requirements to ensure that ATM withdrawals in their venues are limited to \$200 per transaction; and
- three matters are the subject of ongoing investigation.

A range of strategies are employed to determine a complaint or allegation of non-compliance, including interviewing parties, confirmation of a game's history, confirmation of events leading up to the dispute, examination of financial and chronological data acquired from the central monitoring system, testing of technical aspects of a particular game or machine and any other actions deemed necessary.



9. Barrings under section 59

Under section 59 of the Act, a licensee may bar a person from the gaming area of the premises if he or she is satisfied that the welfare of the person, or the welfare of a person's dependents, is seriously at risk as a result of the excessive playing of gaming machines by the person.

Section 59	2011-12
Number Of Persons Barred	263
Total Number Of Barring Orders Issued	389

Persons	No. of Orders	Total 2011-12
197	1	197
45	2	90
10	3	30
4	4	16
5	5	25
1	15	15
1	16	16
263		389

Section 59	As At 30 June 2012
Total Number Of Persons Currently Barred	1 028

A person who is the subject of a barring order may apply to the Commissioner to review the order. During 2011-12 no applications were made under section 61 of the Act for a review of a barring order.

10. Gaming Tax

10.1 RATES

The taxation rates effective for 2011-12 were:

Annual NGR	Marginal Tax Rates	
	Other than Non-Profit Businesses (Hotels)	Non-Profit Business (Clubs & Community Hotels)
\$0 - \$75,000	0%	0%
\$75,001 - \$399,000	27.50%	21.00%
\$399,001 - \$945,000	\$89,100 plus 37.00%	\$68,040 plus 28.50%
\$945,001 - \$1,500,000	\$291,120 plus 40.91%	\$223,650 plus 30.91%
\$1,500,001 - \$2,500,000	\$518,170.50 plus 47.5%	\$395,200.50 plus 37.5%
\$2,500,001 - \$3,500,000	\$993,170.50 plus 57%	\$770,200.50 plus 47%
Above \$3,500,000	\$1,563,170.50 plus 65% of excess	\$1,240,200.50 plus 55% of excess

A **non-profit business** is defined as “a business carried out pursuant to a gaming machine licence held by or on behalf of a body corporate or association, where the Minister is satisfied that the profits of the business cannot be returned to the members or shareholders of the body corporate or association”.

Effectively this definition applies to all incorporated clubs and also includes community hotels.

10.2 DISTRIBUTION OF NET GAMBLING REVENUE

During 2011-12, 563 venues operated for all or part of the year. The following tables show the total number of venues and total Net Gambling Revenue (NGR) falling within each tax threshold according to tax class.

Total Number of Venues

Annual NGR	Total Number of Venues	
	Other than Non-Profit Businesses (Hotels)	Non-profit business (Clubs & Community Hotels)
\$0 - \$75,000	52	9
\$75,001 - \$399,000	146	22
\$399,001 - \$945,000	70	10
\$945,001 - \$1,500,000	46	6
\$1,500,001 - \$2,500,000	70	16
\$2,500,001 - \$3,500,000	53	10
Above \$3,500,000	49	4
Total Number of Venues	486	77



Total NGR

Annual NGR	Total Net Gambling Revenue	
	Other than Non-Profit Businesses (\$mil)	Non-Profit Businesses (\$mil)
\$0 - \$75,000	2.210	0.438
\$75,001- \$399,000	28.839	5.322
\$399,001 - \$945,000	43.435	5.307
\$945,001 - \$1,500,000	55.964	7.643
\$1,500,001 - \$2,500,000	137.374	33.767
\$2,500,001 - \$3,500,000	160.822	30.391
Above \$3,500,000	214.821	16.454
Total NGR	643.465	99.322

10.3 NON PAYMENT OF GAMING TAX

A number of licensees failed to pay gaming tax by EFT from their designated bank account on the due date. If the amount remains unpaid for more than seven days from the initial EFT from the account, the Act automatically requires that a fine of 10% is applied.

Section 72B of the Act provides that if an amount remains outstanding for more than 10 days from the due date, the licence may be suspended, by written notice, until the amount is paid. On the day that the fine is applied, licensees receive a notice advising that a fine has been incurred and that they have a further three days to pay the amount outstanding (including the fine).

In 2011-12, 14 licensees were issued with fines and received notices requiring them to pay within three days. Of these, three licensees did not pay by the due date as administrators were appointed by the licensee companies pursuant to section 436A(1) of the *Corporations Act 2001*. Proof of debt forms were lodged with the relevant administrators in regards to the outstanding debts.

Disciplinary action was also taken against one licensee during 2011-12 due to Gaming Tax not being paid within 7 days of the end of each calendar month. This resulted in the licensee being issued with a formal reprimand.

No gaming machine licences were suspended during 2011-12 due to the non payment of gaming tax.

10.4 REFUNDS

Refunds of gaming tax arise from the tax-free threshold for clubs and hotels with an NGR of less than \$75 000 per annum and where a venue does not operate for a full financial year.

Gaming tax is collected on a monthly basis whereas the tax rates are based on thresholds for a financial year. Where a venue's gaming revenue fluctuates above and below the tax-free threshold on a month-by-month basis, a refund may occur. A refund will arise where the total tax paid each month exceeds the amount payable on a yearly basis.

47 venues are eligible for refunds for the 2011-12 financial year totalling \$52 808.66.



