



Victorian Commission for  
Gambling and Liquor Regulation

---

# Annual Report

2011–2012



### Correction

The information on p43 of the VCGLR 2011–12 Annual Report relates to Community Benefit Statements lodged in the 2010–11 Financial Year.

Community Benefit Statements are due by 30 September each year and are made available when lodged at [www.vcglr.vic.gov.au](http://www.vcglr.vic.gov.au). Following audit, combined summary tables are made available in November or December of each year. Information for the previous financial year is then published in the Annual Report.

# Contents

Letter to the Minister .....	3
The Victorian Commission for Gambling and Liquor Regulation .....	5
A new organisation.....	5
Message from the Chairman.....	7
Message from the Chief Executive Officer .....	9
Operational performance .....	10
Gambling regulation .....	10
Liquor regulation .....	10
Highlights.....	11
Commissioners.....	12
Introducing the VCGLR Divisions .....	15
Licensing and Approvals .....	15
Compliance and Audit.....	19
Strategy, Education and Integration .....	21
General Counsel and Regulatory Services.....	24
Gambling Licences Transition Project (2012) .....	28
Our people .....	29
Appendices .....	33
Appendix 1: Disclosure index .....	34
Appendix 2: Ministerial Directions .....	36
Appendix 3: Additional information.....	37
Appendix 4: Inspections, audit and enforcement .....	46
Appendix 5: Governance and compliance .....	53
Summary of financial results .....	59
VCGR 1 July 2011–5 February 2012.....	60
VCGLR 6 February–30 June 2012 .....	106



## Letter to the Minister

The Hon. Michael O'Brien MP  
Minister for Gaming, Minister for Consumer Affairs, Minister for Energy and Resources  
Level 22, 1 Spring Street  
MELBOURNE VIC 3000

Dear Minister

I am pleased to submit the inaugural Annual Report for 2011–12 of the Victorian Commission for Gambling and Liquor Regulation (VCGLR) for presentation to the Parliament. The Annual Report has been prepared in accordance with the *Financial Management Act 1994* and the *Victorian Commission for Gambling and Liquor Regulation Act 2011*. As the VCGLR became a new entity in February 2012, this Annual Report also reports on the operations of the former Victorian Commission for Gambling Regulation for 2011–12 and the activities of Responsible Alcohol Victoria, up until 5 February 2012.

Yours sincerely



**Mark Brennan**  
Chairman

“  
Work together  
Act with integrity  
Respect other people  
Make it happen

Values



# The Victorian Commission for Gambling and Liquor Regulation

The VCGLR is the independent statutory authority which regulates Victoria's liquor and gambling industries. It is responsible for liquor and gambling licensing, and works to ensure compliance with regulations. This includes informing and educating industry participants and the Victorian public about regulatory practices and requirements, and working to minimise harm.

Our statutory obligations are set out in several Acts of Parliament. These include regulating:

- the liquor industry in accordance with the *Liquor Control Reform Act 1998*
- all forms of legalised gambling in accordance with the *Gambling Regulation Act 2003*, the *Casino Control Act 1991* and the *Casino (Management Agreement) Act 1993*.

## A new organisation

The *Victorian Commission for Gambling and Liquor Regulation Act 2011* (the Act) established the VCGLR which commenced operations on 6 February 2012. The Act transferred the roles and functions of the Victorian Commission for Gambling Regulation (VCGR), the Director of Liquor Licensing, and the Liquor Licensing Panel, to the VCGLR. Under the Act the VCGLR also has the power to undertake liquor disciplinary actions, replacing the role of the Victorian Civil and Administrative Tribunal in relation to liquor matters. In addition, the VCGLR assumed the administrative and educative functions of Responsible Alcohol Victoria (RAV).

The new structure recognises that every Victorian gaming venue must have a liquor licence. The VCGLR's collaborative and integrated approach enables it to deliver more rigorous and predictable decisions, greater efficiency and a holistic response to industry needs. Continuing to work closely with stakeholders, the VCGLR will also focus on minimising any potential harm that the gambling and liquor industries may have on individuals and the broader community.

Establishing the VCGLR and bringing together diverse regulatory functions has been a major undertaking. A new governance framework and operating

environment were mandated by the Act. A number of major gaming and liquor projects and activities needed to be consolidated into new work streams within the new organisation.

Extensive communication with existing staff and stakeholders ensured a smooth transition. The following are key achievements in the creation of the new organisation:

- Commissioners were formally appointed by the Governor in Council (on the recommendation of the Minister for Gaming and Consumer Affairs).
- A new organisational structure and corporate values were created in consultation with staff.
- New information technology systems and processes were created to support the new organisation and facilitate an integrated approach to liquor and gambling regulation.
- The major move to new premises in Richmond was completed successfully.
- A new corporate identity was established.
- A new website was created.
- New strategic directions were developed to underpin the vision and mission of the VCGLR and drive performance.

“Community-wide benefits to Victorians through the regulation of Victoria’s gambling and liquor industries.

Vision

“VCGLR is an efficient and dynamic independent regulator that ensures the integrity of the Victorian gambling and liquor industries and is committed to minimising harm.

Purpose



## Message from the Chairman

Welcome to the first VCGLR Annual Report.

This report draws together the liquor and gambling regulatory activities throughout the 2011–12 year that were undertaken by VCGLR and its predecessor organisations, the Victorian Commission for Gambling Regulation, Responsible Alcohol Victoria and Director of Liquor Licensing.

The creation of the VCGLR on 6 February this year coincides with major regulatory changes to the gambling and liquor industries. These changes present industry participants and the VCGLR with significant opportunities and challenges.

The VCGLR has a clear objective to minimise harm caused by problem gambling and the abuse of alcohol. We will leverage liquor and gambling regulation to develop holistic approaches to these issues, including through licensing, compliance, education and administration.

The single vision and purpose of the VCGLR aims to ensure liquor and gambling regulation is administered efficiently and effectively, supported by experienced staff working cooperatively across these industries.

We have defined our strategic priorities. These will direct and shape our work over the next three years. Our priorities have been developed collaboratively with our workforce and were informed by industry and other stakeholder needs. They will guide our decision making around the allocation of resources and focus on the organisation's overarching goals to ensure coherent and considered action.

Our strategic priorities will enable us to continue building on our achievements as we work across liquor and gambling matters. We are determined to achieve our vision of delivering community-wide

benefits to Victorians through the effective and efficient regulation of Victoria's gambling and liquor industries.

As the previous Director of Liquor Licensing, one of my main goals was to help licensees understand their obligations and explore constructive solutions that aid responsible business operations and the public interest in safety and amenity. I will continue to reinforce the value of gambling and liquor industry education.

We enable licence holders to trade where others cannot and we expect industry to develop strategies and initiatives to improve their businesses and compliance. Improved education in liquor and gambling regulation is a key way to enhance industry performance and influence better outcomes for businesses, their patrons and the Victorian community.

The VCGLR has the expertise to deliver on our regulatory responsibilities and continue to contribute positively to the liquor and gambling industries and the Victorian community.

I appreciate the support that has been given to the establishment of the Commission by the Hon. Michael O'Brien, Minister for Gaming and Minister for Consumer Affairs. I would also like to take this opportunity to thank my fellow Commissioners and the Chief Executive Officer Jane Brockington, for their support and diligence through the VCGLR's establishment period.



**Mark Brennan**  
Chairman

“**Modern** in our regulatory approach; demonstrating VCGLR’s leadership and innovation.

**Efficient** in our practices and the way we regulate.

**High performing** and dynamic in our workplace; where our people are respected, supported and model integrity.

**Networked** to improve our gambling and liquor regulatory outcomes.

Strategic priorities

## Message from the Chief Executive Officer

The commencement of the VCGLR on 6 February 2012 marked the beginning of our journey as a new organisation and towards achieving a cohesive and streamlined approach to gambling and liquor licensing.

It has been a busy five months but a period that demonstrates the capacity and capability of the new VCGLR. We have faced a period of intense change, bringing together people from different places to build our new organisation, taking on new regulatory responsibilities, supporting the new Commission's decision making, relocating our offices and successfully implementing significant changes to several classes of liquor licences.

Critically, throughout this period, we have ensured our core work of regulating Victoria's gaming and liquor industries including more than 19,000 liquor licences, over 500 gaming venues and thousands of permits and licences, has continued without disruption.

In August 2012, the Victorian gaming industry will undergo the largest structural reforms in two decades. The preparation for this complex task has, and will continue to, dominate much of our focus and effort. There are six weeks before the new arrangements commence and much still to be done, but at this point I am confident that the industry is on track for a smooth transition on 16 August.

A new organisation presents an opportunity to look at what we do, how we do it and to work differently. The initial structure of the VCGLR has enabled us to integrate and cooperate across shared business functions. We have conducted 127 joint compliance inspections, created internal business processes and systems to establish a standard administrative platform, and developed a number of positive workplace initiatives to support our people.

The executive team and staff have been working with the Chair and Commission to define and roll-out the VCGLR's regulatory approach and practice. For example, the team has developed and designed streamlined procedures to support the 11 liquor licensing proceedings, 17 gaming-related public inquiries and 25 Commission meetings held between February and June 2012.

Our gambling and liquor portfolios cross over and deploy similar regulatory tools and strategies. The VCGLR will continue to evolve a sophisticated, risk-based framework to license and register people, premises and products for both industries, underpinned by robust regulatory decision making, streamlined processes, high quality services and reducing the regulatory burden on industry participants where practical.

The first five months has shown the creativity, resilience and capability of the VCGLR staff in rising to meet every challenge and to deliver great results in a short amount of time. I would like to take this opportunity to thank all VCGLR staff for making the transition to a new organisation and their tireless work. I would also like to thank my executive team and the Commission for their continuing support.

I have great confidence in our future.



**Jane Brockington**  
Chief Executive Officer

## Operational performance

### Gambling regulation

The VCGR and its successor, the VCGLR, formed part of the *Gambling regulation and racing industry development* output in 2011–12.

The following table outlines the major outputs for gambling regulation for which the VCGR and the VCGLR were responsible as specified in State Budget Paper No. 3 for 2011–12. The table indicates the total outputs for gambling regulation for 2011–12.

Outputs Performance measures	Total Gambling Regulation 2011–12	
	2011–12 Target	2011–12 Actual
Quantity (number) Regulatory services including licensing and compliance activities	29,000	27,616
Quality (%) Accuracy of regulatory compliance activities	100	100
Timeliness (%) Regulatory compliance and licensing activities progressed within set timeframes	85	83

### Liquor regulation

With the integration of gambling and liquor licensing regulation on 6 February 2012, the VCGLR became responsible for three outputs which formed part of the *Promoting and protecting consumer interests* output in 2011–12.

The following table outlines the major outputs for liquor regulation for which RAV was responsible from 1 July 2011 to 5 February 2012 and for which the VCGLR became responsible from 6 February 2012, as specified in State Budget Paper No. 3 for 2011–12.

Outputs Performance measures	Total Liquor Regulation 2011–12	
	2011–12 Target	2011–12 Actual
Quantity (number) Information and advice provided to consumers and traders	68,000	86,917
Quantity (number) Inspections, compliance monitoring and enforcement activities	16,000	16,772
Quantity (number) Registration and licensing transactions	69,000	80,150

In 2011–12 information and advice provided to consumers and traders exceeded the target by 27.8 per cent. This was due to the change in liquor licence categories (the new wine and beer producer's licence) and demand for information about the new star rating and demerit point systems. The target for registration and licensing transactions was exceeded by 16.2 per cent. This was also due to the change in liquor licence categories. In addition, some licensees chose to surrender their liquor licence.

In 2012–13 the liquor licensing outputs have been removed from the *Promoting and protecting consumer interests* output and integrated into the renamed *Gambling and liquor regulation and racing industry development* output.

## Highlights

### VCGLR milestones

- Relocation of metro workforce to Richmond.
- VCGLR website launched with 120,842 hits on the website since 6 February 2012.
- First joint compliance inspections conducted.
- 36,520 calls to the contact centre.
- 25 Commission meetings.
- 11 liquor licensing proceedings.
- Strategic priorities developed in consultation with employees and stakeholders.
- 6 inquiries for new gaming premises applications
- 11 inquiries for EGM increase applications

### Operations (2011–12)

- 15,876 liquor licence applications finalised.
- 4,172 community and charitable gaming permits issued.
- 16,772 liquor licence inspections and 4,124 gambling licence inspections and audits.
- 3,238 gaming industry and special casino employee licences approved.

- 10,152 proof of age cards issued.
- 127 joint compliance inspections conducted.
- 16 prosecutions, and 12 enforceable undertakings issued under the Liquor Control Reform Act.
- 10 prosecutions under the Gambling Regulation Act.
- 15 prosecutions under the Casino Control Act.

### Innovation

- Star rating and demerit point systems introduced for liquor licensees.
- New wine and beer producer's licence.
- Launch of publications such as 'Our club: licensee responsibilities' and 'Liquor accords and forums guide'.
- Commencement of new Keno licence.

### Our people

- 61 per cent response rate to People Matters Survey.
- Internal Communications Working Group established.
- Change Collaboration Forum established.

## Commissioners



**Mark Brennan**  
Chairman

Mark was appointed the Director of Liquor Licensing in May 2010, having served as the inaugural Small Business Commissioner since 2003. Prior to that, he was self-employed as Principal of MA Brennan and Associates for three years. Mark was previously employed as Executive Director, Small Business in the former Department of State Development, as a barrister and solicitor in private practice and in a range of roles in Commonwealth and Victorian governments.



**Bruce Thompson**  
Deputy Chairman

Bruce was the former Chairman of the VCGR, having been appointed for a five-year term in September 2009. Bruce is a non-executive director of SMS Management and Technology Ltd, a consulting, technology and systems integration company, as well as a director of the Box Hill Institute of TAFE. His previous positions include Chairman and Managing Director of Hewlett Packard Australia Pty Ltd, CEO of Keycorp Ltd, former member of the Business Council of Australia and trustee of the Melbourne Cricket Ground Trust.



**Gail Owen OAM**  
Deputy Chairman

Gail is a partner of HWL Ebsworth Lawyers. Gail was a former Commissioner of the VCGR, President of the Law Institute of Victoria and has held senior legal positions with Gadens Lawyers, Blake Dawson Waldron, EZ Industries Ltd and CRA Ltd.



**Des Powell**  
Commissioner

Des is an experienced senior executive and director within private and public sectors. He is currently a director of the Port of Melbourne Corporation and Chairperson of the Alpine Resorts Co-ordinating Council. His former appointments include Commissioner of the State Services Authority, Deputy Chair of the National Transport Commission, and Independent Chair of the National Marine Safety Committee incorporated.



### **Kate Hamond**

Commissioner

Kate has an extensive background as a consumer advocate and regulator. Prior to her appointment to the VCGLR, she was Chairman of the Board of Third Age Directions Pty Ltd, which provides advice and support to retirement and ageing communities, Chief Executive Officer of the Australian Retirement Village Association, and served as Victorian Legal Ombudsman between 1999 and 2005. Kate is a member of the Queen Victoria Women's Centre Trust, and Secretary of the Eastern Community Legal Centre Board.



### **Robert Kerr**

Commissioner

Robert has a background as a senior economic policy executive with the Commonwealth and Victorian governments. He was a Commissioner at the Victorian Competition and Efficiency Commission between 2004 and 2010, Head of Office at the Productivity Commission from 1996 to 2004, and a senior executive at the Commonwealth Treasury since 1983. Robert is also an Honorary Research Fellow with the Brotherhood of St Laurence and a member of the Victorian Government's National Disability Insurance Scheme Implementation Taskforce.

