



Government of South Australia
Office of the Liquor and Gambling
Commissioner

Gaming Machines Act 1992 **Annual Report 2007-08**





Government of South Australia

Office of the Liquor and Gambling
Commissioner

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Your Reference:

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Gambling Regulation
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30 September 2008

The Honourable Carmel Zollo MP
Minister for Gambling
Level 6
45 Pirie Street
ADELAIDE SA 5000

Dear Minister

Pursuant to section 74(2) of the *Gaming Machines Act 1992*, I submit this Annual Report on the administration of the Act for the financial year ended 30 June 2008.

Yours faithfully

A handwritten signature in black ink, appearing to read 'W.A. Pryor', with a stylized flourish at the end.

W.A. Pryor
LIQUOR AND GAMBLING COMMISSIONER



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1. INTRODUCTION

As the Liquor and Gambling Commissioner, I am responsible for the administration of the *Gaming Machines Act 1992* (the Act). I am responsible for regulating and monitoring the gaming machine industry to ensure the interests of patrons, the industry, the community and the Government are protected.

Section 5 of the Act provides that I am responsible to the Independent Gambling Authority (IGA) for the constant scrutiny of the operations under all licences under the Act.

The Act establishes a structure in which all industry participants are licensed or approved to carry out specific roles in relation to the gaming machine industry in South Australia.

I am responsible for various functions including:

- determination of all applications for licences under the Act;
- approval of persons in a position of authority, gaming machine managers, and gaming machine employees;
- approval of agents of the State Procurement Board (SPB), formerly the State Supply Board;
- approval of gaming machines, games and the central monitoring system;
- approval of allocation of gaming machine entitlements between Club One and not for profit organisations
- approval of the number of machines per licensed premises and authorised hours of operation;
- collection of gaming tax;
- inspection, monitoring and scrutiny of gaming operations;
- disciplinary action against licensees including the power to reprimand, suspend or revoke a licence, vary or add to the conditions of the licence, cancel gaming machine entitlements or to impose a fine not exceeding \$15,000; and
- review of barring of persons by licensees.



2. LEGISLATIVE AMENDMENTS

There were no amendments to the *Gaming Machines Act 1992* or regulations during 2007-08

3. LICENCE CONDITIONS

Under section 27(4) of the Act I 'may vary or revoke any condition of a licence or impose further conditions on licence '.

As a result of concerns raised during inspections of gaming venues two new conditions were imposed and one condition was varied in 2007-08.

Effective 1 October 2007 the following licence condition was imposed on all gaming machine licences:

"(z) The licensee will ensure that no amusement device, such as a pinball machine, pool table, arcade game or device of a similar nature may be located within the approved gaming area without the prior approval of the Liquor and Gambling Commissioner "

This condition was imposed to minimise the attraction to minors.

Effective 1 January 2008 the following licence condition was imposed on all gaming machine licences:

"(ab) For the purpose of section 57(1) of the Act the notice displayed on each gaming machine must be placed in a prominent position on the front of the gaming machine in a manner that does not obstruct any artwork on the machine."

This condition was imposed as a result of licensees placing the required warning stickers on the side of gaming machines where they were not clearly visible to gaming patrons.

Licence condition (u) was also amended in line with the new condition (ab) from:

"(u).....a warning sign that the licensee does not permit any person to play more than one gaming machine at a time, in a form approved by the Commissioner."

To:

"(u).....a warning sign displayed prominently in the approved gaming room, and a warning sticker displayed prominently on the front of each gaming machine in a manner that does not obstruct any artwork on the machine that the licensee does not permit any person to play more than one gaming machines at a time, in a form approved by the Commissioner"



4. SPECIAL CLUB LICENCE - CLUB ONE

4.1 BACKGROUND

Section 24A of the *Gaming Machines Act 1992* provides for a single special purpose non-profit entity referred to as 'Club One'.

The special club licence 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.

Club One may:

- offer services to club venues (e.g. management expertise, consulting services);
- place gaming machine entitlements in existing clubs and hotel venues; and
- establish and operate gaming machine venues in its own right (subject to the same approval process that applies to any other new gaming machine licence).

Club One can obtain gaming machine entitlements in three ways. Under the trade system, 25% of all gaming machine entitlements offered for sale by non-profit associations will be transferred to Club One or alternatively, Club One can purchase gaming machine entitlements in the trade or non-profit associations can transfer entitlements to Club One under an arrangement approved by me.

The special club licence was granted to Club One (SA) Limited (Club One) on 14 October 2005. The members of Club One are Clubs SA and the SANFL with board appointments from each of those bodies as well as Sports SA.

4.2 CLUB ONE AGREEMENTS

4.2.1 Umbrella Agreement

Last year I reported on my approval of a suite of agreements known as the 'Umbrella Agreement' between Club One and Club Management Services (SA) Pty Ltd (CMS). The Umbrella Agreement comprises eight agreements in total and provides critical funding to Club One to purchase gaming machine entitlements. In return for this funding certain rights are conferred on CMS.

No amendments were made to the Umbrella Agreement in 2007-08

4.2.2 Vesting Club Agreements

As part of the Umbrella Agreement, I approved a 'pro-forma' Vesting Club Agreement. This agreement is entered into between Club One and any licensed club that holds a gaming machine licence and wishes to vest its entitlements with Club One in return for either a lump sum payment or an annual fee.

I approved nine separate Vesting Club Agreements between Club One and various clubs during 2007-08.

In addition I approved four addendums to Vesting Club Agreements approved in a previous year. Three of these increased the annual fee payable by Club One to the clubs while the other amended the timing of the payment a lump sum fee.



4.2.3 CMS Short-Term Allocation Agreements

A Short Term Allocation Agreement is between Club One and a licensee that is a member of the CMS group for the 'short term' allocation, of at least 60 months or longer, depending on the availability of gaming machine entitlements.

During 2007-08 I approved seven CMS Short-Term Allocation Agreements between Club One and licensees that are CMS Members.

This brings the total number of CMS Short-Term Allocation Agreements approved as at 30 June 2008 to 28.

4.2.4 Head Agreement between Club One and Noxville Pty Ltd (Jones Group)

Last year I reported that I approved a Head Agreement between Club One and Noxville Pty Ltd (Jones) which deals with the actual allocation process, the Parking Fee and its review for gaming machine entitlements that are not required to be allocated by Club One to CMS.

I approved the agreement for a period of 12 months from the date of my Order (26 April 2007) and advised that I would review Club One's situation and decide accordingly as to whether an extension of the agreement is necessary.

In order for me to determine if an extension of the agreement was necessary I requested that Club One provide me with a submission that justified its decision to continue with the current arrangements and if so what due diligence was undertaken to arrive at the decision that the arrangements with Noxville Pty Ltd is still the best option available to Club One.

Club One supplied me with its submission. Based on that submission I was satisfied that the current arrangements with the Jones Group are currently in the best interests for Club One and are still the best option available to it.

Therefore, I extended my approval of the Head Agreement between Club One and the Jones Group for a period of up to 3 years (26 April 2011). However, I reserved the right to review Club One's situation or to evaluate the success of Club One's proposed new ventures at any time during the extended approval period and decide accordingly as to whether this approval should continue.

4.2.5 Jones Temporary Allocation Agreements

Last year I reported that I approved seven Jones Temporary Allocation Agreements.

I approved the agreements up until 26 April 2008 and advised that I would review Club One's situation and decide whether an extension of the agreement is necessary. I considered an extension in conjunction with the review of the Head Agreement between Club One and Noxville Pty Ltd (Jones) referred to in 4.2.4 and extended my approval of the seven Jones Temporary Allocation Agreements up until 26 April 2011 with the right of review.

4.2.6 Head Agreement between Club One and Kipa Pty Ltd (King Group)

Last year I reported that in August 2006, Club One invited clubs and hoteliers to participate in an expressions of interest process for the short term allocation of the gaming machine entitlements that are not subject to the CMS arrangements.



The process closed on 31 August 2006 after which Club One decided to negotiate with the Jones Group.

During 2007-08 Club One advised me that the King Group, which has two venues with a gaming machine licence, also participated in the expressions of interest process and as a result a Head Agreement was lodged between it and Kipa Pty Ltd (King Group).

Like the Jones arrangement the King Head Agreement deals with the actual allocation process, the Parking Fee and its review.

I initially approved the King Head Agreement until 26 April 2008, being the same date to which I approved the Jones Group agreements to, and advised that after which time I would review Club One's situation and decide accordingly as to whether an extension of the agreements is necessary.

I considered an extension of the King Head Agreement in conjunction with the review of the Jones Group arrangement referred to in 4.2.4 and 4.2.5 and therefore I extended my approval of the King Head Agreement up until 26 April 2011 with right of review.

4.2.7 King Temporary Allocation Agreements

The King Temporary Allocation Agreements between Club One and the licensee company of a venue which is part of the Approved King Group Members is the vehicle for Club One to allocate gaming machine entitlements to individual venues subject to the terms and conditions of the Head Agreement.

I initially approved two King Temporary Allocation Agreements between Club One and licensees that are approved members of the King Group during 2006-07 until 26 April 2008, being the same date which I approved the Jones Group agreements to, after which time I would review Club One's situation and decide accordingly as to whether an extension of these agreements is necessary.

As referred to earlier I conducted a review of Club One's situation which resulted in me approving an extension of the King Head Agreement and subsequently the extension of the two King Temporary Allocation Agreements until 26 April 2011 with right of review.

4.2.8 Head Agreement and Temporary Allocation Agreement between Club One and Australian Hospitality Group Limited (ALH)

As advised in 4.2.6 Club One held an expression of interest process for the short term allocation of the gaming machine entitlements that are not subject to the CMS arrangements in August 2006.

In addition to the Jones and King Groups arrangements Club One also decided to negotiate with the Australian Hospitality Group Limited (ALH) Group which has a number of venues holding a gaming machine licence in South Australia.

As a result Club One lodged for approval a Head Agreement between it and the ALH group which is predominantly the same as the Head Agreements between the Jones and King Groups.

I approved it on 3 March 2008 until 26 April 2009, after which time I will again review Club One's situation and decide accordingly as to whether an extension of this agreement is necessary.



4.2.9 ALH Temporary Allocation Agreements

The ALH Temporary Allocation Agreements between Club One and the licensee company of the venue which is part of the Approved ALH Group Members is the vehicle for Club One to allocate gaming machine entitlements to individual venues subject to the terms and conditions of the Head Agreement.

I approved fourteen separate ALH Temporary Allocation Agreements between Club One and licensees that are members of the Approved ALH Group Members during 2007-08 until 26 April 2009, subject to review.

4.2.10 Host Club Allocation Agreement between Club One, Roxby Downs Club Inc and CMS

Club One submitted for my approval an executed Host Club Allocation Agreement (HCAA) between it and the Roxby Downs Club Inc (RDC) and CMS and an executed Host Club Guarantee 'Performance and Monetary Guarantee' (HCG) between it and CMS.

The HCAA provides for Club One to allocate between 10 and 20 gaming machine entitlements to the RDC. I have previously approved one HCAA between Club One and the Adelaide Juventus Sports and Social Club. However, this was the first HCAA to be lodged since I approved the CMS arrangements in the Umbrella Agreement.

The terms and conditions of this HCAA are predominantly the same as those in the 'pro-forma' HCAA which I approved as part of the Umbrella Agreement.

The term of the agreement is for an initial ten years with two rights of renewal of five years. In return for Club One allocating gaming machine entitlements to the RDC, the RDC is to pay Club One a licence fee.

A further condition of the agreement is that the RDC is required to enter into a management agreement between it and CMS and approved by Club One for the "management of the Host Club's business at the Premises on terms and conditions first approved by Club One".

The RDC has satisfied this requirement after it submitted a management agreement for approval between it and CMS. The management agreement incorporates a significant number of matters which do not relate to the ongoing management of the licensed premises or requirements under the *Liquor Licensing Act 1997* or *Gaming Machines Act 1992*, but are commercial matters between these parties. Therefore, pursuant to section 68(2)(b) of the *Gaming Machines Act 1992*, I only approved the sections of the management agreement relating to the payment of a management fee and the provision of management services provided. This approval was granted on 18 March 2008.

I approved the HCAA on 1 May 2008.