11. Statistics

Table 1 Monthly gaming statistics 2011-12

Month	Total Bets (\$)	Total Wins (\$)	Net Gambling Revenue (\$)	Tax Liability ⁽¹⁾ (\$)	Fines (\$)
Jul-2011	715,236,762	648,374,495	66,862,267	26,943,191	
Aug	727,133,140	659,275,994	67,857,146	27,349,657	6,948
Sep	696,490,238	632,211,463	64,278,775	25,446,207	2,425
Oct	686,182,150	622,321,153	63,860,997	25,196,586	351
Nov	650,872,769	590,567,147	60,305,622	23,398,212	19,814
Dec	667,348,262	605,210,789	62,137,473	24,347,875	57
Jan-2012	630,732,862	572,172,096	58,560,765	22,462,616	
Feb	607,665,240	551,215,528	56,449,710	21,407,597	
Mar	673,054,052	610,452,909	62,601,229	24,566,728	
Apr	617,218,227	559,936,620	57,281,521	21,866,603	54
May	656,556,710	595,637,506	60,919,204	23,735,673	
Jun-2012	667,800,298	606,127,454	61,672,844	24,223,943	18,215
2011-12 Year	\$7,996,290,709	\$7,253,503,155	\$742,787,553	\$290,944,888	\$47,864⁽²⁾

⁽¹⁾ Accrued Tax Liability prior to refunds being applied

⁽²⁾ Includes three fines which have not been paid due to the appointment of administrators

Chart 1 Gaming tax levied per month 2011-12

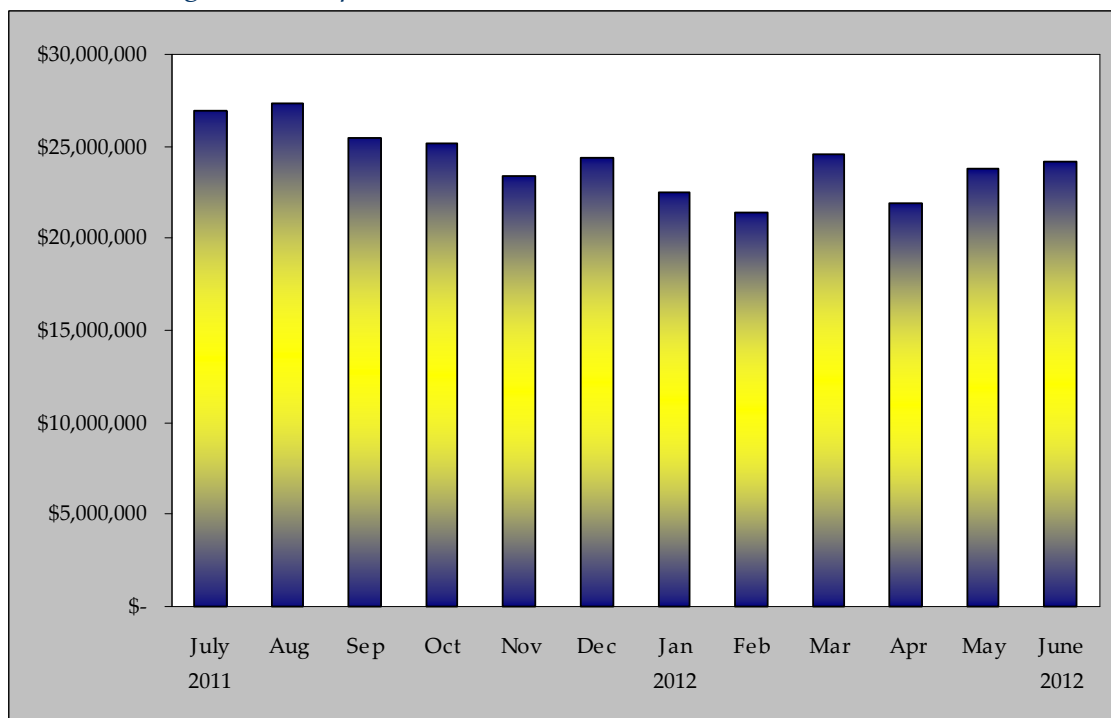


Table 2 Monthly live gaming machines and venues 2011-12



Month Ending	Venues	Gaming Machines
Jul-2011	561	12 726
Aug	561	12 725
Sep	561	12 735
Oct	560	12 718
Nov	560	12 738
Dec	559	12 731
Jan-2012	559	12 728
Feb	559	12 705
Mar	559	12 699
Apr	558	12 693
May	557	12 690
Jun-2012	557	12 688