## Chief Executive

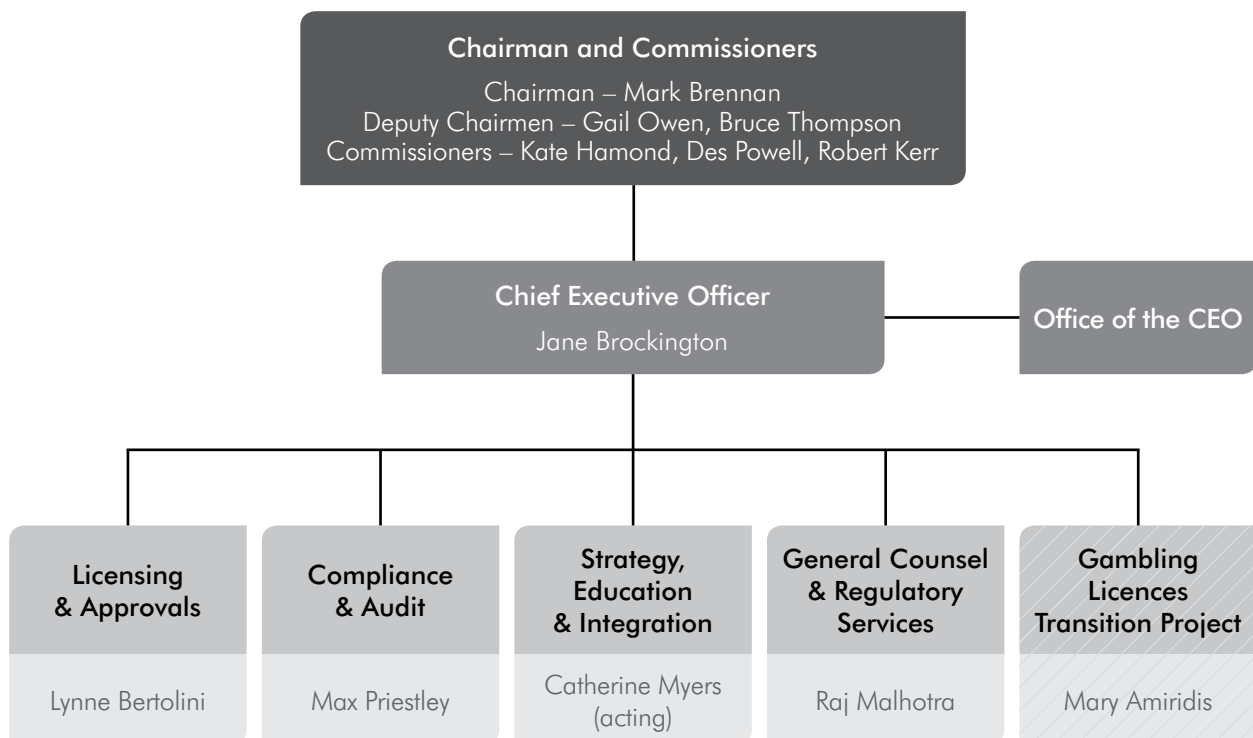


### **Jane Brockington**

Chief Executive Officer

Jane was the Executive Commissioner of the VCGR from September 2011 prior to taking up the role of CEO of the VCGLR in February 2012. Jane's recent positions are as Executive Director, Public Policy and Organisation Reviews with the State Services Authority, and CEO of the 2009 Victorian Bushfires Royal Commission.

## Organisational structure





## Introducing the VCGLR Divisions

---

The VCGLR comprises four core divisions (Licensing and Approvals; Compliance and Audit; Strategy, Education and Integration; and Regulatory Services). In addition, the Gambling Licences Transition Project is a temporary division established to implement changes to gambling arrangements in 2012.

---

Our organisational structure provides for focused operational and administrative performance. We have integrated functional workgroups that enable specialisation where necessary.

### Licensing and Approvals

The gambling and liquor schemes use licensing as a key regulatory tool. Licensing encourages responsible practices in the liquor and gambling industries and helps to minimise industry-related harms.

The Licensing and Approvals Division is responsible for assessing and determining applications for licences in accordance with the relevant legislation, including renewals and variations. The division ensures industry participants are able to meet their legislative obligations and applies consistent standards to the assessment of applications. Only appropriate and relevant information is gathered and regulatory requirements are balanced with stakeholder interests. The division manages 14 liquor licence categories, 16 major categories of gambling licences, and proof of age cards.

The division also provides approvals for the use of gambling equipment, machines and products, and maintains standards in relation to industry participants, including the employees of licence holders.

### Approvals

#### Equipment

In relation to gambling activities, equipment approvals were granted for:

- five types of electronic gaming machines and 182 gaming machine games for the Tabcorp, Tatts and Crown gaming networks
- 361 changes and modifications to existing electronic gaming machine types, games and systems in the Tabcorp, Tatts and Crown gaming networks
- 97 modifications to Tabcorp's Wagering, Trackside and Sportsbet systems
- 19 modifications to Tatts lottery products and systems including the Internet lottery system.

There were no applications received for Club Keno and Intralot (lottery).

#### Gambling products

Gambling products include activities, such as pari-mutuel betting,\* fixed odds betting, simulated racing events betting, public lotteries (instant and non-instant), Keno and Casino table games, such as Blackjack and Roulette.

---

\* Pari-mutuel: a betting system in which bets are placed together in a pool and winnings are calculated by sharing the pool (less a percentage for management and tax) among all winning bets.

## Rules

The rules of games establish the conditions, in respect of gambling products, to be observed by the gambling provider and the player. The VCGLR regulates all rules and rule changes.

In 2011–12, the following submissions were approved:

Type of submission	Operator	Number of approvals
Lottery Rules	Tattersalls Sweeps Pty Ltd	3
	Intralot Australia Pty Ltd	6
Club Keno	Tatts Group Limited/Tabcorp Holdings Limited	1
Keno	Tabcorp Investments No 5 Pty Ltd	1
Betting Rules (pari-mutuel)	Tabcorp Holdings Ltd	1
	Tabcorp Wagering (Vic) Pty Ltd	1
Betting Rules (Fixed-Odds) – Trackside Betting	Tabcorp Holdings Ltd	1
	Tabcorp Wagering (Vic) Pty Ltd	1
Betting Rules (Fixed-Odds) – Sportsbet Betting Transactions	Tabcorp Holdings Ltd	1
	Tabcorp Wagering (Vic) Pty Ltd	1
Fixed Odds Betting	Tabcorp Wagering (Vic) Pty Ltd	1
Casino Games	Crown Melbourne Pty Ltd	16

## Gaming machine authorisations and approvals

General approvals were updated during the year and now allow the gaming operators to sell gaming machines to a person issued with an authority under the applicable gaming legislation where the gaming machine is for use outside Victoria.

Type	Authorisation issued under	Number
Possession of electronic gaming machines or restricted components	sections 3.2.2 and 3.5.1 of the Gambling Regulation Act	38

## Gaming machine area modifications

Under section 3.3.16 of the Gambling Regulation Act the VCGLR approved 430 modifications to the gaming machine area in gaming venues during 2011–12.

### Licensing and Approvals highlights

- Over 36,000 liquor, gambling and proof of age applications and approvals were processed within specified target timelines.
- Over 15,000 liquor applications were determined; 91 per cent were granted, six per cent were refused and three per cent were withdrawn.
- A record 10,152 proof of age cards were issued.
- A wine and beer producer's licence category was introduced and over 800 licences were transitioned to this category.
- Consultation continued with industry via the Liquor Licensing User Group forum.
- The Keno System and Keno Rules were approved and a Keno Agents database was implemented. Approval was granted to modify over 150 venues to install Keno equipment within gaming machine areas in time for the commencement of the new Keno Licence on 15 April 2012.
- A Spring Carnival package of wagering products was approved.
- The first raft of new requirements for gaming machine areas in venues were introduced and over 100 subsequent applications to amend gaming machine layouts were approved.
- A single point of contact for dual licensees (gambling and liquor) was created.
- Online application processes for gaming industry employees were introduced and 1,851 new Gaming Industry Employee Licences were issued.

(Refer to Appendix 3 for more detail)

### Casino

Type	Authorisation issued under	Number submitted	Number approved
Re-configuration of gaming tables and electronic gaming machines	section 59 of the Casino Control Act	25	25
Specified areas		2	2

Ten submissions from Crown Casino to amend the Crown Internal Control Manual (ICM) and Internal Control Statements (ICS) were approved by the VCGLR under section 121 of the Casino Control Act. These submissions included amendments to the ICS to address product enhancements, to reflect changed operational practices and maintain integrity, as well as to convert the remaining sections of the ICM to the ICS and Standard Operating Procedures format as part of the Crown project to replace the ICM.

# Good liquor licensing outcomes

The VCGLR worked with a suburban sporting club and the local community to achieve a licensing outcome meeting all of the parties' needs. The club wanted to extend their liquor licence. Eight local residents objected to the application, citing existing noise and patron behaviour as a concern. The VCGLR conducted a site inspection where a number of breaches of the liquor licence were observed. The VCGLR also held a meeting between the club and a representative objector.

The VCGLR considered that club committee members often work on a voluntary basis, have numerous time pressures and experience regular membership turnover. The VCGLR provided a copy of the 'Our club, licensee responsibilities' manual to the club for their ongoing reference. At the VCGLR's request, the club prepared a management plan designed to address the concerns of local residents, and better manage the responsible service and consumption of alcohol within their licensed area.

The VCGLR granted the application to vary the liquor licence. It was satisfied that, as a result of the club engaging with the objector and preparing a management plan, the club had demonstrated it understood its obligations. These include ensuring the responsible service and consumption of alcohol and protecting the amenity of the area.



## Compliance and Audit

Compliance and Audit is responsible for promoting, investigating, auditing and enforcing compliance with Victoria's gambling and liquor laws. This includes:

- carrying out inspections and investigations
- ensuring the probity and conduct of licensees and permittees
- ensuring the integrity and reliability of the gambling systems operated by the key gaming operatives and the casino
- providing compliance information, guidance and advice to regulated entities on how to comply

- initiating timely, appropriate and proportionate enforcement and licensing actions where breaches are detected
- minimising harm and promoting responsible gambling and the responsible service of alcohol.

This division has combined the previous VCGR inspectors and the Liquor Compliance Directorate to establish gambling and liquor inspectors in accordance with the Act. Integration of these workforces continues and 127 joint inspections were completed in 2011–12. However, generally liquor and gambling inspections occurred separately during the first five months of VCGLR operations.

### Compliance and Audit highlights

#### Liquor

- The demerit point and star rating systems commenced and six liquor licences have received demerit points.
- A focused inspection program was implemented with inspection efforts directed at: venues most likely to cause harm, packaged liquor sales outlets, and follow up visits to ensure that previous enforcement actions resulted in positive effects.
- 16,772 inspections were carried out across 14 licence categories, resulting in the detection of 4,411 breaches.
- There were 16 prosecutions and 12 enforceable undertakings issued under the Liquor Control Reform Act.

#### Gambling

- During the 4,124 inspections and audits that were completed, 744 breaches were detected.
- Forty-nine warning notices were issued during 484 investigations of gaming venues and

community and charitable gaming

- Three people were prosecuted for 15 offences and seven organisations were prosecuted for 24 offences under the Gambling Regulation Act.
- Sixty-one patron complaints were received in respect of the conduct of gaming and Club Keno at gaming venues. Nineteen remain under investigation at 30 June 2012.
- Over 100 official warning notices were issued to excluded persons who had breached their exclusion orders. Ten excluded persons were prosecuted for 36 offences relating to breaches of exclusion orders under section 77 of the Casino Control Act.
- Patrons lodged 48 complaints relating to the conduct of gaming in the Casino. Investigations found that in respect of 45 complaints, gaming was conducted in accordance with the rules and procedures of the game as approved by the VCGLR. One complaint was withdrawn and two further complaints are under investigation as at 30 June 2012.

(Refer to Appendix 4 for details of prosecutions)

# New compliance strategy for gaming venue operators

New arrangements for the regulation of Victoria's gambling industry will commence on 16 August 2012. These arrangements mean venue operators will assume responsibility for the ownership and operation of gaming machines.

Given these changes it will be important for venues to be across their new responsibilities as venue operators under Victorian gambling laws. In 2011–12, the VCGLR developed a specific compliance strategy that is educative and supportive in assisting venue operators to remain compliant.

The compliance strategy developed is based on the concept of assisting venue operators to achieve increased compliance through the provision of quality education, information, service and support. With the support we will provide to venue operators there is an expectation that they will comply with our requirements.

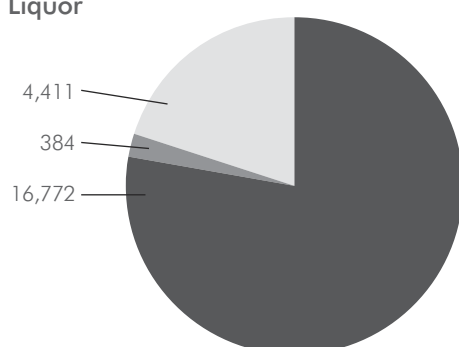
We will be out visiting venues to make sure industry is complying. If, in the first instance venues are found to be non-compliant for matters not related to harm or a blatant disregard for legislation they will be encouraged to participate in a formal risk management discussion in which they will be given a period of time to reach a state of compliance. The venue will then be re-inspected after the period of time has expired. If they are found to still not be compliant then further enforcement action will follow.

If venues choose not to participate then the standard enforcement guidelines will be applied to the venue. The VCGLR will govern this strategy through a coordination group that will convene monthly and make sure that our compliance activities are integrated and attendance at the venues is coordinated.

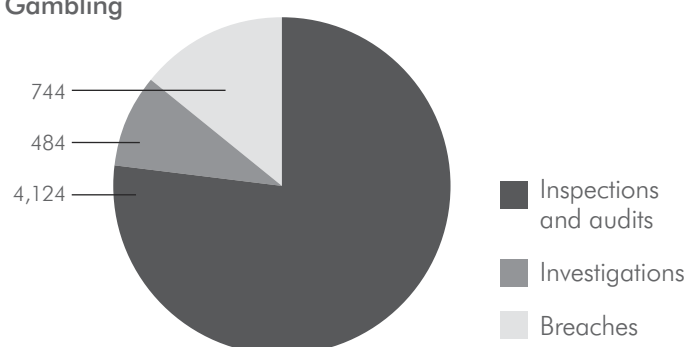


## Regulatory activity

### Liquor



### Gambling



For further details about regulatory activities see Appendix 4.

## Strategy, Education and Integration

The Strategy, Education and Integration Division has organisation-wide functions and supports the VCGLR in the development of innovative business processes, stakeholder engagement and various governance activities.

The division provides information technology, administrative services, and financial and corporate reporting (including audit of revenue from gaming venues). It works with industry and VCGLR's stakeholders and undertakes communication, education and training activities. In addition, the division drives innovation, process improvement and business systems development.

### Strategy, Education and Integration highlights

- The new VCGLR website was launched.
- Various publications and newsletters were released, including VCGLR News, Industry Training News, a training guide for clubs, and Guidelines for Liquor Forums and Accords.
- The VCGLR Contact Centre was established.
- Technical project support, operational advice and communications were provided for key government reform projects.
- The Change Collaboration Forum was established to share information and learning about projects, new initiatives, changes and business improvements across the VCGLR.
- An enhanced reporting framework was developed to facilitate more accurate, consistent and timely reporting for the VCGLR and its external stakeholders.
- Integrated information technology systems were developed to ensure on the first day of VCGLR operations all staff were connected to an integrated email system, human resources self-service portal and intranet that was critical to internal communication.
- An electronic fleet vehicle booking system was implemented.



## Major projects and programs

### Audit programs

The VCGLR is responsible for ensuring that all gambling revenue is correctly calculated and that all required taxes and levies under the Gambling Regulation Act and the Casino Control Act are paid by licensees. During 2011–12, the division conducted audits of each type of gaming activity, and associated financial reports and transactions.

The VCGLR also regulates the conduct of gaming in Victoria and ensures that it is free from influence or bias. As part of this responsibility, various audit activities were undertaken to ensure the legitimacy of gaming in the state.

Operational audits are undertaken to ensure that gaming operators comply with the statutory obligation of returning to players not less than 87 per cent of the total amounts wagered in a year at each gaming venue. The audits undertaken for 2011–12 confirmed that all gaming venues complied with the statutory requirements under section 3.6.1 of the Gambling Regulation Act.

Further information relating to player loss from the total amounts wagered on gaming machines at approved gaming venues is contained in Appendix 3. Data for gaming machine expenditure or player loss by individual gaming venues is now regularly published on the VCGLR website, with updated information provided bi-annually.

### Lotteries supervision

Government supervisors, nominated by the VCGR and VCGLR, supervised all lottery draws in accordance with section 5.2.6 of the Gambling Regulation Act. During 2011–12, 1,724 lottery draws were supervised.