4.2.11 Host Club Guarantee 'Performance and Monetary Guarantee' between Club One and CMS

The Host Club Guarantee 'Performance and Monetary Guarantee' is ancillary to the HCAA referred to in 4.2.10 and provides that CMS guarantees to Club One that the Host Club will pay any moneys (licence fees, losses, damages etc) due and owing by the Host Club to Club One on time and that the Host Club will observe and perform to all its obligations and agreements to Club One in connection with the HCAA.

The terms and conditions of this HCG are identical to those which I approved in the Umbrella Agreement.



It was approved in conjunction with the HCAA on 1 May 2008.

4.3 ALLOCATION OF GAMING MACHINE ENTITLEMENTS

4.3.1 Allocation to CMS Venues

In consideration of the funding by CMS, Club One will confer certain rights on CMS including Club One allocating 3 out of every 4 of the first 333 gaming machine entitlements vested with Club One to venues within the CMS Group.

Club One made eight applications during 2007-08 to allocate a total 57 gaming machine entitlements that it held to CMS. Each of those applications was approved.

I also approved two applications to re-allocate a total of four gaming machine entitlements between Approved CMS Member venues.

As at 30 June 2008 the total number of gaming machine entitlements allocated by Club One to CMS is 87.

4.3.2 Allocation to Jones Group Venues

Club One has agreements with the Jones Group to allocate gaming machine entitlements that are not subject to the agreements with CMS to venues within the Approved Jones Group.

Club One made two applications during 2007-08 to allocate a total of eight gaming machine entitlements that it held to members of the Approved Jones Group. Both applications were approved.

In addition following my review of Club One's situation I extended my approval granted in 2006-07 for the allocation of 16 gaming machine entitlements from Club One to members of Jones Group up until 26 April 2011.

As at 30 June 2008 the total number of gaming machine entitlements allocated by Club One to the Jones Group is 24.

4.3.3 Allocation to King Group

I have approved agreements between Club One and the King Group whereby Club One agreed to allocate gaming machine entitlements that are not subject to the agreements with CMS to venues within the King Group.

Club One made three applications during 2007-08 to allocate a total eight gaming machine entitlements that it held to members of the Approved King Group.

I initially approved these applications until 26 April 2008, being the same date which I approved the Jones Group arrangements to following my review of Club One's situation I extended my approval for the allocation of the eight gaming machine entitlements to the King Group up until 26 April 2011.



4.3.4 Allocation to ALH

I approved an agreement between Club One and the ALH Group whereby Club One agreed to allocate gaming machine entitlements that are not subject to the agreements with CMS to venues within the ALH Group.

Club One made one application during 2007-08 to allocate a total three gaming machine entitlements that it held to members of the Approved ALH Group. I approved this application until 26 April 2009, being the same date which I approved the ALH Head Agreement and ALH Temporary Allocation Agreements subject to review.





5. TRANSFER OF GAMING MACHINE ENTITLEMENTS BETWEEN NON-PROFIT ASSOCIATIONS

Section 27B(1)(c) of the Act provides that

"a non-profit association that holds a gaming machine licence may transfer a gaming machine entitlement to another licensed non-profit association, under an arrangement approved by the Commissioner, for the purpose of facilitating merger or amalgamation of gaming machine operations for the benefit of both non-profit associations."

On 20 December 2007, I approved an application by the Central Football Club of Port Augusta Inc to transfer all five of its gaming machine entitlements to the Port Augusta Sporting and Social Club Inc for the purposes of amalgamating both Club's gaming operations.

The Central Football Club of Port Augusta had not operated gaming machines since it suspended its gaming machine licence on 29 June 2001 and did not have premises since they were destroyed by fire.

I was satisfied that the merger/amalgamation of the gaming operations of the Port Augusta Sporting and Social Club and Central Football Club of Port Augusta would benefit both clubs particularly as the members of the Port Augusta Sporting and Social Club and Central Football Club of Port Augusta are the same.



6. GAMING MACHINE LICENCES

6.1 GAMING MACHINE LICENCES

A gaming machine licence authorises the holder to possess and operate gaming machines. Each gaming machine licence shows the number of approved machines (the maximum number is 40) and the number of gaming machine entitlements. One entitlement authorises the licensee to operate one machine.

To be eligible to apply for a gaming machine licence a person 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 2008 there were 565 active gaming machine licences, under the following categories of liquor licence:

| | |
|-----|-----------------------|
| 463 | Hotels |
| 65 | Clubs |
| 37 | Special Circumstances |

A further 25 licences were under suspension for various reasons.

Three licensees surrendered their gaming machine licence during 2007-08. One was as a result of selling all of its gaming machine entitlements through a trading round in a prior year and two as a result of transferring all of their gaming machine entitlements to Club One. One new licence was issued to a venue that began operating for the first time in 2007-08.

6.2 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.

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

6.2.1 Monitoring System

The central computer 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 my Office for the assessment of gaming tax.

6.2.2 System Upgrade

During the year, there were no modifications made to the gaming machine monitoring system.

6.2.3 Secure Internet Based Customer Reporting Facility

IGC's internet reporting facility, which allows gaming machine operators and manufacturers to access information and reports from the monitoring system via the Internet, continued to operate throughout 2007-08.



For a small monthly fee, the facility allows operators to download formatted reports from the IGC's web site which provides 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 of the licensees' record keeping obligations and in other cases supplements the data recorded at the venue.

At 30 June 2008, there were 374 operators and 5 manufacturers utilising the Secure Internet Based Customer Reporting Facility.

6.2.4 Information Data Port

The Information Data Port (IDP) facility was first approved in February 1999. This facility allows gaming machine operators to access machine information electronically via an interface to the SC300 Site Controller, reducing the need for manual meter reading.

The number of IDP's in the field increased from 235 as at 30 June 2007 to 245 as at 30 June 2008.

6.2.5 Replacement of the Existing Monitoring System

IGC's program to replace the existing AGS monitoring system with the new AEGIS system continued during 2007-08. In conjunction with Scientific Games Worldwide, IGC has developed functional specifications for both the AEGIS host and Terminal Controllers.

While the project schedule has been subject to a minor slippage since IGC contracted with Scientific Games, I am advised that commissioning of the new system is now expected in late 2008.

6.2.6 Fees

IGC charges an establishment fee for new gaming machine operators. This was maintained at \$1,500 plus \$150 GST for 2007-08. A monitoring fee is charged for each gaming machine connected to the monitoring system and is charged at a monthly rate. 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. The Minister approved a monitoring fee of \$45.75 per machine per month plus \$4.58 GST effective 1 July 2007 to 30 June 2008.

6.2.7 Gamblers' Rehabilitation Fund

During the reporting year, IGC provided \$2.0 million to the Gamblers' Rehabilitation Fund which is administered by the Department for Family and Communities.

6.2.8 Board Members

The Directors of IGC during the 2007-08 year were:

- Mr Colin Wayne Dunsford - Chairman;
- Mr Peter John Hurley - Deputy Chairman;
- Mr Peter Laurence Brien;
- Mr William Cochrane;
- Mr Robin James Guy;
- Mr Brian Robert Michael Hayes; and
- Mr Cameron Murray Taylor.

My Office continues to have an excellent working relationship with IGC's board and staff.



6.3 GAMING MACHINE SUPPLIER'S LICENCE

The gaming machine supplier's licence authorises the holder, acting through an approved agent, to purchase from a licensed gaming machine dealer, and to sell or supply to the holder of a gaming machine licence, approved gaming machines, prescribed gaming machine components and gaming equipment.

The gaming machine supplier's licence is held by the State Procurement Board (SPB).

As at 30 June 2008, the approved agents of the SPB were:

- John Leaton Harris;
- Rosemary Ince;
- Peter Psaroulis; and
- Roy Worthington.

6.4 GAMING MACHINE SERVICE LICENCE

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

As at 30 June 2008, there were 20 current service licences. While gaming machine operators contract with Bytecraft Systems Pty Ltd (Bytecraft) for the servicing of machines, Bytecraft has affiliations with other service licensees in regional areas. The service licensees are:-

Bytecraft Systems

Affiliates:

GI & JV Clark (Keith)
Kym Lange T/a YP Gaming (Kadina)
Donna's Electrical (Naracoorte)
Fleet Electronic Services (Pt Lincoln)
Younger Electronics (Eastern Hills)
Riverland Gaming (Loxton)
Central Eyre Communications (Arno Bay)
Augusta Electronic Centre (Pt Augusta)
West Coast Electronics (Ceduna)
Ridsdale Electrical (Leigh Creek)

Electec Technologies (Goolwa)
Shamrock Gaming Services (Barossa Valley)
Green Triangle Electronic Services (Mt Gambier)
Murray Computer & Office Shop (Murray Bridge)
Visionfix (Kangaroo Island)
Oaklands Electrical (Pt Pirie)
Office National (Pt Augusta)
Mike Maylin Construction (Cooper Pedy)
BGSTECH (Whyalla)

The grant of the service licences are subject to a number of conditions, imposed under section 27(3) of the Act. In October 2007, I imposed the following additional condition on all service licences :-

"The licensee must ensure that the security box containing the monitoring system equipment is locked and secured."

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;
- Bytecraft Services Pty Ltd;
- IGA Technology Pty Ltd;
- IOCANE Pty Ltd;
- IBM Ltd;
- INS Progressive Computing Pty Ltd;
- Hewlett Packard;
- McAfee;
- Scientific Games Online Entertainment Systems Inc;
- Chubb Security Australia Pty Ltd;
- Wormald Fire Systems;
- Computer Site Services;
- Firewall Systems;
- First Five Minutes;
- Internode Systems Pty Ltd;
- Sungard Availability Services; and
- Trend Micro Incorporated

6.5 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 these to the SPB or another gaming machine dealer.

Since I last reported, two new gaming machine dealer's licences were granted and one gaming machine dealer surrendered its licence.

There are 19 gaming machine dealer's with licences granted as at 30 June 2008. Nine of these dealers actively operated in the South Australian market during 2007-08, 4 manufacturing and selling approved gaming machines, 4 purely selling new or second-hand approved machines and 1 supplying 3rd-party LCD monitors for existing approved machines.

6.5.1 Instances of Supply of Unapproved Gaming Machines

This year saw an increase in the number of instances of the supply of unapproved gaming machines and games. Gaming machine dealers must only sell or supply gaming machines, prescribed gaming machine components and gaming equipment approved under section 40 of the Act.

All service licences are required by licence condition to notify me immediately of any unapproved gaming machines, prescribed gaming machine components or gaming equipment found in pursuance of the conduct authorised by the licence.

During 2007-08 a number of licensees breached this condition and were subject to disciplinary action. Fines totalling \$30,000 were imposed on licensees, the largest amount being \$15,000 imposed on IGT (Australia) Pty Ltd for repeated breaches of section 40 of the Act despite undertakings from the licensee that measures were put in place to avoid such breaches occurring. Refer to 10.2 for details of disciplinary action taken in each instance.



7. APPROVAL OF PERSONS

Licencees are required to seek my approval for individual persons who occupy various positions or who have associations with licencees.

Persons can be approved in respect of more than one premise 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 licencee companies, agents of the SPB, 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.

As at 30 June 2008, a total of 7,922 persons were approved under the Act.

7.1 APPLICATIONS FOR APPROVAL

In approving a person in any of the above categories, I must be satisfied that the person is fit and proper. Factors such as a person's reputation, honesty, integrity, creditworthiness and probity are taken into account. In determining whether a person is fit and proper, I must have regard 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 me on the question of whether a person is fit and proper.

During 2007-08 a total of 2,460 persons were approved.

7.1.1 Applications Refused

During 2007-08, no application for approval was refused.

7.1.2 Approvals Revoked

Under section 44, I may revoke an approval of a person made under Part 4 of the Act, on such grounds or for such reasons as I think fit.

In January 2007 I heard submissions from relevant parties with respect to the alleged conduct of a gaming machine employee. Statements had been obtained from a number of parties and sworn evidence was received from the gaming machine employee and a key witness.

After taking into account all matters put to me by the parties, I found that that the gaming machine employee had breached Section 51 of the *Gaming Machines Act 1992*.

I therefore revoked the approval of the person as a Gaming Machine Manager effective 5 September 2007.