Chart 2 Variation in live gaming machines and venues 2011-12

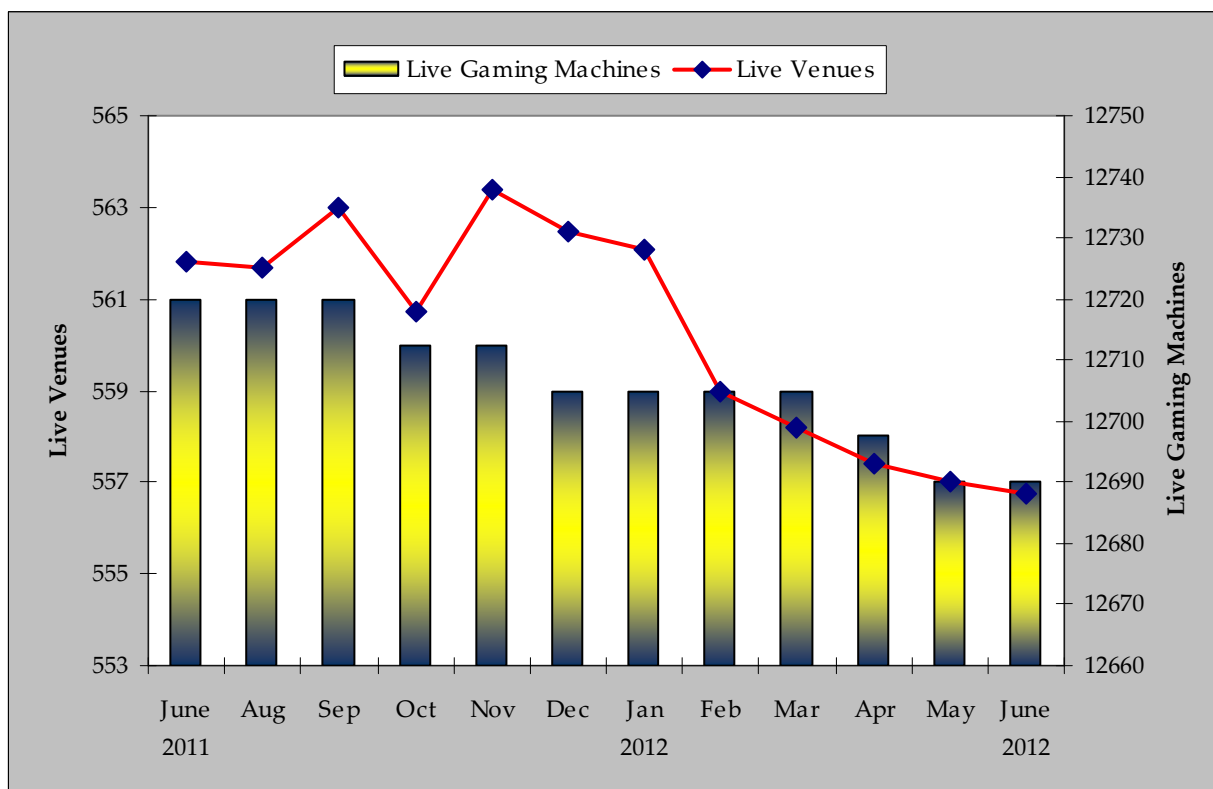


Table 3 Revenue data by ABS LGA 2011-12



<i>LGA or Grouped LGA</i> <small>(Where a LGA has less than 5 venues, that LGA has been grouped with another LGA)</small>	<i>No of Venues</i>	<i>Gaming Machines as at 30 June 2012</i>	<i>Aggregate NGR \$ per LGA (2011-12)</i>	<i>Aggregate NGR \$ per venue (2011-12)</i>
Adelaide	55	1098	31,893,481.87	579,881.49
Adelaide Hills	18	264	4,961,354.31	275,630.80
Alexandrina	13	256	8,521,682.79	655,514.06
Barossa	15	235	6,580,607.99	438,707.20
Barunga West, Copper Coast	16	263	10,313,381.85	644,586.37
Berri, Barmera	7	174	6,705,393.38	957,913.34
Campbelltown, Tea Tree Gully	14	441	46,338,399.47	3,309,885.68
Ceduna, Streaky Bay, Le Hunte, Elliston, Lower Eyre Peninsula	10	143	5,225,513.20	522,551.32
Charles Sturt	27	821	64,616,182.17	2,393,191.93
Clare & Gilbert Valleys	7	88	2,323,985.95	331,997.99
Cleve, Kimba, Tumby Bay, Franklin Harbour	7	77	1,806,710.54	258,101.51
Coober Pedy, Roxby Downs, Flinders Ranges	8	141	5,343,379.52	667,922.44
Coorong, Tatiara	9	133	3,232,176.76	359,130.75
Gawler	8	208	14,486,176.60	1,810,772.08
Goyder, Northern Areas	8	56	1,278,151.84	159,768.98
Holdfast Bay	11	373	23,015,314.45	2,092,301.31
Light, Mallala	12	105	4,061,536.16	338,461.35
Loxton, Waikerie	5	121	3,624,790.66	724,958.13
Marion	11	347	29,784,123.02	2,707,647.55
Mid Murray	10	129	2,611,799.21	261,179.92
Mitcham, Burnside	7	219	16,639,799.12	2,377,114.16
Mount Barker	12	253	10,789,199.22	899,099.94
Mount Gambier, Grant	14	368	17,111,007.88	1,222,214.85
Murray Bridge, Karoonda/East Murray, Southern Mallee	10	159	9,434,526.88	943,452.69
Naracoorte & Lucindale, Robe, Kingston	8	168	4,850,509.09	606,313.64
Norwood Payneham & St Peters	17	551	31,807,763.28	1,871,044.90
Onkaparinga	24	725	60,780,419.21	2,532,517.47
Peterborough, Mount Remarkable	7	73	1,395,579.53	199,368.50
Playford	10	306	32,859,836.65	3,285,983.67
Port Adelaide Enfield	46	1247	79,016,837.58	1,717,757.34
Port Augusta	12	271	12,579,980.45	1,048,331.70
Port Lincoln	7	212	9,908,368.85	1,415,481.26
Port Pirie	9	220	9,681,966.12	1,075,774.01
Prospect, Walkerville	6	200	14,782,027.27	2,463,671.21
Renmark, Paringa	6	148	5,654,073.44	942,345.57
Salisbury	20	616	66,742,179.91	3,337,109.00
Unincorp Far North, Unincorp West Coast	6	57	803,456.12	133,909.35
Unley	8	254	14,782,334.78	1,847,791.85
Victor Harbor, Kangaroo Island, Yankalilla	11	230	8,970,114.50	815,464.95
Wakefield Region	9	61	1,267,597.56	140,844.17
Wattle Range	7	113	3,009,547.45	429,935.35
West Torrens	11	337	31,423,670.71	2,856,697.34
Whyalla	8	222	16,205,592.95	2,025,699.12
Yorke Peninsula	17	205	5,567,022.94	327,471.94
Adelaide	55	1098	31,893,481.87	579,881.49
Total	563	12688	\$742,787,553.23	\$1,319,338.46

The total number of 563 venues represents the total number of venues that operated and derived NGR at any time throughout the year. This number may differ from the total number of venues operating as at 30 June 2012 due to the surrender or suspension of a gaming licence.