### Information technology

The VCGLR maintains and securely controls its system of integrated, customised applications and databases that reside on its network infrastructure. The integration of gambling and liquor regulation and the new gambling licence arrangements have placed fresh demands on this infrastructure. A number of projects were undertaken by the VCGLR to respond to emerging information technology requirements. These included:

- The relocation of the VCGLR server room and disaster recovery servers to the Victorian Government shared data facility.
- The implementation of a secure Virtual Private Network with Intralot Gaming Services to allow the VCGLR to securely download financial data relating to gaming machine transactions.
- The development and implementation of a VCGLR Online Services Portal, allowing gaming venue operators to review their licence information and amend their contact details.
- Between 1 July 2011 and 5 February 2012, the VCGR established a new version of smart forms for online applications which were progressively introduced and are now available on the VCGLR website. The VCGR also conducted Gaming Licensing System upgrades and Gambling Audit and Monitoring System upgrades and maintenance.
- The VCGLR is implementing a major IT change to deliver an integrated Liquor and Gambling Information System to improve the VCGLR's regulatory capability.



# Our club: licensee responsibilities

During the year the VCGLR released a new training kit for licensed clubs in Victoria. The kit contains information to help clubs understand their legal obligations. It also contains templates and a series of questions to help club management committees test their understanding of the topics covered. The content was developed based on the information needs of club committees and the observations of the VCGLR's gambling and liquor inspectors during visits to various clubs.

The VCGLR recognises that club committee members are often volunteers who donate their time to manage club affairs. The kit is designed to assist club committees to identify compliance risks before they occur and promote better club management practices that support the responsible service of alcohol and gaming.



## General Counsel and Regulatory Services

The General Counsel and Regulatory Services Division provides legal, policy, registry and secretariat functions.

The division advises the VCGLR on all legal matters, including commercial, regulatory, compliance and enforcement issues, and provides advocacy services in a number of jurisdictions. The division also develops and implements regulatory, operational, licensing and assessment policy. It considers new approaches to regulation and ensures the VCGLR continues to innovate and evolve to deliver effective regulatory outcomes for the community. The registry and secretariat support the organisation's inquiry and hearing functions, as well as the VCGLR's board of management.

### Major projects and programs

#### Responsible gambling project

In October 2011, the Responsible Gambling Project Team within the VCGR (funded from the Community Support Fund) ceased to operate. Responsible gambling has become embedded in the day-to-day work of the VCGLR. Staff continue to work with commercial gambling providers and venue operators to develop Responsible Gambling Codes of Conduct and Self-Exclusion Programs.

#### Reports to the Minister on responsible gambling

As required by the Gambling Regulation Act on 30 September 2011, the VCGR submitted reports to the Minister for Gaming on the effectiveness and operation of Codes of Conduct (Codes) and Self-Exclusion Programs (SEPs).

Commercial licensees, in accordance with their Codes (and in the case of venue operators, their SEPs), are required to conduct annual reviews, including staff and customer surveys, and report to the VCGLR. The outcomes of the reviews inform the VCGLR's annual report to the Minister on the effectiveness of Codes.

The reports for 2010–11 provided an overview of all approved Codes and SEPs, and offered commentary about how effectively they have operated. Outcomes from the second year's review of Codes and SEPs indicate that the VCGR's educative approach to compliance has been successful and no disciplinary action was required to be taken by the VCGR for repeated breaches of a Code. Key indications from gaming venue Code reviews, compared to the previous year, included:

- an increased level of venue staff awareness of problem gambling
- an increased level of venue staff confidence in identifying problem gambling behaviours
- the impact of the venue support worker program on the increased awareness of venue staff of problem gambling issues and general Code compliance by venues.

#### Wine and beer producer's licence

Victorian wineries and breweries produce some of the finest quality wines and beers in the world and contribute to Victorian tourism. The Victorian Government introduced changes to liquor licensing legislation and created a new wine and beer producer's licence to support the industry. This new category of licence replaced the vigneron's licence.

The Department of Justice and the VCGLR were involved in the transition of previous licence holders to this new licence category. As at 30 June 2012, there were 734 wine and beer producer's licences. The new licence enables licensees to apply for a promotional event authorisation that is endorsed on their licence. This allows them to sell their products at as many farmers' markets, craft markets, festivals and other promotional events as they wish throughout the year. As at 30 June 2012, 393 licence holders had received the additional promotional events authorisation.

### Regulatory highlights

- Responsible Gambling Awareness Week aims to raise community awareness of the importance of responsible gambling practices and minimise gambling-related harm. During RGAW, VCGLR staff presented at an information forum hosted by the Gambler's Help Southern Program Venue Support Worker team. The VCGLR was also represented by Commissioner Kate Hamond.
- Responsible service of gaming training courses and refresher courses are approved by the VCGLR in accordance with the Act. Over 40 training courses and nearly 20 refresher training courses were approved in 2011–12.
- The secretariat and registry team have streamlined processes for the efficient and effective conduct of the Commission's meetings and inquiries.
- To support industry and local councils with changes to the liquor licensing system, division staff presented various information sessions and received feedback from stakeholders.
- During the year, the VCGR and the VCGLR participated in a number of external working groups. These included:
  - Responsible Gambling Ministerial Advisory Council Working Parties.
  - Venue Support Worker Program Reference Group – established within Gambler's Help Services to strengthen venue capacity to provide a responsible gambling environment.
  - Victorian Responsible Gambling Foundation. In October 2011, the VCGR participated in a workshop to enable the VRGF to be established by 1 July 2012. The VRGF will provide information and advice to individuals and organisations on processes relating to the provision of gambling. This will complement the VCGLR's role in promoting responsible gambling and compliance with regulatory requirements.

### Demerit point and star rating systems

The new demerit point and star rating systems for liquor licensees commenced on 20 February 2012 as part of changes under the *Liquor Control Reform Further Amendment Act 2011*. The systems support each other and were introduced to improve compliance within the liquor industry and encourage good business practices in licensed premises. The Department of Justice and the VCGLR developed information campaigns and systems to support the implementation of these reforms.

Licensees receive demerit points for incidents of non-compliance. Demerit points are recorded on the VCGLR register and against the licence for a three-year period. A demerit point also impacts a licensee's star rating. Licensees that do not receive infringements for non-compliance incidents will receive a discount on their annual renewal fees when they become a four-star or five-star venue. All licensees commenced at a three-star rating on 20 February 2012.

The number of demerit points incurred by a licensee as well as their star rating is publicly available on the VCGLR's website. As at 30 June 2012, there were six demerit points on the VCGLR register for six different licensed venues in Victoria.

### Investigation into earphone use

On 12 December 2011, the Minister for Gaming made an interim ban order pursuant to section 2.5A.2 of the Gambling Regulation Act. The order banned the use of earphones, earpieces, headphones, headsets or any other device while using a gaming machine that is not designed to assist a hearing impaired person. The Minister directed the VCGLR to investigate the practice and report to him on whether it should be the subject of a fixed term ban order. The VCGLR has commenced an investigation and will provide its report and recommendations to the Minister by the end of September 2012.

### New processes for liquor licensing

The VCGLR absorbed the review and disciplinary functions of VCAT and Liquor Licensing Panel functions in relation to contested applications. As a result the division has developed new processes and procedures for contested applications, internal reviews and disciplinary action. These processes were developed in consultation with internal stakeholders. They ensure clear and robust administrative and inquiry procedures for participants.

# Spending per adult in Victorian clubs and hotels over 10 years

Spending on Victorian gaming machines in clubs and hotels per adult has declined by 24 per cent over 10 years in real terms.

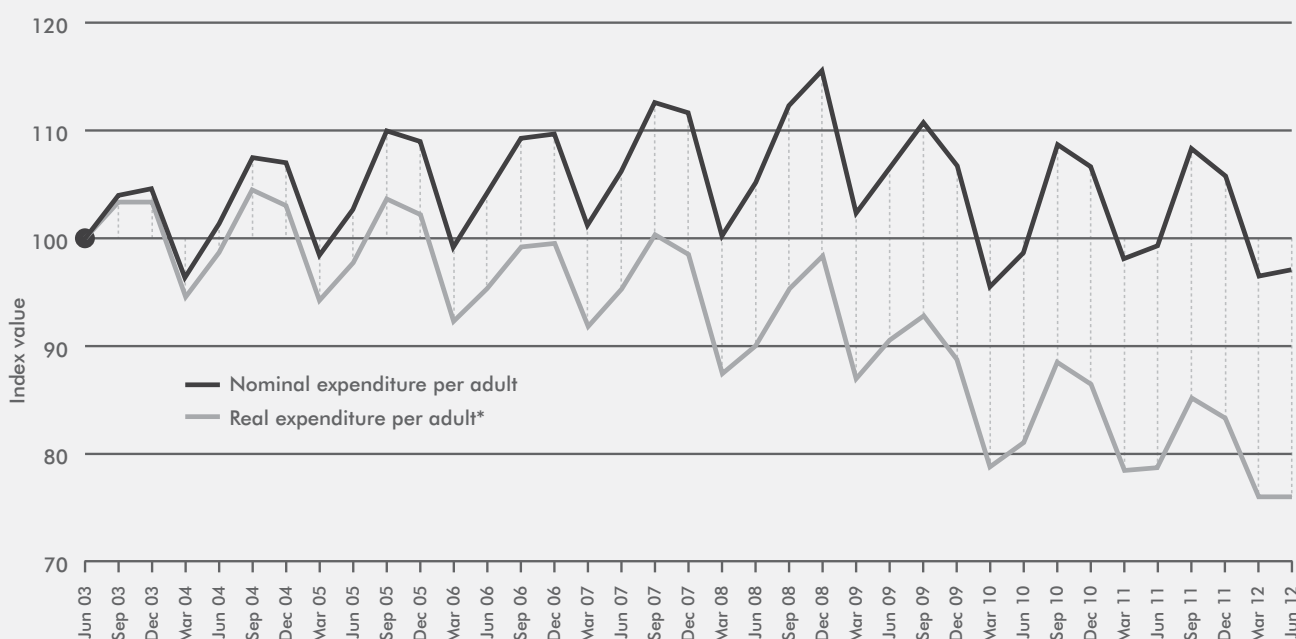
This is consistent with the declining trend in real expenditure since the December 2001 quarter.

There are several factors that have contributed to this decline in spending. The adult population in Victoria has grown each year and this growth is forecast to continue into the foreseeable future. The number of gaming machines per 1,000 adults has declined over the same period by 18 per cent. There has also been a decline in the number of gaming venues in Victoria and a 25 per cent increase in the number of adults in the total population per venue.

Spending per gaming machine has also declined 7.25 per cent, in real terms.

There is a strong seasonal pattern in Victorian gaming machine expenditure. Over the 10-year period the September quarter grew 5.66 per cent on average from the previous June quarter, making it the fastest growing quarter. Expenditure in the December quarter on average contracted one per cent from the September quarter.

Victorian Real and Nominal change in expenditure per adult over 10 years (EGMs)



Notes  
 Index value: 1 index point = 1% change since June 2003, June 2003 = 100  
 Expenditure is net player loss  
 \*Quarterly expenditure indexed to inflation  
 Data sources: VCGLR, VIF 2008, VIF 2012, ABS

## Gambling Licences Transition Project (2012)

The Gambling Licences Transition Project (GLTP) was established to help the smooth transition to new gambling industry arrangements in 2012. This is a major industry change. It concludes the duopoly gaming operator (Tatts and Tabcorp) structure and introduces a new venue operator model in gaming venues, overseen by a monitoring licensee.

The GLTP team joined the VCGR in September 2011, and continued as part of the new VCGLR structure. It plays a significant role supporting the seamless integration of the project into everyday VCGLR functions. The team has worked collaboratively with

industry, stakeholders and all divisions in the VCGLR to successfully implement the following licences:

- the Keno Licence and Agreement (issued to Tabcorp Investments No.5 Pty Ltd on 25 March 2011) which commenced 15 April 2012
- the Monitoring Licence and Related Agreement (issued to Intralot Gaming Services Pty Ltd on 14 November 2011) from 16 August 2012
- the Wagering and Betting Licence and Related Agreement (issued to Tabcorp Wagering (Vic) Pty Ltd on 19 December 2011) from 16 August 2012.

### Gambling Licences Transition Project highlights

- The successful launch of Keno operations on 15 April 2012, reflected hard work and commitment across the VCGLR to a common goal. All milestones were achieved, Tabcorp's system met all technical requirements and venues were prepared for a seamless transition to the new arrangements.
- Extensive preparation was undertaken for the launch of Wagering and Betting, and Monitoring and Gaming on 16 August 2012.
- From 16 August 2012 venue operators will own and/or lease their own gaming machines, and take responsibility for many of the functions previously held by the Gaming Operators, Tatts and Tabcorp. The GLTP and other VCGLR divisions continue to provide information, support and guidance to assist venue operators to understand their new obligations. This has included forums for gaming industry peak bodies, information sheets, FAQs, and information on operational and auditing requirements.

### Project completion

The Wagering and Betting, and Monitoring Licences take effect from 16 August 2012. However, the transition period for the monitoring arrangements extends to 15 February 2013. This allows for a gradual and structured migration of gaming machines from the Tatts and Tabcorp systems to the Intralot Gaming Services Pty Ltd (IGS) system. From 16 February 2013, all gaming machines will have migrated from the legacy systems (Tatts and Tabcorp) to the new IGS system.

The GLTP's transition role will conclude in the first quarter of 2013, as the VCGLR incorporates the regulation and administration of the final phase of the new gambling arrangements into its day-to-day business.

# Our people

## Our values and culture

Our culture is underpinned by our values. Our employees are committed to achieving our vision: community-wide benefits to Victorians through the regulation of Victoria's gambling and liquor industries.

During the year we established the VCGLR OHS Committee, the Change Collaboration Forum, the VCGLR Internal Communications Working Group and the VCGLR Social Club. These groups enable strong communication across the organisation, collaboration, and a culture that supports good relationships amongst staff. In addition, the VCGLR Reward and Recognition program was created to promote performance, reward the achievements of employees and encourage behaviour that reflects our values.

We participated in the People Matters Survey to gauge employees' views about our organisation and what we can do to continuously improve our culture and support our people. This year we received a very strong response, with 61 per cent of employees completing the survey. The feedback provided in the survey will help to shape actions and programs in the coming year.

## People and culture

We support our employees to achieve their goals, delivering outcomes for our organisation and the broader community. The VCGLR aims to provide an encouraging and supportive work environment that enables employees and the organisation to achieve our goals. In 2011–12 a wide range of training and other development opportunities were offered to employees to equip them with the knowledge and skills required for their present and future roles.

The primary driver of individual training is staff performance and development plans. The overriding purpose of learning and development opportunities is to enable individuals and teams to grow their skills

and enhance performance and service delivery. During 2011–12, gambling and liquor regulation staff attended professional development programs, such as Building Resilience and Managing Change, Great Managers–Great Results, Bullying and Harassment Briefing for Leaders, and participated in leadership development. The VCGLR also supported postgraduate studies.

This year the VCGLR participated in the Victorian Government Graduate Program recruitment phase, with two graduates to join VCGLR in early 2013.

## Occupational health and safety

The VCGLR is committed to providing a healthy and safe working environment and we take a proactive approach to OHS. The Occupational Health and Safety Committee met quarterly to monitor the effectiveness of the OHS system. An on-line OHS Induction Program has been developed for all staff. Since 6 February 2012, the VCGLR has developed a number of initiatives to improve OHS. These include: information sessions on OHS awareness; environmental awareness sessions specific to the office location; the engagement of an Ergonomist as required; OHS Representative training with an external provider; formalising OHS processes and implementing OHS performance measures; and transparent reporting.

The VCGLR offers an Employee Assistance Program that provides personal, confidential counselling to employees.

There were eight new VCGLR WorkCover claims and three claims transferred from RAV during 2011–12. The estimated cost of the claims was \$1,374,413.10.

There was an increase in the number of WorkCover claims as a result of the integration of RAV and the VCGR, and the office relocation to North Richmond. These claims related to minor trips and falls, stress and change in organisational structure.