8. MONITORING AND COMPLIANCE

8.1 GAMING MACHINE VENUES (HOTELS AND CLUBS)

My Office currently employs nine liquor and gaming inspectors who have responsibility for inspecting approximately 5,600 licensed venues in the State (as at 30 June 2008 565 of which hold live gaming machine licences) and two compliance officers who are responsible for investigation of complaints under liquor, gaming and wagering legislation. The inspectorate is integrated with no staff specifically dedicated as gaming machine venue inspectors.

In setting the inspection and compliance program, all licensed premises are categorised according to a risk-based system which forms the basis for determining the frequency that premises are inspected. I also have regard to the compliance record of each venue and inspectorial resources are applied accordingly. This risk based approach was developed with the assistance of the Auditor General.

Gaming machine premises have been categorised as high risk, with a scheduled inspection of at least once every 12 months.

8.1.1 Self Assessment Compliance Audit Checklists

To assist licensees in understanding and complying with the numerous requirements under liquor, gaming and wagering legislations, my Office has made available a comprehensive self-assessment compliance audit checklist covering these areas.

Completion of the checklist is not mandatory and licensees are not required to provide my Office with a completed copy. It was developed purely as a tool for licensee's benefit.

It has been recommended to licensees that they conduct the audits every three months and that it be signed by a gaming machine manager, responsible person and the licensee or an operating director.

8.1.2 Gaming Care/Club Safe

The AHA and Clubs SA each have agencies aimed at reducing gambling-related harm by working with hotel and club management and staff on-site. The agencies trade under the names 'Gaming Care' and 'Club Safe' respectively.

Two of the objectives of Gaming Care and Club Safe are to:

- provide assistance to gaming licensees and managers in relation to compliance with regulatory codes of practice; and
- undertake audits of gaming venues on a voluntary basis to assist venues in complying with the regulatory codes of practice.

Both organisations utilise the OLG self assessment checklist.

My Office has an excellent working relationship with both agencies and constantly liaises and provides advice to representatives of both agencies on a number of compliance related issues.



8.1.3 Inspections

All gaming machine venues are inspected regularly to assess whether the operations under the licence comply with the requirements of the Act, the regulations, licence conditions and codes of practice.

During 2007-08 a total of 611 inspections were conducted of the State's gaming machine venues which operated gaming for all or part of the year.

Inspections include:

- major inspections of every aspect of a premises as part of a routine inspection program;
- attendance at a premise by inspectors to oversee installation of gaming machines;
- inspections of premises in relation to applications made by licensees for variations to gaming area layouts, redefinition of gaming areas and structural alterations as part of renovations;
- targeted inspections of premises in response to specific issues or complaints; and
- inspection by licensee disclosure.

Routine Inspections

All licensed premises are inspected on a regular basis in accordance with a risk based inspection program.

A routine inspection involves inspectors checking a predetermined list of 14 liquor and 35 gaming checks as well as conducting a general observation of the premises.

All bar 1 venue that operated gaming for the whole of the 2007-08 year were inspected during the reporting period. The venue which was not inspected is scheduled for an inspection in the third week of July 2008.

The number of inspections decreased from 642 in 2006-07 to 611 in 2007-08 commensurate with a decrease in non-compliance resulting in less follow-up inspections.

Matters which form part of routine inspections include ensuring that:

- the licensee is complying with the Responsible Gambling Code of Practice, including that:
 - signs, posters, pamphlets, stickers and cards are displayed correctly;
 - licensees have and maintain a responsible gambling document which describes the names and roles of staff in implementing the code and policies in relation to dealing with requests to self-exclude;
 - staff have undertaken all training requirements;
- the layout of the gaming area conforms with the approved layout;
- cash facilities are located outside of the designated gaming area;
- signage (including warning notices to minors) is prominently displayed;
- approved persons are wearing appropriate identification;
- the area is adequately supervised;
- gaming machine log books have been properly completed;
- gaming machines are in acceptable operating condition; and



- copies of barring notices issued by the IGA are kept on the premises and made available to staff and appropriate procedures have been developed to ensure that excluded persons do not enter or remain in a gaming area.

Inspectors also pay particular regard to any specific conditions that are attached to each gaming machine licence.

Inspections by Complaint

There are many areas of compliance which can not be detected by routine inspection as they relate to specific incidents. These areas are normally brought to my Office's attention by complaint and include incidents of:

- minors being allowed to enter a gaming area and play machines;
- barred patrons being allowed to enter a gaming area;
- persons playing more than one machine at a time;
- persons being supplied alcohol while sitting or standing at a gaming machine;
- approved gaming staff playing gaming machines; and
- patrons being provided with credit to gamble.

A summary of complaints received during 2007-08 is included in Section 8 of this report.

Compliance by Licensee Disclosure

Compliance in a number of areas is achieved by the licensee providing materials to my Office for analysis. These include:

- ensuring licensees do not provide ATM or EFTPOS withdrawals above set limits;
- examination of licensees' customer newsletters for compliance with both the Responsible Gambling Code of Practice and Advertising Code of Practice; and
- examination of licensees' player loyalty mailing lists to ensure that barred patrons have been removed from the list.

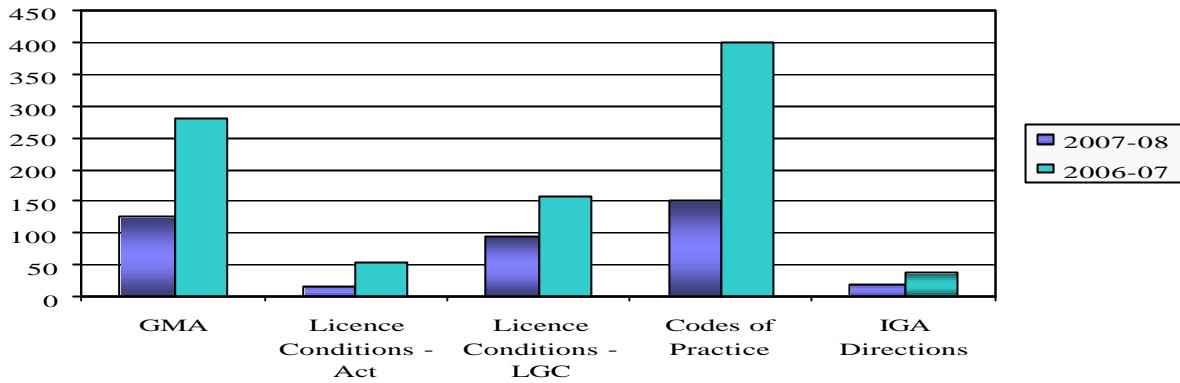
Media Monitoring

The Advertising Code of Practice commenced on 30 April 2004. I engage a media monitoring service to provide my Office with copies of gambling advertisements placed in the Advertiser, Messenger and country newspapers. Copies are provided twice a week and are examined by my officers for compliance with the various clauses of the code. For the 2007-08 year, 1155 advertisements were examined with no instances on non-compliance detected.



8.1.4 Compliance

8.1.4.1 Overall non-compliance by compliance type



Analysis/Comment:

There was a decrease in non-compliance in all of the compliance types in 2007-08. Overall, non-compliance is generally at a low level, particularly given the number of checks performed.

8.1.4.2 Statistics by Compliance Type

This section shows statistics for monitoring compliance based on the compliance type. The tables show the number of assessments of each requirement of the compliance type for 2007-08, the number of breaches identified from those assessments, a percentage of non-compliant venues for each item of non-compliance and a comparison percentage for the previous year. An analysis/comment is provided where applicable.

➤ Responsible Gambling Code of Practice

| | 2007-08 | | | 2006-07 | | |
|---|--------------------|-----------------------------|---------------------------|--------------------|-----------------------------|---------------------------|
| | No. of inspections | No. of non-compliant Venues | % of non-compliant Venues | No. of inspections | No. of non-compliant Venues | % of non-compliant Venues |
| Clock clearly visible in gaming area | 606 | 5 | 0.8 | 639 | 4 | 0.6 |
| Code of Practice Available | 608 | 7 | 1.2 | 642 | 13 | 2 |
| Gambling Helpline Cards displayed | 608 | 10 | 1.6 | 641 | 36 | 5.6 |
| Gambling Helpline Sticker (Affixed to ATMs and EFTPOS and/or gaming machines) | 608 | 11 | 1.8 | 637 | 37 | 5.8 |
| Governed by a Code of Practice Sign displayed | 608 | 3 | 0.5 | 641 | 33 | 5.1 |
| Playing of more than one machine sign displayed | 608 | 0 | 0 | 641 | 31 | 4.8 |
| Responsible Gambling Document maintained | 607 | 21 | 3.5 | 643 | 60 | 9.3 |
| Responsible Gambling | 608 | 5 | 0.8 | 641 | 33 | 5.1 |



| | 2007-08 | | | 2006-07 | | |
|--|--------------------|-----------------------------|---------------------------|--------------------|-----------------------------|---------------------------|
| | No. of inspections | No. of non-compliant Venues | % of non-compliant Venues | No. of inspections | No. of non-compliant Venues | % of non-compliant Venues |
| Pamphlets displayed | | | | | | |
| Responsible Gambling Poster displayed | 607 | 4 | 0.7 | 641 | 34 | 5.3 |
| Responsible Gambling Training - Not completed or certificate not available at time of inspection | 603 | 74 | 12.3 | 633 | 99 | 15.6 |

Analysis/Comment:

There was a significant decrease in non-compliance with the code of practice with the exception of Responsible Training requirements not being available at time of inspection. However, as has been the case in the past, the majority of the incidents of non-compliance relate to the venue not having the relevant training certificates available for inspection rather than the staff member not having completed the training.

**Responsible
Gambling**

Document: I have previously reported on the difficulties faced by licensees in developing and maintaining a responsible gaming document, in the absence of any guidance or pro-forma, and difficulty understanding the concept or purpose of the document. However, I note that there has been a continued reduction in non-compliance.

This can be attributable to inspectors, Gaming Care and Club Safe spending a significant amount of time educating licensees on the requirements for the document and, it appears that licensees are benefiting from this education with a decrease, for the third year in a row, in the level of non-compliance.

➤ **Licence Conditions - Imposed by Act**

| | 2007-08 | | | 2006-07 | | |
|--|--------------------|-----------------------------|---------------------------|--------------------|-----------------------------|---------------------------|
| | No. of inspections | No. of non-compliant Venues | % of non-compliant Venues | No. of inspections | No. of non-compliant Venues | % of non-compliant Venues |
| Gaming layout approved | 502 | 18 | 3.6 | 480 | 42 | 8.8 |
| Structural or other alterations approved | 475 | 0 | 0 | 487 | 11 | 2.3 |

Analysis/Comment:

Non compliance in this area has been significantly reduced. No instances of non-compliance were found in the area of structural or other alterations approved while non-compliance with the requirement for the gaming layout to be as approved by my office has decreased from 8.8% in 2006-



07 to 3.6% in 2007-08 indicating the program of reminders as instigated by my Office in the current year has been effective.

➤ Licence Conditions - Imposed by Commissioner

| | 2007-08 | | | 2006-07 | | |
|--|--------------------|-----------------------------|---------------------------|--------------------|-----------------------------|---------------------------|
| | No. of inspections | No. of non-compliant Venues | % of non-compliant Venues | No. of inspections | No. of non-compliant Venues | % of non-compliant Venues |
| Barring orders issued under section 59 provided to LGC | 481 | 4 | 0.8 | 505 | 9 | 1.8 |
| Gaming area security adequate | 523 | 0 | 0 | 590 | 0 | 0 |
| Gaming Machine Manager on Duty | 606 | 0 | 0 | 645 | 6 | 0.9 |
| Log books present and completed (10%) | 598 | 15 | 2.5 | 613 | 18 | 2.9 |
| Playing of more than one machine sticker affixed to gaming machines | 608 | 9 | 1.5 | 641 | 21 | 3.3 |
| Rules Ancillary to Gaming Sign displayed | 607 | 3 | 0.5 | 641 | 23 | 3.6 |
| Training - Operation of Machines- Not completed or certificate not available at time of inspection | 603 | 73 | 12.1 | 633 | 101 | 16 |

Analysis/Comment:

Training: Refer to my comments on training under the Analysis/Comment section of the Responsible Gambling Code of Practice Compliance Type.