Where data is divided between hotels and clubs in the following tables, the division is made in relation to the nature of how the venue operates as opposed to how it is taxed (i.e. a community hotel is included in the following tables under 'Hotels' but is taxed as a non-profit business - see section 11).

Table 4 Net gambling revenue (NGR) - 2008 to 2012

	2007-08 (\$mil)	%	2008-09 (\$mil)	%	2009-10 (\$mil)	%	2010-11 (\$mil)	%	2011-12 (\$mil)	%
Hotels	683.667	90.1	676.089	90.1	658.012	90.2	672.204	90.1	669.937	90.2
Clubs	74.792	9.9	74.564	9.9	71.361	9.8	73.263	9.9	72.851	9.8
Total	758.459		750.653		729.373		745.467		742.788	

Table 5 Gaming tax liability - 2008 to 2012

	2007-08 (\$mil)	%	2008-09 (\$mil)	%	2009-10 (\$mil)	%	2010-11 (\$mil)	%	2011-12 (\$mil)	%
Hotels	273.014	92.5	270.366	92.4	261.467	92.5	295.536	92.4	269.011	92.5
Clubs	22.022	7.5	22.382	7.6	21.161	7.5	22.054	7.6	21.933	7.5
Total	295.036		292.748		282.628⁽¹⁾		291.590		290.944	

⁽¹⁾Gaming tax after refunds applied

Table 6 Average NGR per machine per day - 2008 to 2012

	2007-08	2008-09	2009-10	2010-11	2011-12
Ave NGR per machine per day	\$164	\$162	\$157	\$160	\$160

Table 7 Average total NGR per day - 2008 to 2012

	2007-08 (\$mil)	2008-09 (\$mil)	2009-10 (\$mil)	2010-11 (\$mil)	2011-12 (\$mil)
Sunday	1.599	1.595	1.540	1.577	1.516
Monday	1.652	1.619	1.578	1.612	1.594
Tuesday	1.770	1.818	1.761	1.798	1.799
Wednesday	2.116	2.101	2.055	2.087	2.097
Thursday	2.442	2.341	2.339	2.389	2.368
Friday	2.649	2.624	2.485	2.569	2.580
Saturday	2.296	2.303	2.228	2.257	2.238



Table 8 Return to player percentage (RTP%) - 2008 to 2012

	2007-08	2008-09	2009-10	2010-11	2011-12
Return to Player ⁽¹⁾	90.29%	90.50%	90.59%	90.67%	90.71%

⁽¹⁾ From 1 October 2001 all new games and machines installed after this date must have a minimum RTP of 87.5% (increased from 85%). While the actual return to player has continued to increase steadily each year, it is expected that this change to the minimum RTP will impact further as older games and machines installed prior to 1 October 2001 are removed and replaced with new games with a minimum return to player of 87.5%.