## Culturally and linguistically diverse communities

The VCGLR continues to respond to the cultural and linguistic diversity of the Victorian community, maintaining a number of staff with language aid accreditation.

## Merit and equity principles

The VCGLR is committed to the principles of employment set out in the *Public Administration Act 2004* and adheres to the directions of the Public Sector Standards Commissioner regarding policy development, training, and employment practices.

## Managing and valuing diversity

During the year the VCGLR remained committed to managing and valuing diversity. We have established EEO policies and a significant proportion of our employees are from non-English speaking backgrounds.

## Office-based environmental impacts

Our Environment Management System meets government requirements to reduce our impact on the environment. The initial focus has been on office-based activities in the areas of energy and paper consumption, transportation, waste generation and green procurement.

The EMS objectives include:

- reducing the amount of waste, and maximising the amount reused and recycled
- separating office waste into recyclable, compost and true waste parts

- reducing passenger vehicle fleet emissions
- ensuring new capital works incorporate environmental sustainability principles
- making environmentally sound purchasing decisions for capital items and consumables
- communicating environmental performance through regular reporting.

## Environmental purchasing

In line with the State Government's Environmental Purchasing Policy the VCGLR purchased only Australian manufactured copy paper with a recycled paper content and operated photocopiers and laser printers which are environmentally endorsed.

## Waste

While the VCGLR continues to separate waste into recyclables, compost and landfill, unfortunately the property manager of 49 Elizabeth Street does not measure the volume or weight of each stream when they are being removed from the premises. Waste was also not measured at the VCGR office at 35 Spring Street since July 2010.

The VCGLR has continued to be involved in a toner recycle project operating through "Close the Loop®". This service guarantees that no office printing product waste ends up in landfill.

## Water consumption

The water consumption at 49 Elizabeth Street, Richmond is not individually metered and therefore there are no usage figures available. The VCGR office at 35 Spring Street Melbourne was also not individually metered and therefore there are no historical figures available.



### Paper use

	2010–11	2011–12
Paper used per full time equivalent (FTE) (reams)	23.70	15.35 <sup>i</sup>
Paper used in total (reams)	4,151	3729 <sup>ii</sup>

<sup>i</sup> The FTE figure being used in this calculation is 242.96 and represents the staffing figure of the VCGLR as at 30 June 2012. As noted above, as the ex RAV staff's paper usage is not able to be included in the above information, using the total FTE figure creates a distortion in the figure for paper used per FTE in 2011–12.

<sup>ii</sup> This figure does not reflect any paper usage from the ex RAV staff before February 2012 and understates the total annual usage of paper.

### Sustainable Energy Authority Victoria – ResourceSmart

As part of the Government's Business and Environmental Strategy, the VCGLR is committed to responsible energy management. This is practised throughout all rented premises and energy efficient equipment is purchased wherever it is cost-effective to do so. Work projects that facilitate a reduction in energy usage will continue to be evaluated as they come to hand.

Energy Consumption <sup>i</sup>							
Year	Peak kWh	Off-peak kWh	Total kWh	kWh per FTE	Green Energy Units	Green \$	Total <sup>v</sup> \$
2010–11 <sup>ii</sup>	464,031	296,003	760,034	4,340.3	108,546	5,408	82,339
2011–12 <sup>iii</sup>	320,232	207,298	527,530	2,171.3 <sup>v</sup>	0	0	66,363

<sup>i</sup> Information supplied by Brookfield Multiplex on behalf of the Department of Treasury and Finance.

<sup>ii</sup> The 2010–11 figures only represent the VCGR when it was located at 35 Spring Street Melbourne. RAV was based at 121 Exhibition street and its usage was not separately metered.

<sup>iii</sup> The 2011–12 figure includes the 35 Spring street office from July 2011 to the end of January 2012 and then the VCGLR usage at 49 Elizabeth Street. Billing problems between Brookfield Multiplex and the power company have resulted in some power bills for 49 Elizabeth Street not being processed or included in these figures. Five monthly power bills for level four and one monthly power bill for level three have not been able to be included in the above figures. The purchase of green power ceased on 1 July 2011.

<sup>iv</sup> The kWh per FTE figure is impacted by the above note but also by the fact that the FTE figure being used in this calculation is 242.96 and represents the staffing figure of the VCGLR as at 30 June 2012. As noted above, as the ex Rav staff's power usage is not able to be included in the above information. Using the total FTE figure creates a distortion in the figure for kWh used per FTE in 2011–12.

<sup>v</sup> Includes Green \$ but excludes GST.

Energy consumption greenhouse gas emissions <sup>i</sup>	2010–11 <sup>ii</sup>	2011–12
Total greenhouse gas emissions associated with energy use (t CO <sup>2</sup> tonnes)	857.95	729.73 <sup>iii</sup>
Total greenhouse gas emissions saved (CO <sup>2</sup> tonnes)	143.14	0 <sup>iv</sup>

<sup>i</sup> Information supplied by Brookfield Multiplex on behalf of the Department of Treasury and Finance.

<sup>ii</sup> The 2010-11 figures only represent the VCGLR when it was located at 35 Spring Street Melbourne. RAV was based at 121 Exhibition street and its usage was not separately metered. The 2011–12 figure includes the 35 Spring street office from July 2011 to the end of January 2012 and then the VCGLR usage at 49 Elizabeth Street.

<sup>iii</sup> Billing problems between Brookfield Multiplex and the power company have resulted in some power bills for 49 Elizabeth Street not being processed or included in these figures. Five monthly power bills for level four and one monthly power bill for level three have not been able to be included in the above figures so the 2011–12 greenhouse gas emissions is understated.

<sup>iv</sup> The purchase of green power ceased on 1 July 2011.

## Transportation

The VCGLR maintains a fleet of 16 operational vehicles. Over the past 12 months the VCGLR has increased the proportion of hybrid vehicles in its operational fleet from 40 up to 87 per cent. During 2011–12 the VCGLR reduced the number of executive vehicles from four to three. Vehicles are hired from the Department of Treasury and Finance, State Government Vehicle Pool, and the costs are covered under the hire arrangements for each vehicle. Individual consumption figures are not available. The slight increase in the litres per executive vehicle reflects the relocation out of the CBD to Richmond.

Operational vehicles	2010–11	2011–12
Kilometres travelled	206,973	320,979*

\* The kilometres travelled during 2011–12 includes 12 months of travel relating to gambling operations. For the liquor component, six operational vehicles are included from February 2012 to 30 June 2012.

Executive vehicles*	2010–11	2011–12
Litres of petrol used	9,619	8,732
Litres per vehicle	2,405	2,762

\* The number of executive vehicles was reduced by one during 2011–12 and the average number of executive vehicles was 3.16.

# Appendices

Appendix 1: Disclosure index .....	34
Appendix 2: Ministerial Directions.....	36
Appendix 3: Additional information .....	37
Appendix 4: Inspections, audit and enforcement .....	46
Appendix 5: Governance and compliance .....	53

# Appendix 1: Disclosure index

The annual report of the VCGLR is prepared in accordance with all relevant Victorian legislation and pronouncements. This index has been prepared to facilitate identification of the VCGLR's compliance with statutory disclosure requirements.

Legislation	Requirement	Page reference
<b>Ministerial Directions</b>		
<b>Report of operations – FRD Guidance</b>		
<b>Charter and purpose</b>		
FRD 22C	Manner of establishment and relevant Ministers	Pages 3, 5
FRD 22C	Objectives, functions, powers and duties	Page 5
FRD 22C	Nature and range of services provided	Page 5
<b>Management and structure</b>		
FRD 22C	Organisational structure	Page 14
<b>Financial and other information</b>		
FRD 8B	Budget portfolio outcomes	Page 10
FRD 10	Disclosure index	Page 34
FRD 12A	Disclosure of major contracts	Page 56
FRD 15B	Executive officer disclosures	Page 56
FRD 22C, SD 4.2(k)	Operational and budgetary objectives and performance against objectives	Page 10
FRD 22C	Employment and conduct principles	Pages 29–30
FRD 22C	Occupational health and safety policy	Page 29
FRD 22C	Summary of the financial results for the year	Page 59
FRD 22C	Significant changes in financial position during the year	Page 63, 109
FRD 22C	Subsequent events	Pages 100, 143
FRD 22C	Application and operation of the <i>Freedom of Information Act 1982</i>	Page 54
FRD 22C	Compliance with building and maintenance provisions of the <i>Building Act 1993</i>	Page 56
FRD 22C	Statement on National Competition Policy	Page 56
FRD 22C	Application and operation of the <i>Whistleblowers Protection Act 2001</i>	Page 56
FRD 22C	Details of consultancies over \$100 000	Page 56
FRD 22C	Details of consultancies under \$100 000	Page 56
FRD 22C	Statement of availability of other information	Page 56
FRD 24C	Reporting of office based environmental impacts	Page 30
FRD 25A	Victorian Industry Participation Policy disclosures	Page 56
FRD 29	Workforce Data disclosures	Page 57
SD 4.5.5	Risk management compliance attestation	Pages 53–54
SD 4.2(j)	Sign off requirements	Page 3

Legislation	Requirement	Page reference
<b>Ministerial Directions (continued)</b>		
<b>Financial Report</b>		
<b>Financial statements required under Part 7 of the FMA</b>		
SD4.2(a)	Statement of changes in equity	Pages 64, 110
SD4.2(b)	Operating statement	Pages 62, 108
SD4.2(b)	Balance sheet	Pages 63, 109
SD4.2(b)	Cash flow statement	Pages 65, 111
<b>Other requirements under Standing Directions 4.2</b>		
SD4.2(c)	Compliance with Australian accounting standards and other authoritative pronouncements	Pages 67, 113
SD4.2(c)	Compliance with Ministerial Directions	Pages 67, 113
SD4.2(d)	Rounding of amounts	Pages 74, 120
SD4.2(c)	Accountable officer's declaration	Pages 104, 147
SD4.2(f)	Compliance with Model Financial Report	Pages 60–147
<b>Other disclosures as required by FRDs in notes to the financial statements</b>		
FRD 9A	Departmental disclosure of administered assets and liabilities	Pages 95, 139
FRD 11	Disclosure of ex gratia payments	Pages 94, 138
FRD 13	Disclosure of parliamentary appropriations	Pages 93, 137
FRD 21B	Disclosures of Responsible Persons, Executive Officers and Other Personnel (Contractors with Significant Management Responsibilities) in the Financial Report	Pages 96, 140
FRD 103D	Non current physical assets	Pages 80, 127
FRD 109	Intangible assets	Pages 81, 128
FRD 110	Cash flow statements	Pages 65, 111
FRD 112C	Defined benefit superannuation obligations	Pages 85, 131
FRD 114A	Financial Instruments – General Government Entities and public non financial corporations	Pages 87, 133
FRD 119	Contributions by owners	Pages 64, 110
<b>Legislation</b>		
	<i>Freedom of Information Act 1982</i>	Page 55
	<i>Building Act 1983</i>	Page 56
	<i>Whistleblowers Protection Act 2001</i>	Page 56
	<i>Victorian Industry Participation Policy Act 2003</i>	Page 56
	<i>Financial Management Act 1994</i>	Pages 67, 113

## Appendix 2: Ministerial Directions

There were no Ministerial Directions made during the year. Previous Ministerial Directions can be found on the VCGLR website.

### Electronic gaming machine limits imposed by Ministerial Direction

		Electronic gaming machine limits imposed by Ministerial Direction		Number of electronic gaming machines authorised at 30 June 2012	
		Number	%	Number	%
Total number		27,500	100%	26,712	97.13%
Gaming Operator split					
Tabcorp Holdings Ltd	Total	13,750	50%	13,104	47.65%
Tattersall's Gaming Pty Ltd	Total	13,750	50%	13,608	49.48%
<b>Proportion of electronic gaming machines located outside the Melbourne statistical division (MSD)</b>					
Outside MSD	Minimum:	5,500	20%	7,336	26.68%
	Tabcorp:	2,750	10%	3,966	14.42%
	Tattersalls:	2,750	10%	3,370	12.25%
Within MSD	Maximum:	22,000	80%	19,376	70.46%
	Tabcorp	11,000	40%	9,138	33.23%
	Tattersalls	11,000	40%	10,238	37.23%
<b>Portion of electronic gaming machines located in premises that are:</b>					
Hotels	Total	13,750	50%	13,524	49.18%
	Tabcorp	6,875	25%	6,652	24.19%
	Tattersalls	6,875	25%	6,872	24.99%
Clubs	Total	13,750	50%	13,188	47.96%
	Tabcorp	6,875	25%	6,452	23.46%
	Tattersalls	6,875	25%	6,736	24.49%

## Appendix 3: Additional information

Information available on the VCGLR website includes:

- gaming machine entitlements
- gaming venues
- venue operators
- registered bookmakers
- bingo centres and commercial raffle organisers
- VCGR and VCGLR Rules
- Responsible Service of Gambling Training Course providers
- Responsible Service of Alcohol Training Course providers
- Roll of manufacturers, suppliers and testers
- Information on regional caps and municipal limits on the number of permissible gaming machines available for gaming in each capped region

### Liquor Licensing Related Activity

Liquor licence or approval type			2010–11	2011–12	2011–12 (1 July 2011 to 5 Feb 2012)	2011–12 (6 Feb to 30 June 2012)
Applications*	Lodged			15,436	9,055	6,381
	Finalised			15,876	9,564	6,312
Licences	New permanent licences/ permits issued	Full club licence	1	2	-	-
		Restricted club licence	15	4	-	-
		General licence	29	15	-	-
		Late night (general) licence	1	1	-	-
		On-premises licence	77	32	-	-
		Late night (on-premises) licence	4	0	-	-
		Renewable limited licence	384	171	-	-
		Packaged liquor licence	74	25	-	-
		Pre-retail licence	131	42	-	-
		Restaurant and café licence	392	149	-	-
		Vignerons' licence	9	2	-	-
		BYO Permit	129	59	-	-
		<i>Total</i>		1,246	502	-

Liquor licence or approval type			2010–11	2011–12	2011–12 (1 July 2011 to 5 Feb 2012)	2011–12 (6 Feb to 30 June 2012)
Exemptions	Exemptions	Bed & breakfast	102	12	-	-
		Butcher	36	7	-	-
		Florist	52	8	-	-
		Gift Service	131	21	-	-
		Hairdresser	49	5	-	-
		<i>Total</i>	370	53	-	-
Proof of age card		Issued	9,280	10,152	665	3,758

\* Applications include, but are not limited to, applications for permanent licences, permits and temporary licences, applications to vary an existing licence/permit, applications to transfer an existing licence/permit, requests to approve directors and nominees, applications for fee waivers, and applications to be exempt from holding a liquor licence.