➤ Gaming Machines Act

| | 2007-08 | | | 2006-07 | | |
|--|--------------------|-----------------------------|---------------------------|--------------------|-----------------------------|---------------------------|
| | No. of inspections | No. of non-compliant Venues | % of non-compliant Venues | No. of inspections | No. of non-compliant Venues | % of non-compliant Venues |
| All approved staff clearly displaying ID badges | 522 | 8 | 1.5 | 574 | 9 | 1.6 |
| All staff approved | 526 | 0 | 0 | 579 | 4 | 0.7 |
| Cash facilities not within gaming area | 603 | 0 | 0 | 641 | 0 | 0 |
| Gaming Licence displayed (at principal entrance) | 606 | 6 | 1.0 | 641 | 48 | 7.5 |



| | 2007-08 | | | 2006-07 | | |
|--|--------------------|-----------------------------|---------------------------|--------------------|-----------------------------|---------------------------|
| | No. of inspections | No. of non-compliant Venues | % of non-compliant Venues | No. of inspections | No. of non-compliant Venues | % of non-compliant Venues |
| Government ID plates on all machines | 602 | 2 | 0.3 | 642 | 1 | 0.2 |
| Logic Board Sealed (10%) | 598 | 13 | 2.2 | 616 | 45 | 7.3 |
| Machine Condition (monitors, buttons) | 608 | 66 | 10.9 | 640 | 100 | 15.6 |
| Security box locked | 563 | 6 | 1.1 | 616 | 26 | 4.2 |
| Warning to Minors Sign displayed (at each entrance) | 608 | 16 | 2.6 | 641 | 38 | 5.9 |
| Warning to Minors Sticker (Affixed to gaming machines) | 608 | 8 | 1.3 | 641 | 10 | 1.6 |

Analysis/Comment:

There was a decrease in non-compliance in all of the requirements under the Act with a significant reduction in Machine Condition (monitor/buttons), non-compliance was down from 15.6% last year to 10.9% in 2007-08.

Machine Condition: In previous years I identified the change to the standard procedures for cases where inspectors identify gaming machines in a sub-standard condition. Licensees are now notified of any gaming machine quality issues identified during an inspection and are required to provide, within 28 days, documentary evidence that the problems have been addressed or that the machine has been replaced or removed. Licensees who fail to comply within 28 days will face disciplinary action.

As a result of the change of procedures, the level of non-compliance for machine condition has reduced.

➤ **Regulations**

No instance of non-compliance was detected during the 478 assessments of the requirement that a licensee must wear an approved ID badge whilst in the gaming area during 2007-08.



➤ IGA Directions

| | 2007-08 | | | 2006-07 | | |
|---|--------------------|-----------------------------|---------------------------|--------------------|-----------------------------|---------------------------|
| | No. of inspections | No. of non-compliant Venues | % of non-compliant Venues | No. of inspections | No. of non-compliant Venues | % of non-compliant Venues |
| All barring notices are accessible by, or visible to, staff only and not by members of the public | 606 | 7 | 1.2 | 641 | 10 | 1.6 |
| All barring notices being maintained in a folder or picture wall | 606 | 5 | 0.8 | 641 | 10 | 1.6 |
| Barring procedure maintained (may be part of Responsible Gambling Document) | 607 | 7 | 1.2 | 642 | 16 | 2.5 |

Analysis/Comment:

Non-compliance in this area has decreased in the 2007-08 year.



8.2 MONITORING SYSTEM

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

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

The system currently operated by IGC is the VLC Advanced Gaming System (AGS).

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 my knowledge.

In order to satisfy me that only approved software and hardware is installed, my Office established 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 staff of my Office 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 me. I determine 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 staff member from my Office and the baseline procedure is conducted following its installation.

As there were no modifications made to the monitoring system during the year, no baseline procedures were conducted during 2007-08.

Scrutiny is also maintained via the review and analysis of reports which are generated by the monitoring system. These reports are reviewed and analysed by specialist staff within my office. The reports are used both to scrutinise the operations of IGC as well as the operations of machines operated in the field. For example, reports can be used to detect a possible malfunctioning machine. The reports are also monitored by my Office 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 checks of the accuracy 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.

There was one amendment to the procedure manuals for the AGS monitoring system, its security and disaster recovery approved during 2007-08. My Office found no unauthorised adjustments made to data and no alterations were made to the system without my approval.



9. COMPLAINT INVESTIGATIONS

The Office investigated or commenced an investigation into a total of 6 complaints relating to 10 incidents during 2007-08 in respect of the conduct of gaming operations by licensed hotels and clubs.

9.1 SUMMARY OF COMPLAINTS

| Type of Complaint | No. of Incidents | Outcome | | | | TOTAL |
|--|------------------|----------|-----------------------|---------------------------|---------------------------|-----------|
| | | No Fault | Insufficient Evidence | Disciplinary Action Taken | Investigation in Progress | |
| Section 49 of the Act - Prescribed duties carried out by an unapproved person | 5 ⁽¹⁾ | | 5 | | | 5 |
| Sec 52 of the Act - Providing credit for the purposes of playing gaming machines | 1 | 1 | | | | 1 |
| Sec 51 of the Act - Gaming Machine Manager not permitted to operate gaming machines (except for purposes of carrying out his or her duties) | 1 ⁽²⁾ | 1 | | | | 1 |
| Clause 6(1)(a)(b) RGCOP - Gambling provider will take all practicable steps - to prevent a person who appears to be intoxicated from being allowed to gamble and to prevent the entry of intoxicated people into gambling areas, or them remaining there | 1 | | 1 | | | 1 |
| Condition (h) Attachment B - Licensee must maintain a log book for each gaming machine recording operational details | 1 | | | 1 ⁽³⁾ | | 1 |
| Sec 50A of the Act - Approved staff not clearly wearing ID badge | 1 | | | 1 ⁽³⁾ | | 1 |
| TOTALS | 10 | 2 | 6 | 2 | 0 | 10 |

RGCOP - Responsible Gambling Code of Practice

⁽¹⁾ One complaint was made regarding 5 different venues;

⁽²⁾ One complaint made for one or more incidents at the same venue; and

⁽³⁾ Disciplinary Action taken in the form of a reprimand.



9.2 PAYOUT DISPUTES AND MALFUNCTIONS

There were 20 complaints received during 2007-08 in relation to payout disputes or alleged machine malfunctions.

The nature of these matters varies from simple requests for information and clarification of the Act through to more complex matters involving closer examination of both financial and technical information.

A range of strategies are employed, depending on the nature of the complaint, 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.

The outcomes of the 20 complaints investigated during 2007-08 were as follows:

| Outcome | Number of outcomes |
|---|---------------------------|
| Complaint settled between patron and the venue. | 2 |
| Ongoing investigation by gaming machine manufacturer | 1 |
| Patron failed to pursue the matter with this Office after having reported the matter | 3 |
| Patron mistaken on how or when machines pay winning credits and matter resolved in favour of the venue. | 8 |
| Insufficient evidence to support patron's claim. | 6 |
| Total | 20 |

Section 76 of the Act states:

"A player who is aggrieved by a decision to have his or her winnings withheld may apply to the Commissioner for a review of the decision"

All parties involved in a dispute are advised of this section if it appears that the matter cannot be resolved following the internal investigation.

There were no applications for review received under section 76 of the Act during 2007-08.



10. DISCIPLINARY ACTION

Section 36 of the Act allows me to take disciplinary action 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 or a condition of licence;
- 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.

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

Section 36B of the Act provides that I may:

- reprimand a licensee;
- add to or vary the conditions of licence;
- suspend the licence;
- revoke the licence;
- cancel 1 or more gaming machine entitlements;
- impose a fine not exceeding \$15,000.

Before doing so I must give written notice to the licensee of the proposed disciplinary action and allow the licensee 21 days or longer to show cause why action should not be taken.

10.1 SUMMARY OF PROPOSED DISCIPLINARY NOTICES ISSUED

| Reason for proposed disciplinary notice | Legislative Reference | No. of notices issued | |
|---|--|-----------------------|---------|
| | | 2007-08 | 2006-07 |
| Multiple breaches detected during inspection | Various | 4 | 41 |
| Responsible Gambling and/or Operation of Machines Training not completed or certificate not available at time of inspection | Contravention of licence conditions (nb) & (w) | 2 | 4 |
| Responsible Gambling Document not maintained | Contravention of Clause 2(b) RGCOP | 0 | 5 |
| Failed to remove a self-excluded person from loyalty mailing list | Contravention of Clause 9(d) RGCOP | 0 | 1 |
| Service Agent agreement not maintained | Contravention of licence condition (r) | 3 | 46 |
| Unapproved staff carrying out gaming duties | Contravention of section 49 of the Act | 0 | 1 |
| No approved gaming manager on premises | Contravention condition (o) Attachment B | 0 | 3 |
| Approved staff not clearly wearing ID badge | Contravention of section 50A of the Act | 1 | 1 |
| Supply of unapproved software | Contravention of Section 4 of the regulations | 4 | 2 |



| Reason for proposed disciplinary notice | Legislative Reference | No. of notices issued | |
|---|---|-----------------------|------------|
| | | 2007-08 | 2006-07 |
| Failure to immediately advise of any unapproved gaming machines, prescribed gaming machine components or gaming equipment | Licence Condition 6 | 0 | 1 |
| Licensee ceased to operate gaming machines on premises subject to gaming machine licence | Contravention of Section 36(g) of the Act | 0 | 0 |
| Gaming Room was only room of venue available to patrons at a certain time | Contravention of condition (y) Attachment B | 0 | 0 |
| Advertisement did not comply with Advertising and/or Responsible Gambling Code of Practice | Contravention ACOP and/or RGCOP | 0 | 0 |
| Prevent the entry of intoxicated people in the gaming areas or remaining there | Contravention of Clause 6(1) RGCOP | 0 | 0 |
| Other | | 5 | 0 |
| TOTAL | | 19 | 105 |

RGCOP - Responsible Gambling Code of Practice
ACOP - Advertising Code of Practice

19 notices of disciplinary action were issued in 2007-08 compared to 105 in 2006-07. This is mainly due to the large number of infringements by gaming machine licensees in the maintenance of a service agreement which occurred in 2006-07 due to the introduction of new licence arrangements which came into effect from 1 July 2006. It also reflects the decrease in overall non-compliance. Of the 19 notices of disciplinary action initiated in 2007-08, 4 fines and 4 reprimands were issued. 4 notices resulted in no further action being taken, and 7 issues remained outstanding as at 30 June 2008.