Chart 3 Average RTP % - since commencement of gaming

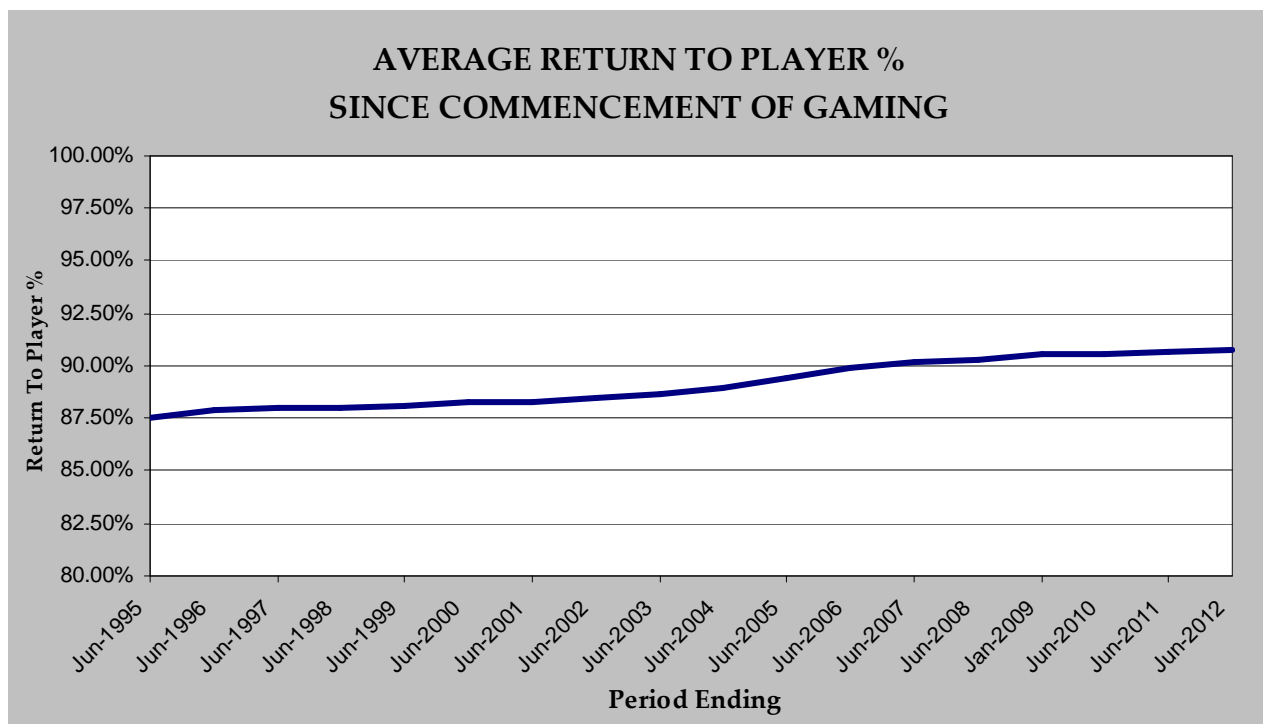


Table 9 Live venues and gaming machines - 2008 to 2012

As At	30 June 08	30 June 09	30 June 10	30 June 11	30 June 12
No of Venues	565	566	561	561	557
No of Machines	12 682	12 737	12 744	12 726	12 688



Table 10 Number of hotels by machine range - 2008 to 2012

No of Machines	30 June 08 ⁽¹⁾	30 June 09	30 June 10	30 June 11	30 June 12
1 to 10	133	133	131	133	131
11 to 20	100	101	101	101	101
21 to 30	33	33	33	33	33
31 to 40	229	230	231	230	229
Total	495	497	495	497	494

(1) Figures have been adjusted for 30 June 2008 as the division was made in relation to how the venue was taxed rather than the nature of how the venue operates

Table 11 Number of clubs by machine range - 2008 to 2012

No of Machines	30 June 08 ⁽¹⁾	30 June 09	30 June 10	30 June 11	30 June 12
1 to 10	17	18	16	15	16
11 to 20	23	21	19	19	17
21 to 30	6	6	7	6	6
31 to 40	24	24	24	24	24
Total	70	69	66	64	63

(1) Figures have been adjusted for 30 June 2008 as the division was made in relation to how the venue was taxed rather than the nature of how the venue operates

Table 12 Gaming venues by business type - 2008 to 2012

Venue Type	30 June 2008	%	30 June 2009	%	30 June 2010	%	30 June 2011	%	30 June 2012	%
Hotels	495	87.0	497	87.8	495	88.2	497	88.6	494	88.7
Clubs	70	13.0	69	12.2	66	11.8	67	11.4	63	11.3
Total	565		566		561		561		557	

Table 13 Gaming machines by business type - 2008 to 2012

Venue Type	30 June 2008	%	30 June 2009	%	30 June 2010	%	30 June 2011	%	30 June 2012	%
Hotels	11 108	87.6	11 179	88.8	11 204	87.9	11 217	88.1	11 195	88.2
Clubs	1 574	12.4	1 558	12.2	1 540	12.1	1 509	11.9	1 493	11.8
Total	12 682		12 737		12 744		12 726		12 688	