## Gambling licensing related activity

Gambling licence or approval type			2010–11	2011–12	2011–12 (1 July 2011 to 5 Feb 2012)	2011–12 (6 Feb to 30 June 2012)
Gaming industry employee	Issued	New	2,138	1851	988	863
		Renewal	983	377	225	152
		Replacement	365	497	280	217
	Refused		32	17	16	1
	Appealed		3	3	3	0
		Appeal granted	2 <sup>i</sup>	2	1 <sup>ii</sup>	1 <sup>iii</sup>
		Appeal rejected	0	1	1	0
		Appeal pending	2	3	2	1 <sup>iii</sup>
			Appeal withdrawn	0	1	1 <sup>ii</sup>
Casino special employee	Issued	New	607	632	397	235
		Renewal	294	102	74	28
		Replacement	88	135	81	54
		Upgrade	60	276	125	151
	Refused		1	2	2	0
	Appealed		0	2	2	0
		Appeal granted	0	2	2	0
		Appeal rejected	0	0	0	0
Casino operator		New associate	2	4	2	2
Gaming operator		New associate	13	12	8	4



Gambling licence or approval type			2010-11	2011-12	2011-12 (1 July 2011 to 5 Feb 2012)	2011-12 (6 Feb to 30 June 2012)
Venue operator	Issued	New	1	3	1	2
		Renewal	9	1	1	0
		New nominee	65	63	35	28
		New associate	750	454	325	129
		Amendment	26	56	22	34
		Endorsement	0	2	0	2
Entitlements	Approved	Transfer	N/A	9	N/A	9
		Amendment of conditions	N/A	32	N/A	32
	Refused	N/A	0	N/A	0	
ATM	Approved	Provision of ATM	N/A	0	N/A	0
	Refused		N/A	2	N/A	2
Responsible Gambling Code of Conducts	Approved	New	0	6	2	4
		Amendments	3	1	0	1
24 hour gaming applications		Approved	0	0	0	0
		Refused	0	0	0	0
Bookmakers	Issued	Sole Traders New	5	18	10	8
		Sole Trader Renewal	135	14	12	2
		Corporate New	0	0	0	0
		Corporate Renewal	2	4	3	1
		Partnerships New	3	4	0	4
		Partnerships Renewal	13	19	19	0
		New nominee	0	2	1	1
		Replacement	0	2	1	1
	Refused		2	0	0	0
	Appealed		0	0	0	0
Bookmakers Key Employees	Issued	New	26	17	9	8
		Renewal	114	3	3	0
		Replacement	0	1	1	0
	Refused		0	1	1	0
	Appealed		0	0	0	0
Controlled Contracts	Issued	New	0	0	0	0
		Variations	0	0	0	0
		Exemptions	0	0	0	0

Gambling licence or approval type			2010-11	2011-12	2011-12 (1 July 2011 to 5 Feb 2012)	2011-12 (6 Feb to 30 June 2012)
Bingo centre operator	Issued	New	0	1	1	0
		Renewal	0	4	4	0
	Refused	New nominee	2	2	2	0
		New associate	0	0	0	0
		Amendment	0	3	3	0
		Withdrawn by applicant	0	0	0	0
		Appealed	0	0	0	0
		Appeal granted	0	0	0	0
Commercial Raffle Organisers	Issued	New	0	0	0	0
		Renewal	0	0	0	0
	Refused	New nominee	0	1	1	0
		New associate	0	0	0	0
		Amendment	0	0	0	0
			0	0	0	0
Roll of Manufacturers, Suppliers and Testers	Issued	New	1	5	4	1
		New associate	21	46	41	5
	Refused		0	0	0	0
		Voluntary removal	1	0	0	0
Premises Approval	Issued	Modifications to gaming machine area	128	430	134	296
	Refused		0	0	0	0
Possession of Gaming machines	Issued		50	38	29	9
	Refused		0	0	0	0

Gambling licence or approval type			2010–11	2011–12	2011–12 (1 July 2011 to 5 Feb 2012)	2011–12 (6 Feb to 30 June 2012)
Minor gaming permits	Issued	Raffles	337	383	197	186
		Bingo (Notifications)	59	41	27	14
		Lucky Envelopes	353	181	108	73
		Fundraising Events	120	32	26	6
		Amendments	195	159	104	55
	Refused		0	0	0	0
Trade promotion lottery permits	Issued	New	2,928	2740	1679	1061
		Amendments	654	636	388	248
	Refused		1	0	0	0
Declaration of community or charitable organisation	Issued	New	464	390	244	146
		Renewal	1,363	386	320	66
	Refused		11	5	5	0
	Revoked		0	0	0	0
	Appealed		0	0	0	0
		Appeal rejected	0	0	0	0
Reviewed		20	0	0	0	
Gambling products	Approved	New EGM	12	5	3	2
		New EGM game	181	182	98	84
		Modifications to EGM, game or system	172	361	215	146
		Modifications to wagering systems	89	97	59	38
		Modifications to lottery products and systems	26	19	11	8

<sup>i</sup> One of these appeals was pending from the previous year

<sup>ii</sup> This appeal was pending from 2010–11.

<sup>iii</sup> Appeal pending from previous period 1 Jul 11 to 5 Feb 12

### Number of active gaming employee licences

Category	2010	2011	2012 (as at 5 Feb 2012)	2012 (as at 30 June 2012)
Casino special employee	3,801	3,702	3,738	3,714
Gaming industry employee	37,685	33,762	32,211	31,397
<b>Total</b>	<b>41,486</b>	<b>37,464</b>	<b>35,949</b>	<b>35,111</b>

### Other gambling licences at 30 June 2012

	Licences
Venue operator	484
Bingo centres operator	14 (at 16 bingo centres)
Casino operator	1
Gaming operator	2
Keno licensee	1
Wagering licensee	1
Wagering and betting licensee	1
Public lottery licensee	2
Monitoring licensee	1
Bookmaker	217
Bookmaker key employee	195
Roll of manufacturers, suppliers and testers	23
Commercial raffle organiser	6
Premises approval	521

## Community Benefit Statements – Summary of the total claims made by club gaming venues

This report shows information for Community Benefit Statements lodged in 2011–12 in accordance with the determination of 8 February 2008 made by the Minister for Gaming.

	<b>Clubs</b>
Number of Community Benefit Statements lodged	263
	<b>\$'000</b>
Net Gaming Revenue ('NGR') for the financial year	891,135
<b>Community Benefit Statement claims</b>	
<b>CLASS A</b>	<b>\$'000</b>
(a) Donations, gifts and sponsorships (including cash, goods and services)	15,557
(b) Cost of providing and maintaining sporting activities for use by club members	29,300
(c) Cost of any subsidy for the provision of goods and services but excluding alcohol	11,671
(d) Voluntary services provided by members and/or staff of the club to another person in the community	4,712
(e) Advice, support and services provided by the RSL (Victorian Branch) to ex-service personnel, their carers and families	1,093
<b>CLASS A - TOTAL</b>	<b>62,333</b>
<b>CLASS B</b>	<b>\$'000</b>
(a) Capital expenditure	8,108
(b) Financing costs (including principal and interest)	9,579
(c) Retained earnings accumulated during the year	313
(d) Provision of buildings, plant and equipment over \$10,000 per item excluding gaming equipment or the gaming machine area of the venue	1,314
(e) Operating costs	218,547
<b>CLASS B - TOTAL</b>	<b>237,861</b>
<b>CLASS C</b>	<b>\$'000</b>
(a) Provision of responsible gambling measures and activities but excluding those required by law	5
(b) Reimbursement of expenses reasonably incurred by volunteers	198
(c) CBS preparation and auditing expenses	303
<b>CLASS C – TOTAL</b>	<b>506</b>
<b>CBS TOTAL (CLASS A + B + C)</b>	<b>300,700</b>
Percentage of NGR claimed for community purposes	33.74%

## Gambling player loss and taxes and levies paid 2011–12

For the year ended 30 June 2012, player loss in its various forms within Victoria amounted to \$5,492.1 million and taxes and levies paid to the State amounted to \$1,732.1 million, made up as follows:

Source	VCGR (1 Jul 2011 to 5 Feb 2012) Player Loss	VCGLR (6 Feb 2012 to 30 June 2012) Player Loss	Consolidated (1 Jul 2011 to 30 June 2012) Player Loss	VCGR (1 Jul 2011 to 5 Feb 2012) Taxes and levies paid into the consolidated fund	VCGLR (6 Feb 2012 to 30 June 2012) Taxes and levies paid into the consolidated fund	Consolidated (1 Jul 2011 to 30 June 2012) Taxes and levies paid into the consolidated fund
	\$m	\$m	\$m	\$m	\$m	\$m
Gaming machines (hotels and clubs)	1,638.7	1,042.7	2,681.5	541.3	344.8	886.2
Health Benefit Levy <sup>i</sup>				62.9	62.9	125.7
<b>Sub total - Gaming Taxes</b>	1,638.7	1,042.7	2,681.5	604.2	407.7	1011.9
Melbourne Casino - (gaming, machines and table games)	957.2	570.8	1,528.0	102.5	92.8	195.3
Wagering - racing (totalisator), football, trackside and sportsbetting	482.6	306.6	789.2	83.9	52.6	136.5
Lotteries <sup>ii</sup> (Victoria only)	<b>281.4</b>	<b>205.1</b>	<b>486.4</b>	<b>223.7</b>	<b>163.0</b>	<b>386.7</b>
Club Keno/Keno <sup>iii</sup>	3.5	3.6	7.1	0.8	0.9	1.7
<b>Total</b>	<b>\$3,363.3</b>	<b>\$2,128.8</b>	<b>\$5,492.1</b>	<b>\$1,015.2</b>	<b>\$716.9</b>	<b>\$1,732.1</b>

Note: All Gaming Taxes are apportioned based on the days applicable to the VCGR and the VCGLR.

Tax revenue accrued for the VCGR is for the period of 1 July 2011 to 5 February 2012.

Tax revenue accrued for the VCGLR is for the period of 6 February 2012 to 30 June 2012.

<sup>i</sup> Health Benefit Levy is payable in two equal instalments in each financial year, due on 15 December and 15 June.

<sup>ii</sup> Super Tax of \$27.80 million is included in the schedule of casino taxes above which will be paid at the conclusion of the year.

<sup>iii</sup> Club Keno operated by the Joint Venture (Tabcorp & Tattersalls) ceased operating on 14 April 2012

Keno operated by Tabcorp commenced operating on 15 April 2012.

## Applicable taxation rates

Gaming machines – hotels and clubs	
Tabcorp hotels and clubs gaming tax	24.24% of player loss
Tattersall's hotels and clubs gaming tax	31.24% of player loss
Community Support Fund tax (hotels only)	8.33% of player loss
Health Benefit Levy (per gaming machine)	\$4,333.33
Casino – gaming machines and table games	
General player casino tax (tables only)	21.25% of player loss
General player casino tax (gaming machines only)	26.41% of player loss
Commission based player tax (tables and gaming machines)	9.00% of player loss
Community Benefit Levy (all players)	1.00% of player loss
Health Benefit Levy (per gaming machine)	\$4333.33
Wagering	
Totalisator (pari-mutuel) betting	19.11% of player loss
Approved betting competitions	19.11% of player loss
Fixed odds	
Fixed odds sportsbet and trackside	10.91% of player loss
Lotteries	
Public lottery tax (Australian sales)	79.40% of player loss
Public lottery tax (overseas sales)	90.00% of player loss
Soccer pools gaming tax (Australian sales)	57.52% of player loss
Soccer pools gaming tax (overseas sales)	68.00% of player loss
Club Keno	
Gaming tax	24.24% of player loss

## Supervision of lottery draws

Draw type	Draws supervised (VCGR 1/7/2011 – 5/2/2012)	Draws supervised (VCGLR 6/2/2012 – 30/6/2012)
Lucky Keno 70	220	146
Lucky Lines	220	146
Lucky Bingo Star	32	20
Lucky 3	220	146
Lucky 5 Red or Black	220	146
Super 66	32	20
Tattslotto	32	20
Oz Lotto	32	20
Powerball	32	20
<b>Total</b>	<b>1,040</b>	<b>684</b>

# Appendix 4: Inspections, audits and enforcement

## Gambling licence compliance activity 2011–12

Category	Total inspections / audits	Total breaches
Gaming venue inspections	988	345
Gaming venue financial audits	74	1
Gaming venue – responsible gambling codes of conduct audits	358	66
Gaming venue self-exclusion program audits	354	30
Bingo inspections	101	30
Bingo Centre – responsible gambling code of conduct audits	19	2
Bookmakers – responsible gambling code of conduct audits	110	11
Club Keno – responsible gambling code of conduct audits	13	26
Commercial raffle organisers	3	0
Keno audits*	57	0
Intralot lottery outlet audits	196	61
Intralot lottery outlet – responsible gambling code of conduct audits	118	1
Lighting audits in gaming venues	119	0
Lucky envelope outlet inspections	753	14
Racetrack inspections	98	23
Raffle draw inspections	77	18
TAB outlets – responsible gambling code of conduct audits	224	90
Tatts lottery outlet audits	219	7
Tatts lottery outlets – responsible gambling code of conduct audits	138	5
Trade promotion lottery draw inspections	105	14
<b>Total</b>	<b>4,124</b>	<b>744</b>

\* Audits commenced from 15 April 2012 following the introduction of the new Keno arrangement which came into operation on that day. Club Keno ceased on 14 April 2012.

### Prosecutions under the *Gambling Regulation Act 2003*

Name	Suspect address	Offence	Court date	Court result
Markessa Pty Ltd (venue operator, Seaford Hotel)	Seaford	Breached section 3.5.32(1) of the Act (nine charges) by allowing withdrawals greater than \$200 from EFTPOS machines within the venue.	4 August 2011	Without conviction, fined \$5,000 plus costs of \$519.
Moonee Valley Racing Club Inc	Moonee Ponds	Used the services of a person to perform the duties of a gaming industry employee when that person was not licensed. Section 9A.1.3 (2)(a) of the Act.	16 September 2011	Without conviction, placed on a 13-month good behaviour bond, ordered to pay \$5,000 plus costs of \$350.



Name	Suspect address	Offence	Court date	Court result
David Wood	Prahran	Possession of gaming machine, section 3.5.1 (1) of the Act.	5 October 2011	Entered into a Diversion program with a condition that he donates \$100. Order for forfeiture and destruction also made.
Hoa Trong Vu*	Sunshine	Failed to comply with a request to state name and address, section 10.5.10(3) of the Act.	12 October 2011	Convicted, fined \$750 plus costs of \$200.
Williamstown Football Club	Williamstown	Breached section 3.5.33 of the Act by paying out, on two occasions, \$1,000 or more in cash.	27 October 2011	Without conviction, 12-month good behaviour bond, ordered to make a donation of \$2,000 to Isis Primary Care plus costs of \$324.36
Jason Tuttleby	Carrum Downs	Breached section 9A.1.3(1) of the Act (13 charges) by performing functions without a gaming industry employee licence.	9 November 2011	Without conviction, fined \$1,000 plus costs of \$300.
Australian Leisure and Hospitality Group Pty Ltd	South Yarra	Breached section 10.7.6.(1) of the Act, a minor entered the gaming room of the Elsternwick Hotel	8 March 2012	Without conviction, 12-month good behaviour bond, \$5,000 to the Court Fund plus costs of \$513.80.
Sportsbet Pty Limited	Northern Territory	Breached section 4.7.10 of the Act by offering an inducement to open a betting account on 21 October 2010 (2 charges) and 27 October 2010 (2 charges)	2 and 3 April 2012	Without conviction for charges one and two, fined an aggregate of \$1,500, for offences 3 and 4 fined an aggregate of \$1,500.
International All Sports Limited	Northern Territory	Breached section 4.7.10 of the Act by offering an inducement to open a betting account on 22 September 2010 (3 charges) and 26 October 2010 (3 charges)	2 and 3 April 2012	Without conviction for charges one, two and three, fined an aggregate of \$2,250, for offences four, five and six fined an aggregate of \$2,250.
Montmorency RSL Sub Branch Inc	Montmorency	Breached section 9A.1.3(2) (a) of the Act by using the services of a person to perform the duties of a gaming industry employee when that person was not licensed.	31 May 2012	Without conviction, placed on a 12-month good behaviour bond and ordered to make a donation of \$2,000 to the Salvation Army. His Honour refused to award costs

\* See also simultaneous prosecution under the Casino Control Act.

Note: Offences under the *Crimes Act 1958* and the *Summary Offences Act 1966* are the responsibility of the Victoria Police, with the assistance of VCGLR Inspectors when required.