10.2 SUMMARY OF DISCIPLINARY ACTION TAKEN

During 2007-08 the following disciplinary action was taken:

| Premises | Licensee (at time of inspection/complaint) | Breach Details | Action Taken |
|---------------------|--|---|--------------|
| Woolshed on Hindley | Woolshed on Hindley Pty Ltd | Failed to comply with: <ul style="list-style-type: none"> ▪ Gaming Licence not displayed at principle entrance - Section 54 GMA ▪ Governed by Code of Practice (prominent) - Clause 2(a)(i) RGCOP, Cond (u) Attach B ▪ Playing of more than one machine sign not prominently displayed - Clause 4(3)(a) RGCOP Cond (u) Attach B ▪ Responsible Gambling Poster not prominently displayed - Clause 5(1)(a) RGCOP & cond (nb) Attach A ▪ Gambling Helpline Stickers not affixed to each gaming machine or each EFTPOS and ATM facility or worn/illegible - Clause 4(1)(a) and 5(2)(a) RGCOP & Cond (nb) Attach A ▪ Notice of Warning to minors' sticker not affixed to each machine or worn/illegible - Section 57 GMA ▪ Playing of more than one machine sticker not affixed to each machine or worn/illegible - Cond (u) Attach B ▪ Helpline Cards not available - Clause 5(2)(b) RGCOP & Cond (nb) Attach A ▪ Responsible Gambling Pamphlets not accessible in | Fine \$500 |



| Premises | Licensee (at time of inspection/complaint) | Breach Details | Action Taken |
|---|--|--|--------------|
| | | <p>gaming area - Clause 5(1)(a) RGCOP & cond (nb) Attach A</p> <ul style="list-style-type: none"> Responsible Gambling Document not maintained - Cond (nb) Attach A, & Clause 2(b) RGCOP <p>Training requirements not met - Cond (w) Attach B, Cond (nb) Attach A, Clause 10 RGCOP</p> | |
| Spud's Hotel Motel | Northern Interests Pty Ltd | <p>Failed to comply with:</p> <ul style="list-style-type: none"> Gaming Licence not displayed at principle entrance - Section 54 GMA Rules Ancillary to Gaming sign not prominently displayed - Cond (c) Attach B Governed by Code of Practice (prominent) - Clause 2(a)(i) RGCOP, Cond (u) Attach B Playing of more than one machine sign not prominently displayed - Clause 4(3)(a) RGCOP Cond (u) Attach B Responsible Gambling Poster not prominently displayed - Clause 5(1)(a) RGCOP & cond (nb) Attach A Responsible Gambling Pamphlets not accessible in gaming area - Clause 5(1)(a) RGCOP & cond (nb) Attach A Responsible Gambling Document not maintained - Cond (nb) Attach A, & Clause 2(b) RGCOP Procedure to ensure that persons barred by the IGA do not enter or remain in the gaming areas and to detail how requests for self-barring are handled (may be part of Responsible Gambling Document. IGA Direction, Section 11 GMA Training requirements not met - Cond (w) Attach B, Cond (nb) Attach A, Clause 10 RGCOP | Reprimand |
| Semaphore Hotel | Jillcar Pty Ltd | <p>Failed to comply with:</p> <ul style="list-style-type: none"> Responsible Gambling Document not maintained - Cond (nb) Attach A, & Clause 2(b) RGCOP | Reprimand |
| Union Hotel | Denma Pty Ltd | <p>Failed to comply with:</p> <ul style="list-style-type: none"> Approved gaming staff not clearly wearing approved identification card while on duty - Sect 50A GMA Training requirements not met - Cond (w) Attach B, Cond (nb) Attach A, Clause 10 RGCOP Gaming Machine Entry Log Book not properly maintained - Cond (h) Attach B | Reprimand |
| Weintal Hotel Motel | Chaleya Pty Ltd | <p>Failed to comply with:</p> <ul style="list-style-type: none"> No Approved Gaming Manager on the licensed premises (during attendance by Police) Cond (o) Attach B | Reprimand |
| Aristocrat Technologies Australia Pty Ltd | Aristocrat Technologies Australia Pty Ltd | <ul style="list-style-type: none"> Supplied unapproved game software to State Procurement Board - Regulation 4 | Reprimand |
| IGT Australia Pty Ltd | IGT Australia Pty Ltd | <ul style="list-style-type: none"> Supplied unapproved game software to State Procurement Board - Regulation 4 | Reprimand |
| Cumberland Arms Hotel | Bressington & Bressington Pty Ltd | <p>Failed to comply with:</p> <ul style="list-style-type: none"> Rules Ancillary to Gaming sign not prominently displayed - Cond (c) Attach B | Reprimand |



| Premises | Licensee (at time of inspection/complaint) | Breach Details | Action Taken |
|---|---|---|---------------|
| | | <ul style="list-style-type: none"> ▪ Helpline Cards not available - Clause 5(2)(b) RGCOP & Cond (nb) Attach A ▪ Responsible Gambling Pamphlets not accessible in gaming area - Clause 5(1)(a) RGCOP & cond (nb) Attach A ▪ Responsible Gambling Document not maintained or available at time of inspection- Cond (nb) Attach A, & Clause 2(b) RGCOP ▪ Barring notices (section 15B IGA Act) not maintained ▪ Copies of barring notices (section 15B IGA Act) not maintained in area accessible to staff or located/displayed where members of public can access them - IGA direction, Section 11 GMA ▪ Procedure to ensure that persons barred by the IGA do not enter or remain in the gaming areas and to detail how requests for self-barring are handled (may be part of Responsible Gambling Document. IGA Direction, Section 11 GMA ▪ Copies of barring notices issued by licensee under Sec 59 GMA not provided to Commissioner within 14 days - Cond (x) Attach B ▪ Training requirements not met - Cond (w) Attach B, Cond (nb) Attach A | |
| IGT Australia Pty Ltd | IGT Australia Pty Ltd | Supplied unapproved game software to State Procurement Board - Regulation 4 | Fine \$5,000 |
| Macmont (NT) Pty Ltd (trading as SA Power Gaming) | Macmont (NT) Pty Ltd (trading as SA Power Gaming) | Supplied unapproved gaming machine to State Procurement Board - Section 14 GMA | Reprimand |
| Princess Berkeley | Berkeley On Hindley Pty Ltd | Failure to ensure that sufficient funds are available for payment of gaming tax within 7 days of the end of each calendar month - Section 72(A)(1) GMA | Reprimand |
| IGT Australia Pty Ltd | IGT Australia Pty Ltd | Supplied unapproved game software to State Procurement Board - Regulation 4 | Fine \$15,000 |
| Macmont (NT) Pty Ltd (trading as SA Power Gaming) | Macmont (NT) Pty Ltd (trading as SA Power Gaming) | Supplied unapproved game software to State Procurement Board - Regulation 4 | Fine \$5,000 |
| Desert Cave Hotel Motel | The Opal Inn Pty Ltd | Failed to comply with: All approved staff clearly displaying ID badges - Section 50A GMA | Reprimand |
| Opal Inn | The Opal Inn Pty Ltd | Failed to comply with: <ul style="list-style-type: none"> ▪ Prescribed duties were carried out by unapproved persons - Section 49 GMA ▪ Failure to give notice within 14 days of approved gaming manager and/or gaming employees cessation of employment - Regulation 6 Licensee failed to maintain and comply with the recording of operation details (log books) - Attach B (h) | Reprimand |

ACOP - Advertising Code of Practice;
Attach- Attachment;
Cond - Condition; and
RGCOP - Responsible Gambling Code of Practice



11. APPROVALS OF GAMES AND MACHINES

11.1 TESTING AND EVALUATION OF GAMING MACHINES

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

Testing and evaluation of gaming machines has been conducted primarily by GLI (Australia) and BMM Australia Pty Ltd. Some testing has also been undertaken by Technical Systems Testing Pty Ltd.

Testing reports are received from an accredited test laboratory, certifying that a gaming machine or game meets the current technical standards. In addition to this, IGC certifies that the machine or game that is to be operated in a gaming venue is compatible with the monitoring system's communications protocol.

As at 30 June 2008, 36 machines and 387 games are currently approved. A number of game approvals include more than one variation of the basic game, such as the return to player percentage, maximum bet and optional game features.

| | 2007-08 | 2006-07 |
|---|---------|---------|
| Games Approval Activity | | |
| Orders approving a new game | 45 | 39 |
| Orders approving a new version of a game | 23 | 43 |
| Orders revoking the approval of a game | 56 | 92 |
| Gaming Machines Approval Activity | | |
| Orders approving a new gaming machine | 2 | 1 |
| Orders approving a modification to a gaming machine | 33 | 38 |
| Orders revoking the approval of a gaming machine | 0 | 0 |

11.1.1 Assessment Panel for the Accreditation of Testing Facilities

During the year, the chairmanship of the Assessment Panel was transferred from my Office to the NSW Office of Liquor, Gambling and Racing. The working party reports to all participating regulators with recommendations of suitably qualified and experienced organisations for consideration as an Accredited Testing Facility.

The aim is to provide a cooperative and coordinated approach to the assessment of testing facilities by the various gaming regulators of Australia and New Zealand. While accreditations will be issued by individual jurisdictions, the assessment process is conducted most efficiently by this cooperative arrangement.

Existing test laboratories GLI, BMM and TST continue to be accredited to test gaming machine and games for South Australia.

Following a general call for expressions of interest from suitable organisations to be assessed by the Panel, Melbourne-based Enex TestLabs was recommended by the Panel as being suitable for the testing of gaming machines, games and associated in-venue devices. Enex has not yet sought formal accreditation in South Australia.



11.2 NATIONAL STANDARD FOR GAMING MACHINES

South Australia continues to chair the Working Party on Gaming Machine National Standards.

Work has continued with other Australasian gaming jurisdictions to develop the uniform technical standard for gaming machines throughout Australia and New Zealand. The process of developing the National Standard has minimised the different requirements of each gaming jurisdiction.

In developing the National Standard, the Working Party has consulted 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 2 years in Sydney following the Australasian Gaming Expo.

The Manufacturer's Forum 2008 is due to be held in Sydney on 27 August 2008. A number of minor amendments have been proposed for discussion at the forum. National Standard Rev 10.0 will likely be released in 2008-09.





12. BARRING

12.1 BARRING UNDER SECTION 59 OF THE ACT

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.

A person who is the subject of a barring order may appeal to me to review the order.

During 2007-08 no applications were made under section 59 of the Act for a review of a barring order.





13. GAMING TAX

13.1 RATES

The rates effective for 2007-08 were:

| Annual NGR | Other than Non-Profit Businesses (Hotels) | Non-Profit Business (Clubs & Community Hotels) |
|---------------------------|--|---|
| | Marginal Tax Rates | Marginal Tax Rates |
| \$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.

13.2 DISTRIBUTION OF NGR

During 2007-08, 574 venues operated for all or part of the year. The following table shows the total number of venues falling within each tax threshold.

| Annual NGR | Total Number of Venues | |
|-------------------------------|-------------------------------------|---------------------|
| | Other than Non-Profit Businesses | Non-profit business |
| \$0 - \$75,000 | 36 | 12 |
| \$75,001-\$399,000 | 156 | 25 |
| \$399,001 - \$945,000 | 73 | 15 |
| \$945,001 - \$1,500,000 | 44 | 2 |
| \$1,500,001 - \$2,500,000 | 78 | 18 |
| \$2,500,001 - \$3,500,000 | 49 | 9 |
| Above \$3,500,000 | 52 | 5 |
| Total Number of Venues | 488 | 86 |



13.3 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 within 7 days of the initial EFT of the account, a fine of 10% is applied. During 2007-08, 20 fines totalling \$24,214.11 were applied.

Section 72B of the Act, which came into effect 1 February 2005, provides that if an amount remains outstanding for more than 10 days from the due date, I may by written notice suspend the licence 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 2007-08, 9 licensees were issued with 20 fines and received notices requiring them to pay within 3 days. One fine was remitted and in 18 cases the outstanding amounts were paid before the deadline and no licences were suspended.

In one case, the licensee failed to pay the outstanding fine. On 3 June 2008, advice was received that the licensee of the premises had gone into liquidation. On 4 June 2008 the landlord took possession of the premises due to unpaid rent, and on 10 June 2008 was approved by my Office under the *Liquor Licensing Act 1997* and the *Gaming Machines Act 1992* to carry on the business as the licensee. The liquor & gaming licences were suspended until further order at the landlord's request.

Even though the company had been placed into liquidation, it still held the liquor and gaming machine licences at the premises on 31 May 2008, therefore, in accordance with section 72A(3b) of the *Gaming Machines Act 1992* is liable for the total gaming tax for the month of May 2008, being \$5,133.73.

On 12 June 2008 a letter was sent to the licensee via post, facsimile and email advising it had defaulted on the payment of May's gaming tax and that it had until 5pm on 17 June 2008 to pay the outstanding amount otherwise a fine of 10% would be applied to the amount in accordance with section 72B of the Act. As payment of the outstanding amount had not been received by 5pm on 17 June 2008, a 10% fine was applied to the amount of May's gaming tax bringing the outstanding amount to \$5,647.10. A letter was sent and faxed to the licensee advising of this and that payment of the full amount including the fine was to be paid by 5 pm on 23 June 2008.

To date this amount remains outstanding and under 72B of the Act I am currently in the process of referring the matter to the Crown Solicitor's Office for the outstanding amount to be recovered as a debt to the Crown.

13.4 REFUNDS

Refunds of gaming tax arise from the tax-free threshold for clubs and hotels with a 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.

42 venues received refunds for the 2007-08 financial year totalling \$193,642.18.

In addition, 1 premises originally appeared as a venue that should be eligible for a tax refund. However as advised in 13.3, the licensee did not make any payment for the tax due for the month of May 2008.