Chart 3 Variation in gaming venues - 1995 to 2012

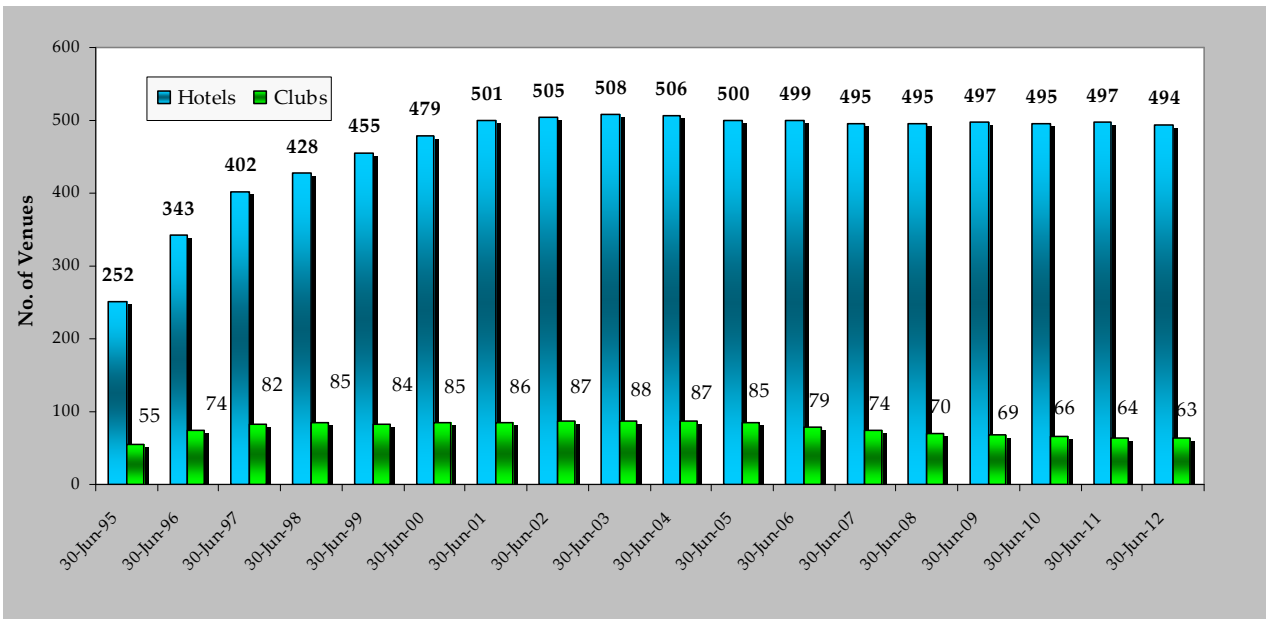


Chart 4 Variation in gaming machines installed - 1995 to 2012

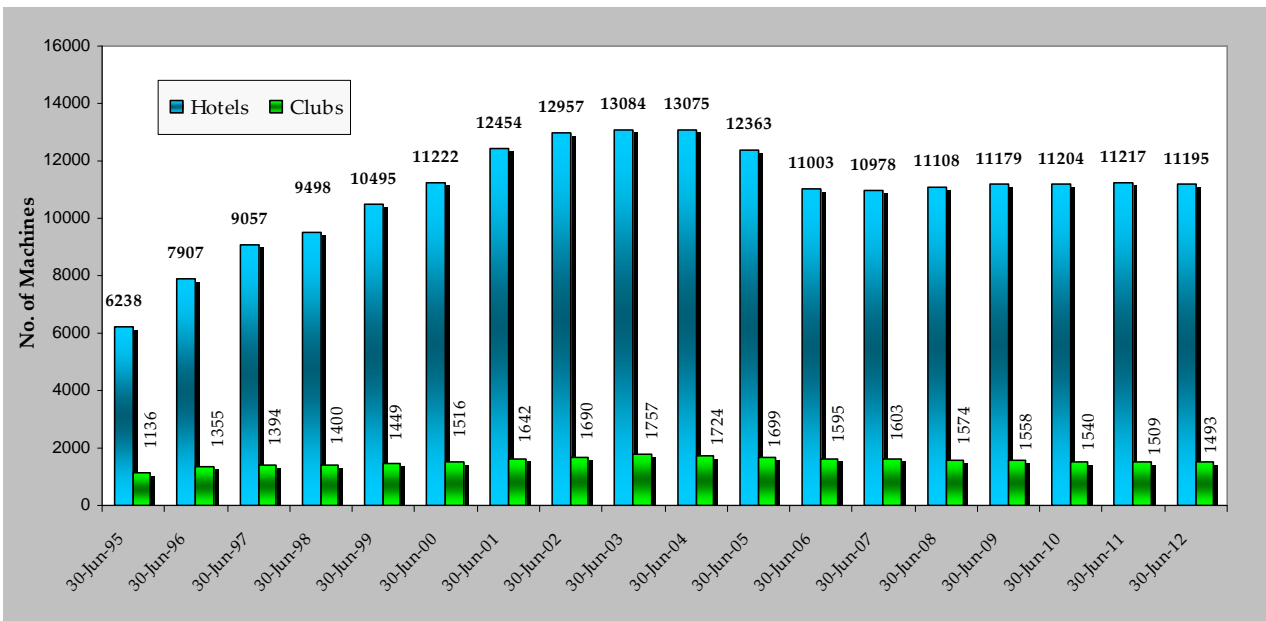




Table 14 Manufacturer's share of the gaming machine market - 2008 to 2012

	June 08	June 09	June 10	June 11	June 12
Aristocrat	7 502	7 167	6 511	5 899	5 224
IGT	3 458	3 777	4 076	4 287	4 447
Konami	1 347	1 555	1 757	1 871	2 029
Ainsworth	281	296	348	433	583
Stargames	n/a	n/a	50	252	436
Pacific	76	59	45	41	33
AGT (VGS)	69	52	37	28	25
Olympic	27	22	18	13	10
Datacraft/VLC	17	12	8	8	7
Atronic	10	8	7	7	6
Total⁽¹⁾	12 787	12 948	12 857	12 839	12 800

⁽¹⁾The total number of gaming machines for June of each year as shown above may be higher than the amount reported in Table 9 as the number of live machines operating in venues as at the 30 June each year. The data shown above takes into account data on any machine installed at any time during June with the difference due to machines being installed and removed from venues.

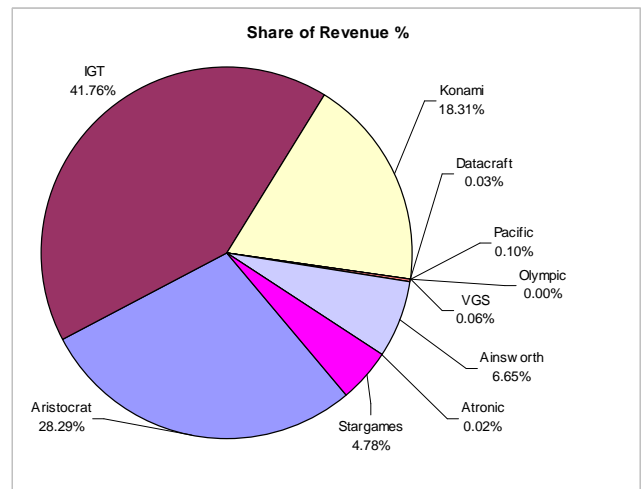
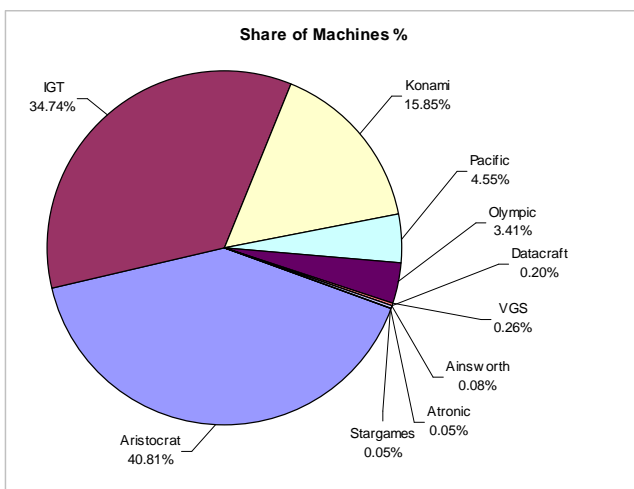




Chart 5 Impact of Legislation and Codes of Practice on NGR

With the exception of 1996-97 the average daily NGR per machine increased on an “annual basis” from \$98 in 1994-95 to \$172 for 2006-07. The decrease to \$164 for 2007-08 and \$162 for 2008-09 can be attributed to the phasing in of progressive smoking bans and softening economic conditions.