## Prosecutions under the *Casino Control Act 1991*

Name	Suspect address	Offence	Court date	Court result
Mohan Adhikary	Newtown	Breach of Casino Exclusion Order, section 77.	13 July 2011	Convicted, fined \$800 plus costs of \$44.
Thi Nhu Hoang	Seabrook	Breach of Casino Exclusion Order, section 77.	13 July 2011	Convicted, fined \$1,000 plus costs of \$44.
Thi M Tran	Fitzroy	Breach of Casino Exclusion Order, section 77.	20 July 2011	Without conviction and placed on a 12-month good behaviour bond.
Xuan Searle	Springvale South	Breach of Casino Exclusion Order, section 77.	31 August 2011	Without conviction, fined \$500 plus costs of \$250.
Hong Lakey	St Albans	Breach of Casino Exclusion Order, section 77.	7 September 2011	Convicted, fined \$200 plus costs of \$200.
Thi Nhu Hoang	Seabrook	Breach of Casino Exclusion Order, (three occasions) section 77.	5 October 2011	Without conviction, fined \$3,500 plus costs of \$370.
Hoa Trong Vu*	Sunshine	Breach of Casino Exclusion Order, section 77.	12 October 2011	Convicted, fined \$750 plus costs of \$200.
Ngien Eaim Nui Sae	Glen Waverley	Breach of Casino Exclusion Order, (two occasions) section 77.	7 December 2011	Without conviction and fined \$200.
Doung Nam	Deer Park	Breach of Casino Exclusion Order, (eight occasions) section 77.	21 December 2011	Court accepted the plea of guilty but discharged the defendant without recording a conviction.
Ngien Eaim Mui Sae	Glen Waverley	Breach of Casino Exclusion Order, (two occasions) section 77.	22 February 2012	Without conviction, fined \$750 plus costs of \$320.
Xiuming Cai	North Melbourne	Breach of Casino Exclusion Order, section 77.	14 March 2012	Convicted, placed on a two-year undertaking to be of good behaviour plus costs of \$111.54
Hoa Trong Vu	Sunshine	Breach of Casino Exclusion Order, (two occasions) section 77.	21 March 2012	Convicted and fined \$800.
Doung Nam	Deer Park	Breach of Casino Exclusion Order, (four occasions) section 77.	4 April 2012	Convicted, fined \$700 plus costs of \$78.10.
Hong Lakey	St Albans	Breach of Casino Exclusion Order, (three occasions) section 77.	4 April 2012	Convicted, fined \$700 plus costs of \$78.10.
Wenlin Chen	North Melbourne	Breach of Casino Exclusion Order CCA 1991, (five occasions) section 77.	30 April 2012	Without conviction, placed on a 12-month good behaviour bond, ordered to continue to engage with the Chinese Peer Connection for Problem Gambling and to engage with the Federation of Chinese Association Social Welfare Centre.

\* See also simultaneous prosecution under the Gambling Regulation Act.

Note: Offences under the *Crimes Act 1958* and the *Summary Offences Act 1966* are the responsibility of the Victoria Police, with the assistance of VCGLR Inspectors when required.

## Gambling venue disciplinary action as at 30 June 2012

Venue operator	Venue	Licence number	Grounds	Decision date	Result
Dandenong Cranbourne RSL Sub-Branch Inc	Cranbourne RSL	V98095067	Found guilty of breaching section 5.7.16(1) of the Act because as a precondition for participation in the trade promotion lottery allowed the entrant to have played a gaming machine.	27/09/2011	Letter of censure
Markessa Pty Ltd	Seaford Taverner	V9310005	Found guilty of 9 counts of providing/allowing greater than \$200 withdrawal from cash facilities.	6/12/2011	Licensee fined \$2000
Williamstown Football Club	Seagulls Nest	V9710012	Found guilty of paying out \$1,000 or more in cash (2 charges) in breach of Section 3.5.33 of the Act.	31/01/2012	Letter of censure
Moonee Valley Racing Club Inc	Moonee Valley Legends	V9780055	Found guilty of breaching section 9A.1.3(2)(a) of the Act because it employed or used the services of two persons to perform functions of a gaming industry employee without a licence.	31/01/2012	Letter of censure

## Liquor licence compliance activity 2011–12

Licence category	Total inspections	Total breaches
BYO permit	340	77
Exemption butcher	2	0
Exemption gift service	3	0
Exemption hairdresser	1	0
Full club licence	633	85
General licence	2,258	701
Late night (general) licence	1,176	233
Late night (on-premises) licence	786	254
Late night (packaged liquor) licence	2	0
Limited licence	1,707	508
Not licensed	7	6
On-premises licence	1,878	979
Packaged liquor licence	4,609	723
Pre-retail licence	587	2
Restaurant and cafe licence	2,107	451
Restricted club licence	465	330
Temporary limited licence	151	59
Vigneron's licence	44	0
Wine and beer producer's licence	16	3
<b>Total</b>	<b>16,772</b>	<b>4,411</b>

## Prosecutions under the *Liquor Control Reform Act 1998*

### **Food Alchemy Pty Ltd** – 26 March 2012

Food Alchemy Pty Ltd pleaded guilty to one offence of unlicensed sale of liquor contravening section 107(1) of the Liquor Control Reform Act. The Melbourne Magistrates' Court fined Food Alchemy Pty Ltd \$1,000 without conviction and ordered it to pay the prosecution's costs in the amount of \$1,000.

### **Boris Trajkovski** – 13 March 2012

The Melbourne Magistrates' Court found Mr Boris Trajkovski guilty of selling liquor contrary to section 107(1) of the Liquor Control Reform Act. The Melbourne Magistrates' Court fined Mr Trajkovski \$2,500 without conviction and ordered him to pay costs in the amount of \$668.00.

### **DRAGON III Pty Ltd** – 13 March 2012

DRAGON III Pty Ltd was found guilty of unlicensed sale of liquor contrary to section 107(1) of the Liquor Control Reform Act between 1 and 6 January 2011. The Moorabbin Magistrates' Court placed DRAGON III Pty Ltd on a 12-month adjourned undertaking to be of good behaviour, without conviction, and as a condition of the undertaking, ordered DRAGON III Pty Ltd to pay \$400 into the court fund and \$1,100 in legal costs.

### **Burlesque Bar Pty Ltd** – 7 March 2012

On 15 October 2012, Burlesque Bar Pty Ltd, trading as Burlesque Bar, was found to be breaching sections 108(1)(a)(i) and 108A(2)(b) of the Liquor Control Reform Act. The Melbourne Magistrates' Court fined Burlesque Bar Pty Ltd \$1,500 without conviction, and ordered it to pay costs in the amount of \$1,500.

### **Leighton MacDonald Gibson** – 13 February 2012

The La Trobe Valley Magistrates' Court found that Leighton MacDonald Gibson had sold liquor without a licence between 10 October 2010 and 13 December 2010, breaching section 107(1) of the Liquor Control Reform Act. Mr Gibson was placed on a six-month adjourned undertaking to be of good behaviour, without conviction. He was also ordered to pay \$400 in legal costs.

### **Red Centre Organic Wines (RCOW)** – 2 February 2012

RCOW was found guilty of 13 charges of selling liquor without a licence under section 107(1) of the Liquor Control Reform Act (the Act) between 19 September 2010 and 3 December 2010. Further, Mr Goodison pleaded guilty to one charge of selling liquor without a licence under section 107(1) of the Act. The Ballarat Magistrates' Court fined RCOW \$5,000 plus \$700 in costs, without conviction. Mr Goodison was fined \$1,000 plus \$700 in costs, without conviction. In sentencing both RCOW and Mr Goodison, the Magistrate noted the importance of regulating liquor and the dangers inherent in the unlicensed sale of alcohol.

### **Skydiving Nagambie Pty Ltd** – 2 February 2012

Skydiving Nagambie Pty Ltd was found guilty of the unlicensed sale of liquor contrary to section 107 of the Liquor Control Reform Act between 4 November 2010 and 18 June 2011. The Seymour Magistrates' Court placed Skydiving Nagambie Pty Ltd on an adjourned undertaking to be of good behaviour until 1 June 2012, without conviction. It was also ordered to pay \$2,000 to a De La Salle charity by 2 February 2012 and costs in the amount of \$1,500.

### **Sizzling Tandoor Pty Ltd** – 9 January 2012

The La Trobe Valley Magistrates' Court found that Sizzling Tandoor Pty Ltd had been selling liquor without a licence. Sizzling Tandoor Pty Ltd was given an undertaking to be of good behaviour for 12 months without conviction, and to pay \$700 in costs.

### **Chaffey International (Aust) Pty Ltd trading as Chaffey International Motor Inn** – 21 December 2011

On 15 June 2011 during an inspection, Chaffey International (Aust) Pty Ltd trading as Chaffey International Motor Inn was found to be breaching section 107(1) of the Liquor Control Reform Act by selling alcohol without a liquor licence. The Mildura Magistrates' Court sentenced Chaffey International (Aust) Pty Ltd to a 12-month undertaking to be of good

behaviour until December 2012 with a condition that Chaffey International (Aust) Pty Ltd pay \$250 to the court fund plus \$3,800 in costs.

#### **Centre Road Cellars – 9 November 2011**

The accused, Mr Khoury, was found guilty of allowing minors on the licensed premises and supplying liquor contrary to the licence requirement that the predominant activity be sale of liquor by retail. These charges came before the Court because Mr Khoury challenged penalty infringement notices. The Ringwood Magistrates' Court fined the accused \$1,434 (the total amount of the penalty infringement notices) without conviction. Mr Khoury was also ordered to pay \$750 in costs.

#### **Balunor Pty Ltd – 8 November 2011**

The Geelong Magistrates' Court found that Balunor Pty Ltd had been supplying liquor unlicensed contrary to section 107(1) of the Liquor Control Reform Act. The licensee was placed on an adjourned undertaking of six months without conviction commencing on 8 November 2011. A further \$2,000 was to be paid in costs.

#### **Cartmere Pty Ltd – 2 November 2011**

In December 2010, the Compliance Directorate found that Cartmere Pty Ltd had been sub-letting the licensed premises to Prevale Café without the consent of the Director of Liquor Licensing.

The Melbourne Magistrates' Court fined Cartmere Pty Ltd \$500 without conviction and ordered it to pay \$210.78 in costs. Anthony Joske, Director of Cartmere, was also fined \$500 and ordered to pay \$212.56 in costs.

#### **Brighton on the Bay Quest Pty Ltd – Verve Restaurant and Bar, Brighton on the Bay – 27 October 2011**

On 7 March 2011, a routine inspection revealed that Brighton on the Bay Quest Pty Ltd trading as Verve Restaurant and Bar, Brighton on the Bay was

selling liquor without a licence. The company had applied to transfer the liquor licence but it had not yet been approved by the Director of Liquor Licensing. The Moorabbin Magistrates' Court fined Bay Quest Pty Ltd \$2,000 without conviction and ordered the company to pay \$750 in costs. Two directors of the company, Valentin Corchado and Paul Constantinou, were fined \$1,000 each, without conviction.

#### **Heng Shao – I Hot Pot – 25 October 2011**

The accused, Heng Shao, was charged with supplying liquor without a licence contrary to section 107(1) of the Act. Mr Shao had applied to transfer the liquor licence but this was left pending, as Liquor Licensing did not receive confirmation of settlement of the sale from his solicitor. Mr Shao, not speaking English, relied on his solicitor to affect the transfer of the licence and notify him if there were any outstanding requirements. Due to these significant mitigating factors, the Melbourne Magistrates' Court sentenced Mr Shao to an adjourned undertaking requiring him to be on good behaviour for 12 months, without conviction. The accused was also ordered to pay \$750 in costs.

#### **Aerotone Pty Ltd – Il Carretto Pizza Restaurant – 17 October 2011**

Aerotone Pty Ltd, trading as Il Carretto Pizza Restaurant, was found guilty of breaching section 107(1) of the Act for selling alcohol without a liquor licence. The Melbourne Magistrates' Court fined the company \$1,500 without conviction and ordered it to pay \$311 in costs.

#### **San Sebastian Café – 27 July 2011**

In December 2009, while attempting to conduct an inspection of the licensed premises, a Compliance Inspector was threatened and obstructed by the licensee of San Sebastian Cafe. The licensee was given an enforceable undertaking of 12 months without conviction, and fined \$1,000 under the Liquor Control Reform Act. A further \$750 was to be paid towards the court fund.

## Enforceable undertakings under the *Liquor Control Reform Act 1998*

As of 6 February 2012, the VCGLR replaced the Director of Liquor Licensing. The VCGLR can exercise the powers formerly exercised by the Director. An enforceable undertaking is one of several enforcement options available to the VCGLR. It is a legal agreement where a person or organisation undertakes to abide by certain conditions agreed to with the VCGLR.

The VCGLR may accept a written undertaking given by a licensee in connection with:

- a matter with which the VCGLR has a power or function under the Liquor Control Reform Act
- a matter relating to an infringement of that Act.

The VCGLR has entered into enforceable undertakings with the businesses listed below. A copy of each enforceable undertaking is published on the VCGLR's website.

### **Colbray Pty Ltd trading as Trak Lounge Bar** – 19 April 2012

The undertaking continues until 1 January 2014 or until resolution of proceedings, whichever is the earlier.

### **Welshpool Supermarket** – 3 April 2012

The undertaking is in place for two years from the date of signature by all parties.

### **Richswan Investments Pty Ltd trading as The Nixon Hotel** – 1 March 2012

The undertaking is in place for two years from the date of signature by all parties.

### **Joseph Deangelis trading as Shepparton Espresso Bar** – 12 December 2011

The undertaking is in place for one year from the date of signature by all parties.

### **Evinridge Pty Ltd trading as Yanakie Licensed Store** – 27 October 2011

The undertaking is in place for one year from the date of signature by all parties.

### **DE & WB Burton & Sons Pty Ltd trading as Burton's Store** – 19 October 2011

The undertaking is in place for two years from the date of signature by all parties.

### **Zardi Holdings Pty Ltd trading as Wine Clearance Warehouse** – 27 September 2011

The undertaking is in place for two years from the date of signature by all parties.

### **Abesha Ethiopian Restaurant** – 27 September 2011

The undertaking is in place for 90 days from the date of signature by all parties.

### **Smiths Beach General Store** – 27 September 2011

The undertaking is in place for one year from the date of signature by all parties.

### **Cheltenham Cricket Club** – 18 August 2011

The undertaking is in place for two years from the date of signature by all parties.

### **Paynesville Motor Cruiser Club** – 10 August 2011

The undertaking is in place for two years from the date of signature by all parties.

### **Bleriot No 17 Pty Ltd** – 21 July 2011

The undertaking is in place for two years from the date of signature by all parties.

## Appendix 5: Governance and compliance

### Corporate governance

The VCGLR was established under the Victorian Commission for Gambling and Liquor Regulation Act. The functions and powers of the VCGLR are set out in sections 9 and 10 of that Act.

From 6 February 2012, the VCGLR became responsible for regulating the gambling and liquor industries in Victoria, taking on the role of the Director of Liquor Licensing, Victorian Commission for Gambling Regulation and the administrative and educative functions of Responsible Alcohol Victoria.

### Commissioners

A Commissioner is a statutory office in the VCGLR appointed by the Governor in Council on the recommendation of the Minister for Gaming and Consumer Affairs. Commissioners of the VCGLR are accountable for statutory decision making and governance. They are required to make decisions, either individually or collectively with other Commissioners, on a range of matters relating to the grant, variation and transfer of licences and permits, conditions attached to licences and permits, disciplinary actions against licensees and permittees and reviews of decisions made under delegation by individual Commissioners or members of staff.

The Chairman convenes and presides at meetings and hearings of the Commission and contributes to decision making by the Commission. The Chairman has a deliberative vote and a casting vote on matters where there are equal votes.

In conjunction with the Chief Executive Officer, the Chairman determines and oversees arrangements for the internal governance of the VCGLR to ensure clear lines of accountability and reporting, a consistent approach to decision making, disciplined performance and ethical, transparent relationships with stakeholders.

During the year the VCGLR established its strategic framework which will ensure business capability, integrity and sustainability.

### Risk management

#### Compliance with the Victorian Government Risk Management Framework

To ensure that risks are being managed in a consistent manner, public sector entities are required to attest in annual reports that they have in place risk management processes consistent with the Australian and New Zealand risk management standard.

Both the VCGLR and the former VCGR have applied the requirements of the Victorian Government Risk Management Framework March 2011 in confirming their respective compliance status. The VCGLR Audit Committee has verified this view for both the VCGR and the VCGLR.

---

#### Attestation

I, Mark Brennan, Chairman of the Victorian Commission for Gambling and Liquor Regulation (VCGLR), certify that the VCGLR predecessor the Victorian Commission for Gambling Regulation (VCGR) had risk management processes in place consistent with the Australian/New Zealand risk management standard and an internal control system in place that enabled the VCGR Executive to understand, manage and satisfactorily control risk exposures. The VCGLR verifies this assurance and that the risk profile of the VCGR has been critically reviewed within the 2011–12 financial year.



Mark Brennan  
Chairman  
Victorian Commission for Gambling and Liquor  
Regulation  
On this date 10 August 2012

---



---

### Attestation

I, Mark Brennan, Chairman of the Victorian Commission for Gambling and Liquor Regulation (VCGLR), certify that the VCGLR has risk management processes in place consistent with the Australian/New Zealand risk management standard and an internal control system is in place that enables the Executive to understand, manage and satisfactorily control risk exposures. The VCGLR verifies this assurance and that the risk profile of the VCGLR has been critically reviewed within the 2011–12 financial year.