Therefore, I am in the process of seeking the Crown Solicitor's advice as to whether:

1. it is appropriate that the tax refund due to the premises be applied to the outstanding amount of gaming tax and to fine be recovered as a debt from the licensee company; or
2. the refund amount should be paid to the licensee as at 30 June 2008, being the landlord in possession, and that the original outstanding amount be a debt recoverable from the licensee company.





14. ORGANISATION

14.1 ORGANISATION STRUCTURE

The organisation structure of the Office of the Liquor and Gambling Commissioner is contained in section 17.

The structure reflects an integration of related liquor and gambling functions which has proven to be not only cost efficient but also most effective.

14.2 STAFFING

| | 2006-07 Budget | 2006-07 Actual | 2007-08 Budget | 2007-08 Actual |
|------------------------------------|-------------------|-------------------|-------------------|-------------------|
| Average full-time equivalent staff | 19.5 | 19.5 | 15.5* | 15.5* |

*Please note in 2007-08 a review of all FTE's allocation across liquor, gaming, casino, wagering and lotteries was undertaken. All staff with responsibilities across a number of areas have been appropriately apportioned.

14.3 BUDGET INFORMATION

| | 2006-07 Budget | 2005-06 Actual | 2007-08 Budget | 2007-08 Actual |
|------------------|-------------------|-------------------|-------------------|-------------------|
| | \$m | \$m | \$m | \$m |
| Salaries | 1.303 | 1.139 | 1.163 | 1.092 |
| Goods & Services | 0.329 | 0.268 | .303 | .271 |
| Total | 1.632 | 1.407 | 1.466 | 1.363 |

15. THANKS

I thank all staff for their continued efforts in 2007-08.

I also thank the Board and staff of the IGC, IGA, SPB, Bytcraft, AHA and Clubs SA for their cooperation and assistance throughout the year.



16. STATISTICS

Table 1 **Monthly gaming statistics 2007-08**

| Month | Total bets | Total Wins | Net Gambling Revenue | Tax Liability | Fines |
|---------------------|----------------------|----------------------|-----------------------------|----------------------------------|-----------------------------|
| | (\$) | (\$) | (\$) | (\$) | (\$) |
| Jul-2007 | 730,682,724 | 659,335,330 | 71,347,394 | 28,966,803 | - |
| Aug | 777,552,879 | 701,826,390 | 75,726,489 | 31,144,438 | 2,872 |
| Sep | 723,044,381 | 652,899,309 | 70,145,072 | 28,156,010 | - |
| Oct | 735,114,684 | 663,505,065 | 71,609,619 | 28,961,117 | - |
| Nov | 609,385,206 | 549,992,761 | 59,392,445 | 22,245,252 | - |
| Dec | 615,240,563 | 555,477,982 | 59,762,580 | 22,781,360 | 426 |
| Jan-2007 | 597,061,742 | 539,132,171 | 57,929,572 | 21,802,392 | 2,800 |
| Feb | 577,861,985 | 521,736,288 | 56,125,696 | 20,963,838 | 135 |
| Mar | 587,989,993 | 530,881,640 | 57,108,354 | 21,428,267 | - |
| Apr | 613,179,994 | 554,039,113 | 59,140,881 | 22,510,394 | 5,976 |
| May | 635,149,135 | 574,162,729 | 60,986,406 | 23,516,640 | 5,986 |
| Jun-2008 | 611,978,936 | 552,793,985 | 59,184,952 | 22,560,180 | 6,019 |
| 2007-08 Year | 7,814,242,221 | 7,055,782,762 | 758,459,459 | 295,036,690⁽¹⁾ | 24,214⁽¹⁾ |

(1) Please refer to 13.3 regarding default of tax payable and fine

Chart 1 **Gaming tax levied per month 2007-08**

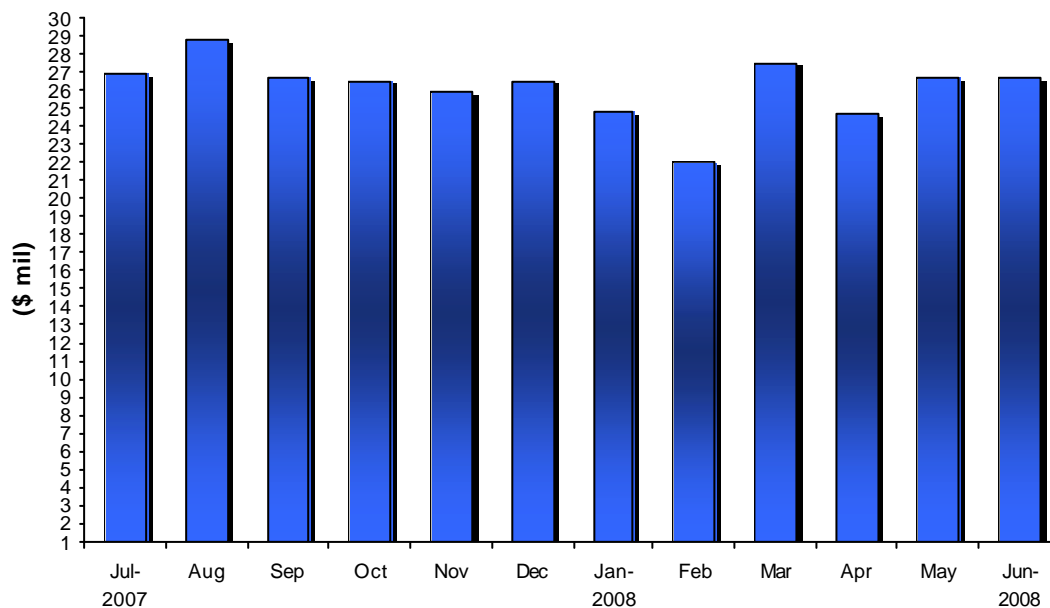




Table 2 Monthly gaming machine and venue installations 2007-08

| Month | Venues | Gaming Machines |
|----------|--------|-----------------|
| Jul-2007 | 569 | 12,620 |
| Aug | 571 | 12,666 |
| Sep | 571 | 12,669 |
| Oct | 568 | 12,624 |
| Nov | 566 | 12,621 |
| Dec | 566 | 12,672 |
| Jan-2008 | 566 | 12,684 |
| Feb | 566 | 12,682 |
| Mar | 565 | 12,649 |
| Apr | 565 | 12,690 |
| May | 566 | 12,697 |
| Jun-2008 | 565 | 12,682 |

Chart 2 Monthly gaming machine and venue installations 2007-08

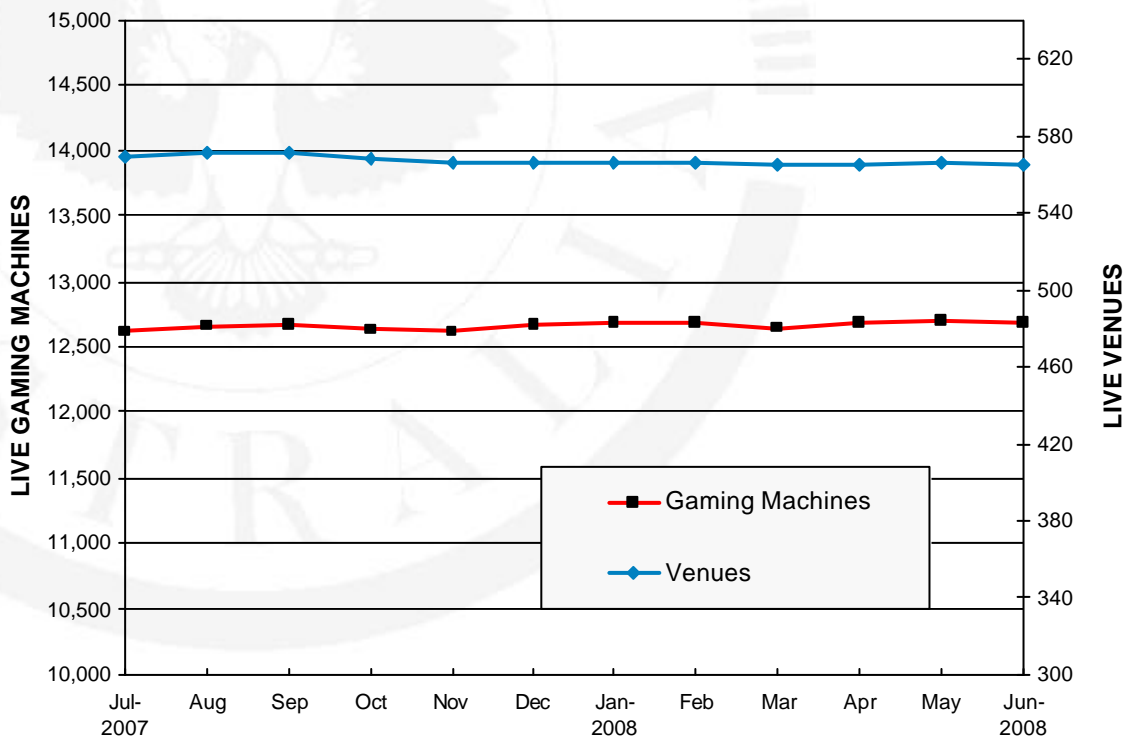




Table 3 Data by ABS LGA 2007-08

Note: Where a LGA has less than 5 venues, that LGA has been grouped with another LGA

| LGA or Grouped LGA | No of Venues | No of machines at 30 Jun 08 | Aggregate NGR (2007-08) | Aggregate NGR per venue (2007-08) |
|---|---------------------|------------------------------------|--------------------------------|--|
| Ade laide | 54 | 1077 | \$36,838,674.95 | \$682,197.68 |
| Adelaide Hills | 18 | 266 | \$5,110,484.33 | \$283,915.80 |
| Alexandria | 13 | 256 | \$8,530,657.39 | \$656,204.41 |
| Barossa | 15 | 240 | \$7,099,530.45 | \$473,302.03 |
| Barunga West, Copper Coast | 16 | 263 | \$9,645,284.62 | \$602,830.29 |
| Berri Barmera | 7 | 176 | \$7,202,133.55 | \$1,028,876.22 |
| Campbelltown, Tea Tree Gully | 15 | 461 | \$47,398,147.32 | \$3,159,876.49 |
| Ceduna, Streaky Bay, Le Hunte, Elliston, Lower Eyre Peninsula | 10 | 143 | \$4,735,004.87 | \$473,500.49 |
| Charles Sturt | 28 | 811 | \$66,433,543.48 | \$2,372,626.55 |
| Clare & Gilbert Valleys | 7 | 88 | \$2,169,820.69 | \$309,974.38 |
| Coorong, Tatiara | 9 | 133 | \$3,758,983.37 | \$417,664.82 |
| Gawler | 8 | 208 | \$13,869,232.61 | \$1,733,654.08 |
| Goyder, Northern Areas | 9 | 62 | \$1,144,914.06 | \$127,212.67 |
| Holdfast Bay | 11 | 368 | \$26,261,301.47 | \$2,387,391.04 |
| Kangaroo Island, Yankalilla, Victor Harbor | 11 | 202 | \$9,067,021.57 | \$824,274.69 |
| Kimba, Cleve, Tumby Bay, Franklin Harbour | 7 | 77 | \$1,855,640.95 | \$265,091.56 |
| Light, Mallala | 12 | 109 | \$4,089,908.63 | \$340,825.72 |
| Loxton Waikerie | 5 | 130 | \$4,212,145.69 | \$842,429.14 |
| Marion | 11 | 348 | \$29,137,171.85 | \$2,648,833.80 |
| Mid Murray | 10 | 129 | \$2,923,645.18 | \$292,364.52 |
| Mitcham, Burnside | 8 | 226 | \$16,115,007.60 | \$2,014,375.95 |
| Mount Barker | 12 | 249 | \$10,163,083.35 | \$846,923.61 |
| Mount Gambier, Grant | 15 | 369 | \$17,191,228.82 | \$1,146,081.92 |
| Mount Remarkable, Orroroo/Carrieton, Peterborough | 7 | 73 | \$1,433,976.01 | \$204,853.72 |
| Murray Bridge, Karoonda/East Murray, Southern Mallee | 10 | 159 | \$9,614,270.78 | \$961,427.08 |
| Naracoorte & Lucindale, Robe, Kingston | 8 | 168 | \$5,196,516.88 | \$649,564.61 |
| Norwood Payneham & St Peters | 18 | 554 | \$33,871,242.16 | \$1,881,735.68 |
| Onkaparinga | 26 | 726 | \$65,059,630.24 | \$2,502,293.47 |
| Playford | 11 | 303 | \$31,400,759.75 | \$2,854,614.52 |
| Port Adelaide Enfield | 46 | 1255 | \$78,769,517.55 | \$1,712,380.82 |
| Port Augusta | 12 | 272 | \$11,423,074.45 | \$951,922.87 |
| Port Lincoln | 7 | 212 | \$9,176,383.76 | \$1,310,911.97 |
| Port Pirie | 9 | 220 | \$9,651,361.36 | \$1,072,373.48 |
| Prospect, Walkerville | 6 | 160 | \$14,706,367.78 | \$2,451,061.30 |
| Renmark Paringa | 6 | 150 | \$5,455,758.42 | \$909,293.07 |
| Roxby Downs, Coober Pedy, Flinders Ranges | 8 | 131 | \$5,489,003.36 | \$686,125.42 |
| Salisbury | 22 | 644 | \$67,098,819.33 | \$3,049,946.33 |
| Unincorp. Far North, Unincorp. West Coast | 6 | 60 | \$902,836.94 | \$150,472.82 |
| Unley | 8 | 254 | \$16,050,483.72 | \$2,006,310.47 |
| Wakefield Region | 9 | 60 | \$1,757,983.53 | \$195,331.50 |
| Wattle Range | 8 | 124 | \$3,490,459.31 | \$436,307.41 |
| West Torrens | 11 | 337 | \$30,639,322.69 | \$2,785,392.97 |
| Whyalla | 8 | 224 | \$16,827,532.80 | \$2,103,441.60 |
| Yorke Peninsula | 17 | 205 | \$5,491,591.28 | \$323,034.78 |
| | 574 | 12682 | \$758,459,458.90 | \$1,321,357.94 |