The further decline in NGR to \$157 for 2009-10 was likely due to a reduction in discretionary income, following interest rate rises, the global financial crisis and a fluctuating economic climate. Growth in NGR to \$160 per machine per day during 2010-11 was maintained in 2011-12 reflecting the continuing domestic economic conditions and discretionary spending levels within the community.

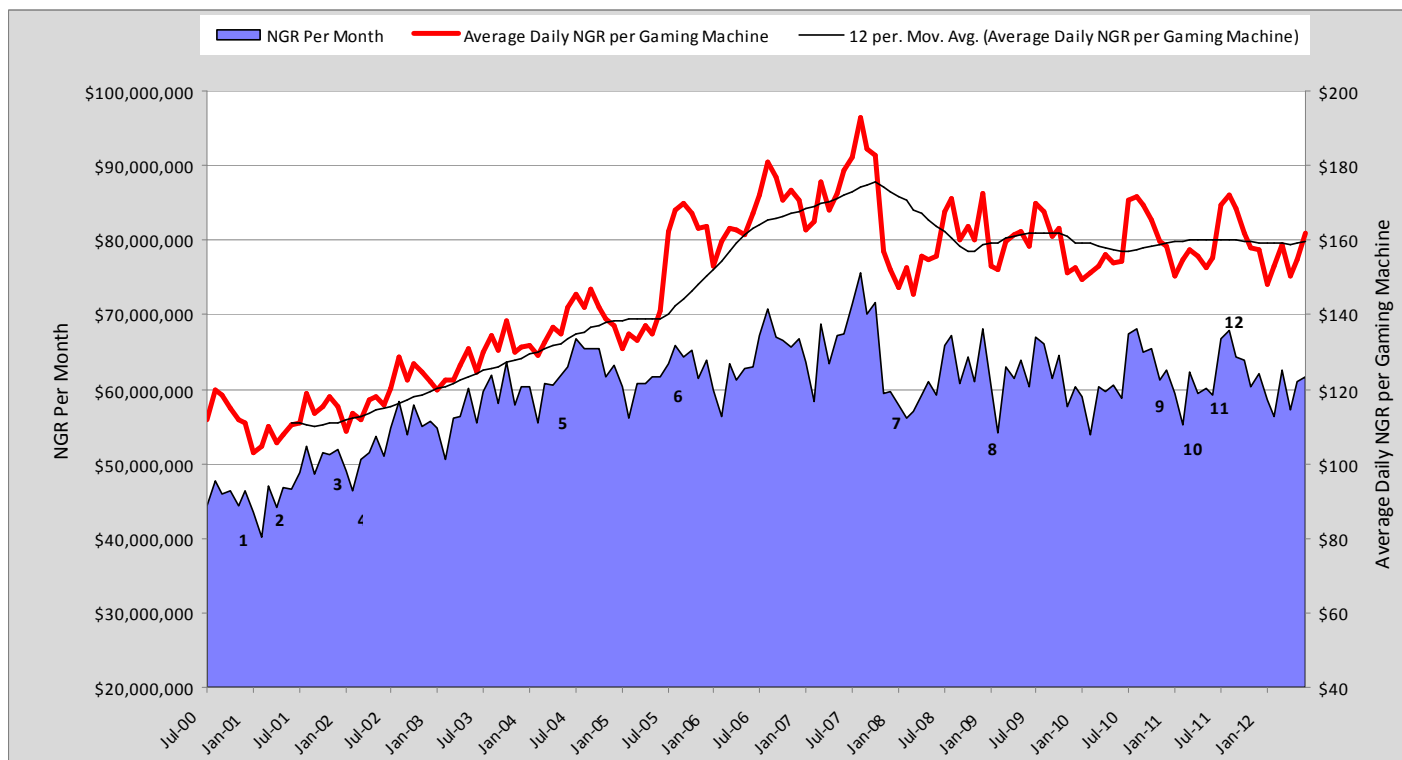




Table 15 *Chronology of Responsible Gambling Measures and Legislative Amendments*