Mark Brennan  
Chairman  
Victorian Commission for Gambling and Liquor  
Regulation  
On this date 10 August 2012

---

### Audit Committee

The Audit Committee of a public entity is an independent committee established in accordance with the Standing Directions of the Minister for Finance under the *Financial Management Act 1994*. The Committee provides oversight of:

- financial performance and reporting
- accounting treatment of significant transactions
- internal audit function
- external audit function
- risk management framework
- accountability and internal control
- legal and regulatory compliance.

### VCGR Audit Committee

The VCGR Audit Committee comprised Mr David Boymal AM (Chair and independent member), Mr David Beatty (independent member) and Ms Judith

King, Deputy Chair of the VCGR. Two meetings were held on 23 August 2011 and 21 November 2011. The Committee ceased operations on 5 February 2012. The Committee provided oversight of the internal audit function performed by an outside contractor, Oakton Pty Ltd. As a continuous improvement activity, internal auditing assists the organisation to achieve its objectives.

The VCGR Audit Committee oversaw the completion of a three-year internal audit plan to conduct reviews on risk management, the internal control system and governance process.

### VCGLR Audit Committee

Part 8, section 26.8 of the Victorian Commission for Gambling and Liquor Regulation Act requires the VCGLR to ensure that the VCGR financial statements are prepared in accordance with the *Financial Management Act 1994*. This responsibility and other outstanding matters from the VCGR Audit Committee were delegated to the VCGLR Audit Committee.

The VCGLR established an Audit Committee with membership comprising Mr David Boymal AM (Chair and independent member), Mr Des Powell, VCGLR Commissioner and Ms Kate Hamond, VCGLR Commissioner. The Committee has met twice (14 May 2012 and 21 June 2012). For continuity purposes, the internal audit contract with Oakton Pty Ltd was extended for 12 months until 31 December 2012.

The VCGLR Audit Committee has provided assurance for the preparation of the 2011–12 Financial Statements for the VCGR and VCGLR, oversight of the design of the risk management framework and the implementation of an internal audit plan for 2012.

### Access to information

The *Freedom of Information Act 1982* (FOI Act) gives members of the public the right to apply for access to information held by the VCGLR and its predecessor organisations. The FOI Act applies to documents created by VCGLR as well as those created by other organisations that are in the possession of VCGLR.



Information about the requests received during 2011–12 is set out below.

Requests received	9
<i>Initial decision</i>	
Granted in full	0
Partially granted <sup>i</sup>	1
Denied	3
Previously released	0
In process	1
Non-existent document requested	4
Not proceeded with	0
Withdrawn	0
Total	9
Transferred from another agency	1
Transferred to another agency	0
Average processing time (days) <sup>ii</sup>	34
Internal review conducted	1
Applications to the Victorian Civil and Administrative Tribunal	1
Complaints to the Ombudsman	0

<sup>i</sup> Includes one request received in the previous year.

<sup>ii</sup> Extension of processing time granted for one request.

### Making a Freedom of Information request

Access to documents may be obtained through a request from an individual, or from another person authorised (for example, a solicitor) to make a request on that individual's behalf. If another person is making a request, then they must have written authorisation from that individual to do so.

The written FOI request for documents must include the following:

- It must be in writing or made online by accessing the Department of Justice Freedom of Information website at [www.foi.vic.gov.au](http://www.foi.vic.gov.au).
- It should clearly describe the documents being requested, and provide sufficient detail to enable the document(s) being sought to be identified.
- It should be accompanied by the appropriate application fee (currently \$25.10) or evidence that the person qualifies to have the application fee waived. Other costs (photocopying, search and retrieval charges) may be incurred in granting access to the documents requested. These will be communicated accordingly.
- The written request should be addressed to:
  - Freedom of Information Officer
  - Victorian Commission for Gambling & Liquor Regulation
  - 49 Elizabeth Street
  - Richmond VIC 3121

Further information regarding Freedom of Information can be found at [www.foi.vic.gov.au](http://www.foi.vic.gov.au).

### Whistleblower Protection

The VCGLR has procedures that comply with the requirements of the *Whistleblowers Protection Act 2001*. These procedures require disclosures of improper conduct or detrimental action by the VCGLR, its members or staff to be reported to the Victorian Ombudsman. Disclosures may be made by members and staff of the VCGLR or the public. There were no disclosures made this year to the Protected Disclosure Coordinator and there were no recommendations made by the Ombudsman that related directly to the VCGLR.

### Victorian Industry Participation Policy

There are no issues relating to compliance with the Victorian Industry Participation Policy.

### National Competition Policy

There are no issues relating to compliance with National Competition Policy

### Statement of availability of other information

The following information is retained by the VCGLR and is available, on request to the relevant Minister, to members of Parliament and the public:<sup>\*</sup>

- a statement that declarations of pecuniary interests have been duly completed by all relevant officers
- details of shares held by a senior officer as nominee or held beneficially in a statutory authority or subsidiary
- details of publications produced by the VCGLR about its operations and the places where the publications can be obtained
- details of changes to prices, fees, charges, rates and levies charged by the VCGLR
- details of major external reviews carried out on the VCGLR
- details of research and development activities
- details of major promotional, public relations and marketing activities undertaken by the VCGLR to develop community awareness of the VCGLR and the services it provides
- details of assessments and measures undertaken to improve the occupational health and safety of employees
- a general statement on industrial relations within the VCGLR and details of time lost through industrial accidents and disputes
- a list of major committees sponsored by the VCGLR, the purposes of each committee and the extent to which the purposes have been achieved.

<sup>\*</sup> subject to any applicable Freedom of Information requirements.

### Disclosure of major contracts

There were no contracts greater than \$10 million entered into by the VCGLR in 2011–12. The VCGLR is currently assessing legacy arrangements with suppliers to determine compliance with the Victorian Government Purchasing Board policy and guidelines. Summary details of any contracts with a commitment of greater than \$100,000 identified through this process will be published on the Victorian Government contracts publishing system at [www.contracts.vic.gov.au](http://www.contracts.vic.gov.au).

### Building Works

The VCGLR does not have any buildings under its direct control and did not enter into works that required compliance under the *Building Act 1993* in the reporting period.

## VCGLR workforce data

### VCGLR staffing as at 30 June 2012

Ongoing		Fixed term		Casual		Total	
Number headcount	FTE	Number headcount	FTE	Number headcount	FTE	Number headcount	FTE
230	224.06	20	18.9	0	0.00	250	242.96

	2012					
	Fixed term		Casual		Total	
	Number headcount	FTE	Number headcount	FTE	Number headcount	FTE
Executive officer	3	3	1	1	4	4
VPS Grades 5, 6 and 7	88	87.87	5	5	93	92.87
VPS Grades 3 and 4	101	97.27	12	10.9	113	108.17
VPS Grades 1 and 2	38	35.92	2	2	40	37.92
<b>Total</b>	<b>230</b>	<b>224.06</b>	<b>20</b>	<b>18.9</b>	<b>250</b>	<b>242.96</b>

### VCGLR staffing profile (headcount) by gender and age as at 30 June 2012

	< 24		25-34		35-44		45-54		55-64		>65		Total
	M	F	M	F	M	F	M	F	M	F	M	F	
Executive officer						2			1	1			4
VPS Grades 5, 6 and 7			9	6	10	13	22	15	12	4	1	1	93
VPS Grades 3 and 4	1	1	12	21	12	15	20	8	12	8	2	1	113
VPS Grades 1 and 2		1	6	11		7		9	2	3		1	40
<b>Total</b>	<b>1</b>	<b>2</b>	<b>27</b>	<b>38</b>	<b>22</b>	<b>37</b>	<b>42</b>	<b>32</b>	<b>27</b>	<b>16</b>	<b>3</b>	<b>3</b>	<b>250</b>

## Consultants

There were no consultants engaged in 2011–12.

## Report on Overseas Travel

Officer	Destination	Purpose	Outcome
Acting Director Compliance and Audit  and Acting Manager, Transition Planning, Training and Compliance	Nevada, USA  July 2011	To undertake probity investigations on associated individuals of organisations.	Through interviews and meetings with various gaming regulators and police agencies, investigators were able to assess the suitability of organisations and their associates to hold necessary approvals to operate in the gambling industry within Victoria.
Director, Gambling Operations and Audit	Nevada, USA  October 2011	To attend three major international conferences: <ul style="list-style-type: none"> <li>• International Association of Gaming Advisors (IAGA)</li> <li>• National Centre for Responsible Gaming (NCRG)</li> <li>• G2E conference and expo.</li> </ul>	As an invited speaker for the IAGA conference, the Director was able to bring back information on international activity on gaming, wagering, lottery and casino operations and policy, through attending further conferences held simultaneously.
Principal Solicitor	New Zealand  November 2011	Completion of studies undertaken through Australia and New Zealand School of Government (ANZSOG).	Successfully completed Executive Master of Public Administration studies.

No overseas travel has been undertaken by VCGLR employees since 6 February 2012

# Summary of Financial Results

VCGR 1 July 2011–5 February 2012 .....	60
VCGLR 6 February–30 June 2012 .....	106

# Auditor-General's report

## VCGR 1 July 2011–5 February 2012

# VAGO

Victorian Auditor-General's Office

Level 24, 35 Collins Street  
Melbourne VIC 3000  
Telephone 61 3 8601 7000  
Facsimile 61 3 8601 7010  
Email [comments@audit.vic.gov.au](mailto:comments@audit.vic.gov.au)  
Website [www.audit.vic.gov.au](http://www.audit.vic.gov.au)

### INDEPENDENT AUDITOR'S REPORT

#### To the Victorian Commission for Gambling Regulation

##### *The Financial Report*

The accompanying financial report for the period 1 July 2011 to 5 February 2012 of the Victorian Commission for Gambling Regulation which comprises the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement, notes comprising a summary of significant accounting policies and other explanatory information, and the accountable officer and the chief finance and accounting officer declaration has been audited.

##### *The Commissioners' Responsibility for the Financial Report*

The Commissioners of the Victorian Commission for Gambling Regulation are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994*, and for such internal control as the Commissioners determine is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

##### *Auditor's Responsibility*

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit, which has been conducted in accordance with Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The audit procedures selected depend on judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, consideration is given to the internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Commissioners, as well as evaluating the overall presentation of the financial report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

##### *Independence*

The Auditor-General's independence is established by the *Constitution Act 1975*. The Auditor-General is not subject to direction by any person about the way in which his powers and responsibilities are to be exercised. In conducting the audit, the Auditor-General, his staff and delegates complied with all applicable independence requirements of the Australian accounting profession.

**INDEPENDENT AUDITOR'S REPORT (continued)***Opinion*


In my opinion, the financial report presents fairly, in all material respects, the financial position of the Victorian Commission for Gambling Regulation as at 5 February 2012 and of its financial performance and its cash flows for the period 1 July 2011 to 5 February 2012 in accordance with applicable Australian Accounting Standards, and the financial reporting requirements of the Financial Management Act 1994.

*Matters Relating to the Electronic Publication of the Audited Financial Report*

This auditor's report relates to the financial report of the Victorian Commission for Gambling Regulation for the period 1 July 2011 to 5 February 2012 included both in the Victorian Commission for Gambling Regulation's annual report and on the website. The Commissioners of the Victorian Commission for Gambling Regulation are responsible for the integrity of the Victorian Commission for Gambling Regulation's website. I have not been engaged to report on the integrity of the Victorian Commission for Gambling Regulation's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in the website version of the financial report.

MELBOURNE

1 June 2012

  
Dr Peter Frost  
Acting Auditor-General



## VCGR comprehensive operating statement

For the period ended 5 February 2012

	Note(s)	2012 \$	2011 \$
<b>Income from transactions</b>			
Grants	2, 3	15,781,156	29,053,214
<b>Total income from transactions</b>		15,781,156	29,053,214
<b>Expenses from transactions</b>			
Employee expenses	4 (a)	(9,911,467)	(17,948,897)
Depreciation and amortisation expense	4 (b)	(448,112)	(734,731)
Supplies and services	4 (c)	(6,277,997)	(10,291,308)
<b>Total expenses from transactions</b>		(16,637,576)	(28,974,936)
<b>Net result from transactions (net operating balance)</b>		(856,420)	78,278
<b>Other economic flows included in net result</b>			
Net gain/(loss) on non-financial assets	5(a)	(93,271)	(1,556,957)
Other gains/(losses) from other economic flows	5(b)	(74,851)	(3,355)
<b>Net result from continuing operations</b>		(1,024,542)	(1,482,034)
<b>Comprehensive result</b>		(1,024,542)	(1,482,034)

The comprehensive operating statement should be read in conjunction with the accompanying notes.



# VCGR balance sheet

As at 5 February 2012

	Note(s)	2012 \$	2011 \$
<b>Assets</b>			
<b>Financial assets</b>			
Cash and deposits	16, 17	445,014	448,983
Receivables	6, 16	3,740,216	4,008,231
<b>Total financial assets</b>		<b>4,185,230</b>	4,457,214
<b>Non-financial assets</b>			
Plant and equipment	7	642,266	760,514
Intangible assets	8	2,039,011	1,451,818
Other non-financial assets	9	589,621	396,173
<b>Total non-financial assets</b>		<b>3,270,898</b>	2,608,505
<b>Total assets</b>		<b>7,456,128</b>	7,065,719
<b>Liabilities</b>			
Payables	10, 16	1,695,332	1,032,248
Provisions	11	5,311,287	5,129,349
<b>Total liabilities</b>		<b>7,006,619</b>	6,161,597
<b>Net assets</b>		<b>449,509</b>	904,122
<b>Equity</b>			
Accumulated surplus/(deficit)		(5,969,395)	(4,944,853)
Contributed capital		6,418,904	5,848,975
<b>Net worth</b>		<b>449,509</b>	904,122
Commitments for expenditure	14		
Contingent assets and contingent liabilities	15		

The balance sheet should be read in conjunction with the accompanying notes.

## VCGR statement of changes in equity

For the period ended 5 February 2012

	Notes	Accumulated Surplus \$	Contributions by Owner \$	Total \$
<b>Balance at 1 July 2010</b>		<b>(3,462,819)</b>	<b>5,461,339</b>	<b>1,998,520</b>
Net result for the year		(1,482,034)		(1,482,034)
Capital contributions			387,636	387,636
<b>Balance at 30 June 2011</b>		<b>(4,944,853)</b>	<b>5,848,975</b>	<b>904,122</b>
Net result for the period		(1,024,542)		(1,024,542)
Capital contributions			569,929	569,929
<b>Balance at 5 February 2012</b>		<b>(5,969,395)</b>	<b>6,418,904</b>	<b>449,509</b>

The statement of changes in equity should be read in conjunction with the accompanying notes.

## VCGR cash flow statement

For the period ended 5 February 2012

	Note(s)	2012 \$	2011 \$
<b>Cash flows from operating activities</b>			
Receipts			
Receipts from Government		16,049,171	28,457,068
Goods and Services Tax recovered from the ATO		659,233	934,638
<b>Total receipts</b>		<b>16,708,404</b>	<b>29,391,706</b>
Payments			
Payments to suppliers and employees		(16,271,974)	(28,755,277)
<b>Total payments</b>		<b>(16,271,974)</b>	<b>(28,755,277)</b>
<b>Net cash flows from/(used in) operating activities</b>	17(b)	<b>436,430</b>	<b>636,429</b>
<b>Cash flows from investing activities</b>			
Purchases of non-financial assets		(1,010,328)	(1,112,177)
<b>Net cash flows from/(used in) investing activities</b>		<b>(1,010,328)</b>	<b>(1,112,177)</b>
<b>Cash flows from financing activities</b>			
Owner contributions by State Government		569,929	387,636
<b>Net cash flows from/(used in) financing activities</b>		<b>569,929</b>	<b>387,636</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>(3,969)</b>	<b>(88,112)</b>
<b>Cash and cash equivalents at the beginning of the financial period</b>		<b>448,983</b>	<b>537,095</b>
<b>Cash and cash equivalents at the end of the financial period</b>	17(a)	<b>445,014</b>	<b>448,983</b>

The cash flow statement should be read in conjunction with the accompanying notes.