The total number of 574 represents the total number of venues that operated and derived NGR at any time throughout the year. This number may differ from the total as at 30 June 2008 due to surrender or suspension of the 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 13).

Table 4 NGR - 2004 to 2008

| | 2003-04 (\$mil) | % | 2004-05 (\$mil) | % | 2005-06 (\$mil) | % | 2006-07 (\$mil) | % | 2007-08 (\$mil) | % |
|--------------|--------------------|------|--------------------|------|--------------------|------|--------------------|------|--------------------|------|
| Hotels | 670.267 | 92.6 | 693.008 | 92.5 | 687.448 | 91.5 | 720.272 | 90.9 | 683.667 | 90.1 |
| Clubs | 53.337 | 7.4 | 56.243 | 7.5 | 63.584 | 8.5 | 72.348 | 9.1 | 74.792 | 9.9 |
| Total | 723.604 | | 749.251 | | 751.032 | | 792.620 | | 758.459 | |

Table 5 Gaming tax - 2004 to 2008

| | 2003-04 (\$mil) | % | 2004-05 (\$mil) | % | 2005-06 (\$mil) | % | 2006-07 (\$mil) | % | 2007-08 (\$mil) | % |
|--------------|--------------------|------|--------------------|------|--------------------|------|--------------------|------|--------------------|------|
| Hotels | 269.860 | 95.2 | 281.567 | 95.0 | 275.797 | 94.0 | 292.784 | 94.0 | 273.014 | 92.5 |
| Clubs | 13.660 | 4.8 | 14.717 | 5.0 | 17.623 | 6.0 | 21.065 | 6.0 | 22.022 | 7.5 |
| Total | 283.520 | | 296.284 | | 293.420 | | 313.849 | | 295.036 | |

* Tax rates changed effective from 1 January 2003

Table 6 Average NGR per machine per day - 2004 to 2008

| | 2003-04 | 2004-05 | 2005-06 | 2006-07 | 2007-08 |
|-----------------------------|---------|---------|---------|---------|---------|
| Ave NGR per machine per day | \$134 | \$139 | \$163 | \$172 | \$164 |

Table 7 Average total NGR per day type - 2004 to 2008

| | 2003-04 (\$ mil) | 2004-05 (\$mil) | 2005-06 (\$mil) | 2006-07 (\$mil) | 2007-08 (\$mil) |
|-------|---------------------|--------------------|--------------------|--------------------|--------------------|
| Sun | 1.479 | 1.547 | 1.507 | 1.649 | 1.599 |
| Mon | 1.540 | 1.592 | 1.625 | 1.671 | 1.652 |
| Tues | 1.697 | 1.769 | 1.781 | 1.891 | 1.770 |
| Wed | 2.056 | 2.101 | 2.114 | 2.221 | 2.116 |
| Thurs | 2.354 | 2.492 | 2.455 | 2.577 | 2.442 |
| Fri | 2.546 | 2.653 | 2.655 | 2.779 | 2.649 |
| Sat | 2.170 | 2.205 | 2.254 | 2.408 | 2.296 |



Table 8 RTP - 2004 to 2008¹

| | 2003-04 | 2004-05 | 2005-06 | 2006-07 | 2007-08 |
|------------------|---------|---------|---------|---------|---------|
| Return to Player | 88.87% | 89.29% | 89.77% | 90.10% | 90.29% |

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 % - 6 monthly since commencement of gaming

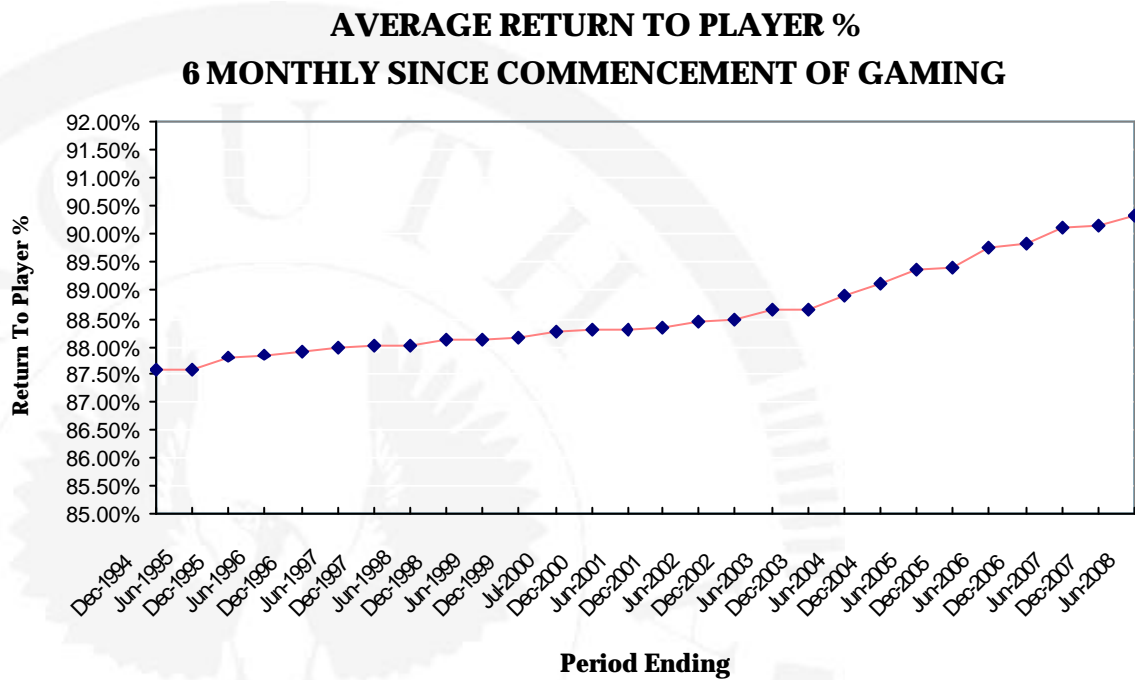


Table 9 Live venues and machines - 2004 to 2008

| | 30 Jun 04 | 30 Jun 05 | 30 Jun 06 | 30 Jun 07 | 30 Jun 08 |
|----------------|-----------|-----------|-----------|-----------|-----------|
| No of venues | 593 | 585 | 578 | 569 | 565 |
| No of machines | 14,799 | 14,062 | 12,598 | 12,581 | 12,682 |



Table 10 Number of clubs by machine range - 2004 to 2008

| No of machines | 30 Jun 04 | 30 Jun 05 | 30 Jun 06 | 30 Jun 07 | 30 Jun 08 |
|----------------|-----------|-----------|-----------|-----------|-----------|
| 1 to 10 | 30 | 29 | 26 | 20 | 17 |
| 11 to 20 | 27 | 26 | 25 | 25 | 24 |
| 21 to 30 | 8 | 9 | 7 | 6 | 6 |
| 31 to 40 | 22 | 21 | 21 | 23 | 34 |
| Total | 87 | 85 | 79 | 74 | 81 |

Table 11 Number of hotels by machine range - 2004 to 2008

| No of machines | 30 Jun 04 | 30 Jun 05 | 30 Jun 06 | 30 Jun 07 | 30 Jun 08 |
|----------------|------------|------------|------------|------------|------------|
| 1 to 10 | 136 | 133 | 134 | 133 | 133 |
| 11 to 20 | 85 | 91 | 107 | 103 | 99 |
| 21 to 30 | 41 | 38 | 32 | 33 | 33 |
| 31 to 40 | 244 | 238 | 226 | 226 | 219 |
| Total | 506 | 500 | 499 | 495 | 484 |

Table 12 Gaming venues by business type - 2004 to 2008

| No of venues | 30 Jun 04 | | 30 Jun 05 | | 30 Jun 06 | | 30 Jun 07 | | 30 Jun 08 | |
|--------------|------------|------|------------|------|------------|------|------------|------|------------|------|
| | | % | | % | | % | | % | | % |
| Hotels | 506 | 85.3 | 500 | 85.5 | 499 | 86.3 | 495 | 87.0 | 495 | 87.6 |
| Clubs | 87 | 14.7 | 85 | 14.5 | 79 | 13.7 | 74 | 13.0 | 70 | 12.4 |
| Total | 593 | | 585 | | 578 | | 569 | | 565 | |

Table 13 Gaming machines by business type - 2004 to 2008

| No of venues | 30 Jun 04 | | 30 Jun 05 | | 30 Jun 06 | | 30 Jun 07 | | 30 Jun 08 | |
|--------------|---------------|------|---------------|------|---------------|------|---------------|------|---------------|------|
| | | % | | % | | % | | % | | % |
| Hotels | 13,075 | 88.4 | 12,363 | 87.9 | 11,003 | 87.3 | 10,978 | 87.3 | 11,108 | 87.6 |
| Clubs | 1,724 | 11.6 | 1,699 | 12.1 | 1,595 | 12.7 | 1,603 | 12.7 | 1,574 | 12.4 |
| Total | 14,799 | | 14,062 | | 12,598 | | 12,581 | | 12,682 | |