Event	Details
Event 1: 07/12/2000	Commencement of legislation preventing the granting of new gaming machine licences.
Event 2: 30/05/2001	Statutes Amendment (Gambling Regulation) Act 2001 is passed.
Event 3: 01/10/2001	<p>First mandatory versions of the Responsible Gambling Code of Practice and the Advertising Code of Practice introduced. Key elements of the Codes were:</p> <ul style="list-style-type: none"> • clocks to be displayed in gaming areas • players to be prevented from playing while intoxicated • mandatory training requirements • cheques not to be cashed in gaming areas <p>Minimum RTP on all newly approved games increased to 87.5% from the previously approved rate of 85%</p> <p>Applications for new games must be refused if they are deemed to have characteristics that are likely to lead to an exacerbation of problem gambling. Voluntary Barring system introduced.</p>
Event 4: 01/01/2002	<p>Licenses are not to provide ATM or EFTPOS facilities that are capable of allowing more than \$200 per transaction per debit or credit card.</p> <p>Autoplay function removed from all South Australian gaming machines by this implementation date.</p>
Event 5: 30/04/2004	New Mandatory Codes of Practice introduced.
Event 6: 01/07/2005	Removal of 2162 machines as a result of compulsory reduction.
Event 7: 01/11/2007	Introduction of complete indoor smoking bans.
Event 8: 01/12/2008	Responsible Gambling and Advertising Codes of Practice amended.
Event 9: 25/11/2010	<i>Gaming Machines (Miscellaneous) Amendment Act 2010</i> is passed.
Event 10: 01/01/2011	Tranche 1 amendments proclaimed relating primarily to an increase in maximum penalties, the ability to expiate for certain breaches of the Act and licence conditions and red tape reduction initiatives.
Event 11: 01/06/2011	<p>Tranche 2 amendments proclaimed primarily relating to the prescribing of principles and the codes of practice by the Independent Gambling Authority (IGA), a strengthened Social Effect test and the introduction of expiation fees for breaches of mandatory code of practice provisions.</p> <p>Responsible Gambling and Advertising Codes of Practice amended.</p>
Event 12: 01/07/2011	Tranche 3 amendments proclaimed primarily relating to the role of the State Procurement Board in the administration of the Gaming Machines Act being abolished, the introduction of a new system for the trading of gaming machine entitlements and amended annual reporting requirements.



12. Appendix

Appendix A - Amendments to the Act Proclaimed on 1 July 2011

Section	Details
14	<p>Licence classes</p> <p>Deletion of references to the State Procurement Board and gaming machine suppliers licence. Transactions will occur directly between licensees and holders of a gaming machine dealer's licence. The Commissioner will assume some administrative functions previously conducted by the Board.</p>
26	<p>State Procurement Board to hold suppliers licence</p> <p>Deleted due to abolition of the Board.</p>
27B(2)	<p>Transferability of gaming machine entitlements</p> <p>Requires that the approved trading system is a system established by the regulations (Refer Gaming Machines (Approved Trading System) Variation Regulations 2011).</p>
39	<p>Approval of form of supply contract</p> <p>In place of the Board, the Commissioner must approve the form of contract between a holder of a gaming machine dealers licence (i.e. manufacturers and second hand dealers) and the holders of a gaming machine licence or a gaming machine service licence (i.e. service agents).</p>
44A	<p>Prohibition of links between dealers and other licensees</p> <p>Prohibits links between a dealer and other licensees under which one party is remunerated or receives proceeds from the business of the other.</p>
47A	<p>Offence of selling or supplying gaming machines, components or equipment without approved contract or with inducement</p> <p>Imposes a maximum penalty of \$35,000 where a dealer is found to have sold or supplied gaming machines etc, using a form of contract not approved by the Commissioner.</p> <p>A dealer must not provide or offer any form of inducement, other than the provision of a discount as specified in the form of contract.</p>
74(3)	<p>Annual reports</p> <p>Requires that the Commissioner must include in the annual report for the purposes of the Act:</p> <ul style="list-style-type: none"> • the number of expiation notices issued; • the number of prosecutions commenced; • the number of persons barred by order under section 59 (i.e. power of a licensee to bar a person) and the number of orders made against such persons.



Appendix B - Club One GME allocation

Section 14(1)(ab) of the Act allows a 'special club licence' to be granted authorising the licensee to possess approved gaming machines and to operate them on premises in respect of which someone else holds a gaming machine licence as agent of the holder of the gaming machine licence.

As at 30 June 2012, the holder of the special club licence, Club One had allocated a total of 190 gaming machine entitlements to such premises.

Hotel Group	Participating Premises	Number of Entitlements Allocated
Club Management Services (CMS)	Avenues Hotel	5
	Belair Hotel	4
	Feathers Hotel	5
	Highway Inn	6
	Lakes Resort	7
	Mick O'Shea Irish Pub	7
	Mile End Hotel	7
	Morphett Arms Hotel	7
	Stirling Hotel	3
	The Oxford Hotel	13
	Warradale Hotel	6
	TOTAL	70
Jones Group	Bridgeway Hotel	3
	Colonnades Tavern	5
	Cove Tavern	3
	Midway Tavern	7
	Settlers Tavern	5
	Tea Tree Gully Hotel	3
	Woodcroft Tavern	5
	TOTAL	31
Australian Leisure and Hospitality Group (ALH)	Elizabeth Tavern	3
	Eureka Tavern	5
	Findon Hotel	3
	Playford Tavern	3
	Slug 'N' Lettuce Tavern	3
	Stockade Tavern	3
	Village Tavern	3
	TOTAL	23
Coles Group	Brighton Metro Hotel	5
	Grand Junction Tavern	2
	Hampstead Hotel	2
	Hope Inn Hotel	4
	Payneham Tavern	2
	TOTAL	15



Hotel Group	Participating Premises	Number of Entitlements Allocated
Eureka Group	Regency Tavern	4
	Richies Tavern	4
	Tavern 540	4
	TOTAL	12
Reserve Group	Flagstaff Hotel	7
	Reepham Hotel	3
	TOTAL	10
King Group	Highlander Hotel	4
	Modbury Plaza Hotel	4
	TOTAL	8
Plush Group	Barossa Brauhaus	1
	Old Spot Hotel	5
	Smithfield Hotel Motel	7
	TOTAL	13
Jillcar Pty Ltd	Semaphore Hotel	4
	TOTAL	4
Chinbya Pty Ltd	Aldinga Hotel	4
	TOTAL	4
TOTAL NUMBER OF ENTITLEMENTS ALLOCATED TO HOTELS BY CLUB ONE		190



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