Chart 4 *Growth in gaming venues*

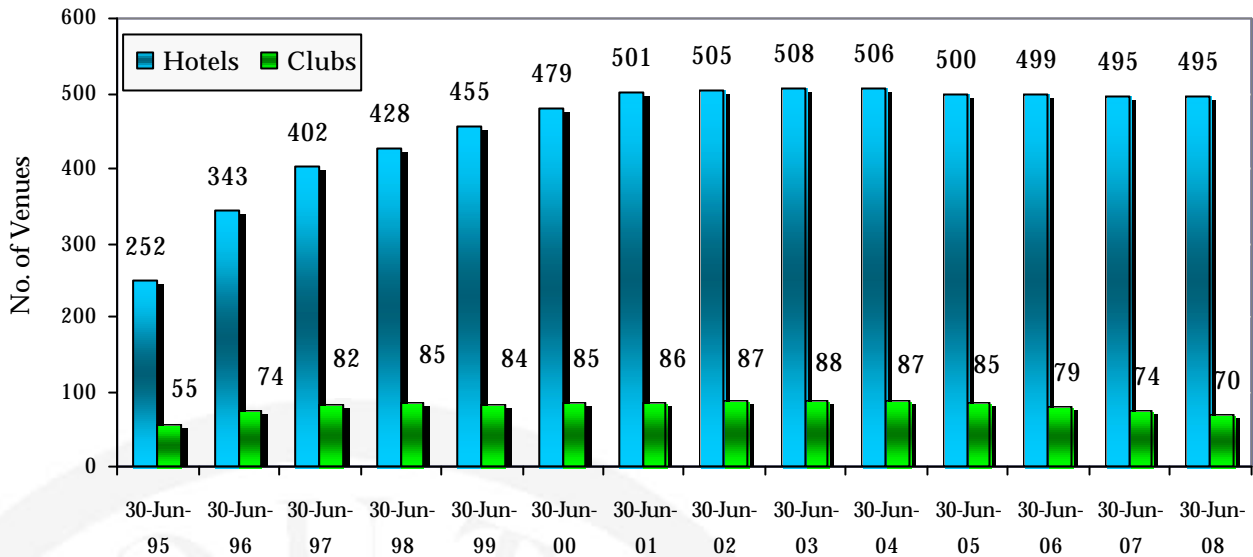


Chart 5 *Growth in gaming machines installed*

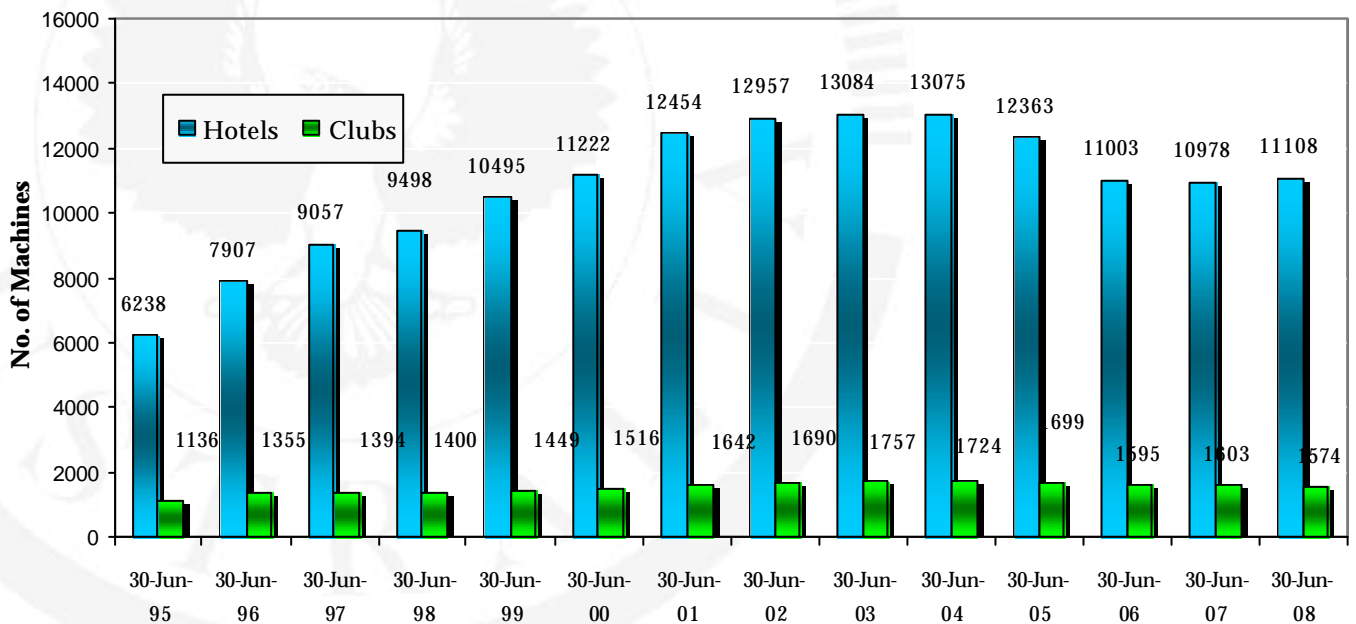




Table 14 Average growth in operating machines - 2004 to 2008

| | 2003-04 | 2004-05 | 2005-06 | 2006-07 | 2007-08 |
|--|---------|---------|---------|---------|---------|
| Monthly average number of machines installed | -1 | -61 | -122 | -1 | 6 |

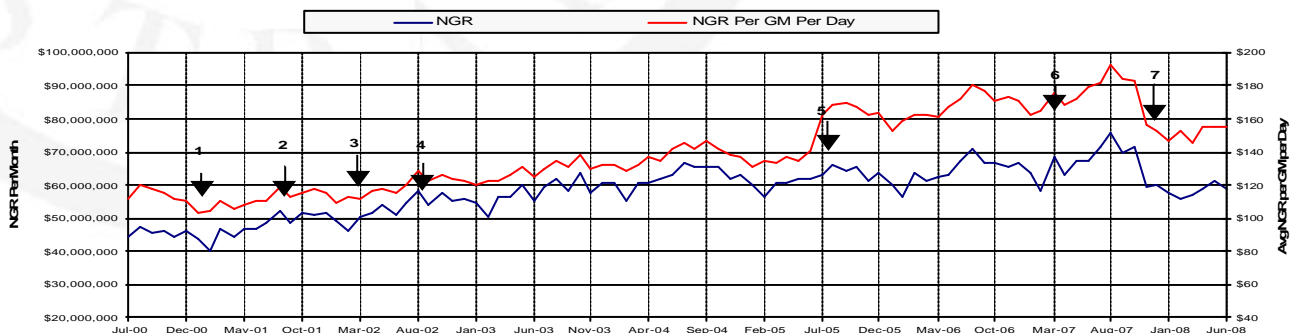
Table 15 Manufacturer's share of gaming machine market - 2004 to 2008

| | Jun 04 | Jun 05 | Jun 06 | Jun 07 | Jun 08 |
|----------------------------|---------------|---------------|---------------|---------------|---------------|
| Aristocrat | 10,168 | 9,529 | 8,283 | 7,850 | 7,502 |
| IGT | 2,242 | 2,450 | 2,667 | 3,037 | 3,458 |
| Konami | 1,021 | 1,091 | 1,035 | 1,237 | 1,347 |
| Ainsworth | 307 | 299 | 278 | 298 | 281 |
| Pacific | 342 | 272 | 142 | 111 | 76 |
| VGS | 227 | 206 | 132 | 89 | 69 |
| Olympic | 260 | 181 | 85 | 43 | 27 |
| Datacraft | 162 | 103 | 43 | 35 | 17 |
| Atronic | 85 | 69 | 26 | 16 | 10 |
| Vidco | 0 | 0 | 0 | 0 | 0 |
| Total⁽¹⁾ | 14,814 | 14,200 | 12,691 | 12,716 | 12,787 |

(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 machines installed in venues as at the 30 June each year. The data shown in Table 9 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 6 Impact of legislation and codes of practice on NGR

Prior to the commencement of this financial year, with the exception of 1996-97 the average NGR per machine per day increased on an annual basis from \$98 in 1994-95 to \$172 for 2006-07. A decrease to \$164 for 2007-08 may in part be attributed to the introduction of total smoking bans in November 2007.



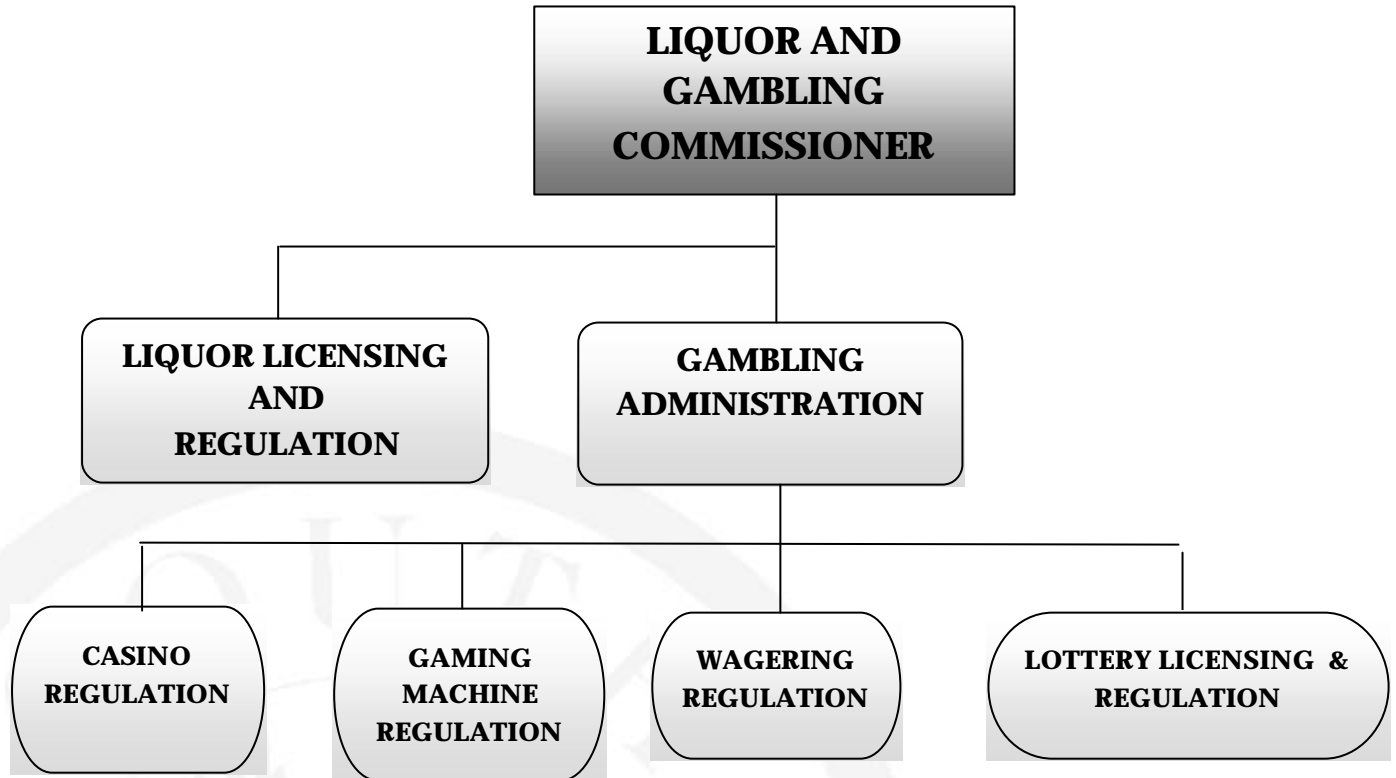


Chronology of Responsible Gambling Measures

- Event 1: 7/12/2000 Commencement of legislation preventing the granting of new gaming machine licenses.
- Event 2: 30/05/2001 *Statutes Amendment (Gambling Regulation) Act 2001* is passed.
- Event 3: 01/10/2001 First mandatory versions of the Responsible Gambling Code of Practice and the Advertising Code of Practice introduced. Key elements of the Codes were:
- 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
- 01/10/2001 Minimum RTP on all newly approved games increased to 87.5% from the previously approved rate of 85%
- 01/10/2001 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.
- 01/10/2001 Voluntary Barring system introduced.
- Event 4: 01/01/2002 Licensees are not to provide ATM or EFTPOS facilities that are capable of allowing more than \$200 per transaction per debit or credit card.
- 01/01/2002 Autoplay function removed from all South Australian gaming machines by this implementation date.
- 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.



17. ORGANISATION CHART





18. GLOSSARY

| | |
|-------------|--|
| ACOP | Advertising Code of Practice |
| AHA | Australian Hotels Association (South Australian Branch) |
| Bytecrafft | Bytecrafft Systems Pty Ltd - holder of a service licence |
| Club One | Club One (SA) Pty Ltd |
| Clubs SA | Licensed Clubs Association of South Australia |
| CMS | Club Management Services Pty Ltd |
| Cond | Condition |
| EFT | Electronic Funds Transfer |
| GST | Goods and Services Tax |
| IGA | Independent Gambling Authority |
| IGC | Independent Gaming Corporation Ltd - holder of the monitor licence |
| LGA | Local Government Area |
| LLA | <i>Liquor Licensing Act 1997</i> |
| NGR | Net Gambling Revenue |
| Regulations | Gaming Machines Regulations 2007 |
| RG COP | Responsible Gambling Code of Practice |
| RTP | Return to Player |
| SAPOL | South Australian Police Department |
| SPB | State Procurement Board (formerly the State Supply Board) - holder of the supplier's licence |



19. CONTACTS

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