# Notes to the VCGR financial statements

For the period ended 5 February 2012

## Contents

### Note

---

- 1 Summary of significant accounting policies
- 2 VCGR outputs
- 3 Income from transactions
- 4 Expenses from transactions
- 5 Other economic flows included in net result
- 6 Receivables
- 7 Plant and equipment
- 8 Intangible assets
- 9 Other non-financial assets
- 10 Payables
- 11 Provisions
- 12 Superannuation
- 13 Leases
- 14 Commitments for expenditure
- 15 Contingent assets and contingent liabilities
- 16 Financial instruments
- 17 Cash flow information
- 18 Summary of compliance with grant funding
- 19 Ex-gratia payments
- 20 Transactions on behalf of Government
- 21 Responsible persons
- 22 Remuneration of executives
- 23 Remuneration of auditors
- 24 Related party transactions
- 25 Integration of Victorian Commission for Gambling Regulation into Victorian Commission for Gambling and Liquor Regulation
- 26 Subsequent events
- 27 Glossary of terms

## Note 1: Summary of significant accounting policies

The annual financial statements represent the audited general purpose financial statements for the Victorian Commission for Gambling Regulation ('VCGR').

During 2010 the State Government announced its intention that the Victorian Commission for Gambling Regulation will integrate with the Director of Liquor Licensing and Responsible Alcohol Victoria to form the Victorian Commission for Gambling and Liquor Regulation ('VCGLR') and is to be relocated and accommodated in common premises. On 28 January 2012, the VCGR relocated to new premises at 49 Elizabeth Street, Richmond.

The VCGLR commenced operation on 6 February 2012, pursuant to the *Victorian Commission for Gambling and Liquor Regulation Act 2011* which was passed on 27 October 2011 and received Royal Assent on 2 November 2011. In accordance with Part 8 of the *Victorian Commission for Gambling and Liquor Regulation Act 2011*, all of the assets and liabilities of the VCGR become the assets and liabilities of the VCGLR as per Note 25. This is the final report for the VCGR. Comparative figures are reported for a 12 month period.

### (a) Statement of compliance

These financial statements have been prepared in accordance with the *Financial Management Act 1994*, and applicable Australian Accounting Standards ('AAS') which include Interpretations issued by the Australian Accounting Standards Board ('AASB'). In particular, they are presented in a manner consistent with the requirements of AASB 1049 Whole of Government and General Government Sector Financial Reporting.

Where appropriate, those AAS paragraphs applicable to not-for-profit entities have been applied.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the

underlying transactions or other events is reported.

To gain a better understanding of the terminology used in this report, a glossary of terms can be found in Note 27.

The annual financial statements were authorised for issue by the VCGR on 31 May 2012.

### (b) Basis of preparation

The accrual basis of accounting has been applied in the preparation of these financial statements whereby assets, liabilities, equity, income and expenses are recognised in the reporting period to which they relate, regardless of when cash is received or paid.

Estimates and assumptions are required to be made about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on professional judgements derived from historical experience and various other factors that are believed to be reasonable under the circumstance. Actual results may differ from these estimates.

Revisions to accounting estimates are recognised in the period in which the estimate is revised and also in future periods that are affected by the revision. Judgements and assumptions made by management in the application of AASs that have significant effects on the financial statements and estimates relate to superannuation expenses (refer to Note 1(f)).

These financial statements are presented in Australian dollars and prepared in accordance with the historical cost convention with the exception of non-current physical assets which, subsequent to acquisition, are measured at a revalued amount being their fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent impairment losses. Revaluations are made with sufficient regularity to ensure that the carrying amounts do not materially differ from their fair value.

# Notes to the VCGR financial statements

For the period ended 5 February 2012

Historical cost is based on the fair values of the consideration given in exchange for assets.

The accounting policies set out below have been applied in preparing the financial statements for the period ended 5 February 2012 and the comparative information presented in these financial statements for the year ended 30 June 2011.

## (c) Reporting entity

The financial statements include all the controlled activities of the VCGR which was established on 1 July 2004 pursuant to section 10.1.1 of the *Gambling Regulation Act 2003*.

Its principal address is:

Victorian Commission for Gambling Regulation  
49 Elizabeth Street  
Richmond VIC 3121

## *Amounts collected/received on behalf of Government*

The VCGR collects revenue amounts on behalf of the Government which are paid directly into the Consolidated Fund. The VCGR does not gain control over these resources and accordingly they are not recognised as income in the comprehensive operating statement. The VCGR is accountable for the transactions involving these resources, but does not have the discretion to deploy the resources for achievement of its own objectives. Transactions and balances relating to these resources (except as otherwise disclosed), are accounted for on the same basis and using the same accounting policies as for VCGR items. Specific financial disclosures related to these transactions can be found in Note 20.

The responsibility for administering these amounts collected on behalf of government will also transfer to the VCGLR as of 6 February 2012. The assets and liabilities balances related to these administered items are disclosed in Note 25.

## *Objectives and funding*

The VCGR's objectives are prescribed in section

10.1.3 of the *Gambling Regulation Act 2003*. It regulates gambling in Victoria to ensure the integrity and probity of the gambling industry. The VCGR receives grant funding from the Department of Justice to be applied for the purposes of delivering outputs associated with the regulation of gambling.

## (d) Scope and presentation of financial statements

### *Comprehensive operating statement*

Income and expenses in the comprehensive operating statement are classified according to whether or not they arise from 'transactions' or 'other economic flows'. This classification is consistent with the whole of government reporting format and is allowed under AASB 101 Presentation of financial statements.

'Transactions' and 'other economic flows' are defined by the Australian system of government finance statistics: concepts, sources and methods 2005 Cat. No. 5514.0 published by the Australian Bureau of Statistics (see Note 27 - the Glossary).

'Transactions' are those economic flows that are considered to arise as a result of policy decisions, usually interactions between two entities by mutual agreement. Transactions also include flows within an entity, such as depreciation where the owner is simultaneously acting as the owner of the depreciating asset and as the consumer of the service provided by the asset. Taxation is regarded as mutually agreed interactions between the Government and taxpayers. Transactions can be in kind (e.g. assets provided/given free of charge or for nominal consideration) or where the final consideration is cash.

'Other economic flows' are changes arising from market re-measurements. They include gains and losses from disposals, revaluations and impairments of non-current physical and intangible assets, actuarial gains and losses arising from defined benefit superannuation plans and fair value changes to financial instruments.

The net result is equivalent to profit or loss derived in accordance with AASs.

### *Balance sheet*

Assets and liabilities are presented in liquidity order with assets aggregated into financial assets and non-financial assets.

Current and non-current assets and liabilities (those expected to be recovered or settled beyond 12 months) are disclosed in the notes, where relevant.

### *Statement of changes in equity*

The statement of changes in equity presents reconciliations of each non-owner and owner equity opening balance at the beginning of the reporting period to the closing balance at the end of the reporting period. It also shows separately movements due to amounts recognised in the comprehensive result and amounts recognised in other comprehensive income related to other non-owner changes in equity.

### *Cash flow statement*

Cash flows are classified according to whether or not they arise from operating activities, investing activities or financing activities. This classification is consistent with requirements under AASB 107 Statement of cash flows.

## **(e) Income from transactions**

Income is recognised to the extent that it is probable that the economic benefits will flow to the entity and the income can be reliably measured.

### *Grants*

The VCGR's income is by way of grant funding from the Department of Justice's appropriations for the production of VCGR outputs, which are deemed to have been delivered by the Department of Justice. Grant income is recognised as received from the Department of Justice when the VCGR delivers the required outputs in accordance with specified performance targets.

## **(f) Expenses from transactions**

Expenses are recognised as they are incurred and reported in the financial period to which they relate.

### *Employee expenses*

Employee expenses include all costs related to employment including wages and salaries, leave entitlements, redundancy payments and superannuation contributions. These are recognised when incurred, except for contributions in respect of defined benefit plans.

### *Superannuation – defined benefit plans*

The amount recognised in the comprehensive operating statement in relation to employer contributions for members of defined superannuation plans is simply the employer contributions that are paid or payable to these plans during the reporting period. The level of these contributions will vary depending upon the relevant rules of each plan, and is based upon actuarial advice.

The Department of Treasury and Finance ('DTF') discloses in its Annual Financial Statements on behalf of the State as the sponsoring employer, the net defined benefit cost related to the members of these plans as an administered liability. Refer to the DTF Annual Financial Statements for more detailed disclosures in relation to these plans.

### *Depreciation and amortisation*

Depreciation is provided on plant and equipment. Depreciation is calculated on a straight-line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

The following are typical estimated useful lives for the different asset classes for 2012 and 2011 financial years.

# Notes to the VCGR financial statements

For the period ended 5 February 2012

Asset Class	Useful life (in Years)	
	2012	2011
Office fit-out	20	20
Plant and equipment		
• Office furniture & equipment	8-10	8-10
• Gaming equipment	6-7	6-7
• Motor vehicles	3	3
EDP hardware	4	4

Due to the write down of leasehold improvements at the premises occupied by the VCGR to 27 January 2012, the estimated useful life of office fit-out has been reduced to the length of the lease term. The VCGR moved to new premises on 28 January 2012.

The VCGR has capitalised as an intangible asset internal use software expenditure related to development of information technology systems. Costs associated with the acquisition or development of computer software which is greater than \$10,000 are capitalised and amounts below this threshold are expensed in the period in which they are incurred.

Intangible assets with finite useful lives are amortised on a straight-line basis over the asset's useful life. The useful life for intangibles is eight years. Amortisation begins when the asset is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. The estimated useful lives, residual values and amortisation method are reviewed at the end of each annual reporting period. In addition, an assessment is made at each reporting date to determine whether there are indicators that the intangible asset concerned is impaired. If so, the assets concerned are tested as to whether their carrying value exceeds their recoverable amount.

## Supplies and services

Supplies and services generally represent the day to day running costs incurred in the normal operations of the entity. These items are recognised as an

expense in the reporting period in which they are incurred.

## (g) Other economic flows included in net result

Other economic flows measure the change in volume or value of assets or liabilities that do not result from transactions.

### Net gain/(loss) on non-financial assets

Net gain/(loss) on non-financial assets and liabilities includes realised and unrealised gains and losses from revaluations, impairments, and disposals of all physical assets and intangible assets.

### Disposal of non-financial assets

Any gain or loss on the sale of non-financial assets is recognised at the date that control of the asset is passed to the buyer and is determined after deducting from the proceeds the carrying value of the asset at that time.

### Impairment of non-financial assets

All assets are assessed annually for indications of impairment.

If there is an indication of impairment, the assets concerned are tested as to whether their carrying value exceeds their possible recoverable amount. Where an asset's carrying value exceeds its recoverable amount, the difference is written-off as an 'other economic flow'.

It is deemed that, in the event of the loss of an asset, the future economic benefits arising from the use of the asset will be replaced unless a specific decision to the contrary has been made. The recoverable amount for most assets is measured at the higher of depreciated or amortised replacement cost and fair value less costs to sell.

### Net gain/(loss) on financial instruments

Net gain/(loss) on financial instruments includes:

- realised and unrealised gains and losses from revaluations of financial instruments at fair value;



- impairment and reversal if impairment for financial instruments at amortised cost; and
- disposal of financial assets.

#### *Other gains/(losses) from economic flows*

Other gains/(losses) from other economic flows include the gains or losses from reclassifications of amounts from reserves and/or accumulated surplus to net result, and from the revaluation of the present value of the long service leave liability due to changes in the bond interest rates.

#### **(h) Financial instruments**

Financial instruments arise out of contractual agreements that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Due to the nature of the VCGR's activities, certain financial assets and financial liabilities arise under statute rather than contract. Such financial assets and financial liabilities do not meet the definition of financial instruments in AASB 132 Financial Instruments: Presentation. For example, statutory receivables arising from taxes, fines and penalties do not meet the definition of financial instruments as they do not arise under contract.

Where relevant for note disclosure purposes, a distinction is made between those financial assets and financial liabilities that meet the definition of financial instruments in accordance with AASB 132 and those that do not.

#### **(i) Financial assets**

##### *Cash and cash deposits*

Cash and cash deposits comprise cash on hand and cash at bank.

##### *Receivables*

Receivables consist predominantly of amounts owing from the Victorian Government, debtors in relation to goods and services and GST input tax credits

recoverable. Receivables that are contractual are classified as financial instruments. Amounts owing from the Victorian Government, taxes and other statutory receivables are not classified as financial instruments.

#### **(j) Non-financial assets**

##### *Plant and equipment*

Non-current physical assets held by the VCGR are those used in the day to day operations and are primarily plant and equipment. These assets are measured initially at cost and subsequently revalued at fair value less accumulated depreciation and accumulated impairment.

##### *Intangible assets*

Intangible assets represent identifiable non-monetary assets without physical substance. Intangible assets are recognised at cost less accumulated amortisation and accumulated impairment losses. Costs incurred subsequent to initial acquisition are capitalised when it is expected that additional future economic benefits will flow to the VCGR.

An internally generated intangible asset arising from development is recognised if the following can be demonstrated:

- (a) the technical feasibility of completing the intangible asset so that it will be available for use;
- (b) an intention to complete the intangible asset and use it;
- (c) the ability to use the intangible asset;
- (d) the intangible asset will generate probable future economic benefits;
- (e) the availability of adequate technical, financial and other resources to complete the development and to use the intangible asset; and
- (f) the ability to measure reliably the expenditure attributable to the intangible asset during its development.

# Notes to the VCGR financial statements

For the period ended 5 February 2012

Expenditure incurred on internally generated intangibles that are capitalised include:

- direct materials and consultancy service cost;
- direct labour and overhead;
- directly attributable cost such as registration fees for legal rights or patents; and
- fees to register or legal right

Where no internally generated intangible asset can be recognised, development expenditure is recognised as an expense in the period as incurred.

## (k) Other non-financial assets

### *Prepayments*

Other non-financial assets include prepayments which represent payments in advance of receipt of goods or services or that part of expenditure made in one accounting period covering a term extending beyond that period.

## (l) Liabilities

### *Payables*

Payables consist predominantly of accounts payable and other sundry liabilities and are recognised at fair value. Payables represent liabilities for goods and services provided to the VCGR prior to the end of a financial period that are unpaid, and arise when the VCGR becomes obliged to make future payments in respect of the purchase of these goods and services. Fair value is as described in Note 16.

### *Provisions*

Provisions are recognised when the VCGR has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the

obligation. Where a provision is measured using the cashflows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

### *Employee benefits*

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave for services rendered to the reporting date.

#### (i) Wages and salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in the provision for employee benefits in respect of employee services up to the reporting date, classified as current liabilities and measured at their nominal values.

Those liabilities which are not expected to be settled within 12 months are recognised in the provision for employee benefits as current liabilities measured at present value of the amounts expected to be paid when the liabilities are settled using the remuneration rate expected to apply at the time of settlement.

#### (ii) Long service leave

Liability for long service leave (LSL) is recognised in the provision for employee benefits.

- **Current liability – unconditional LSL** is disclosed as a current liability even where the VCGR does not expect to settle the liability within 12 months because it will not have the unconditional right to defer the settlement of the entitlement should an employee take leave within 12 months.

The components of this current LSL liability are measured at:

- **Nominal value** – component that the VCGR expects to settle within 12 months.

- Present value – component that the VCGR does not expect to settle within 12 months; and
- Non-current liability – conditional LSL is disclosed as a non-current liability. There is an unconditional right to defer the settlement of the entitlement until the employee has completed the requisite years of service.

This non-current LSL liability is measured at present value. Any gain or loss following revaluation of the present value of non-current LSL liability is recognised as a transaction, except to the extent that a gain or loss arises due to changes in bond rates for which it is then recognised as an 'other economic flow' (refer to Note 1(g) Other economic flows included in net result).

#### (iii) Employee benefits on-costs

Employee benefits on-costs such as payroll tax, workers compensation and superannuation are recognised separately from the provision for employee benefits.

#### (m) Equity

##### *Contributions by owners*

Additions to net assets which have been designated as contributions by owners are recognised as contributed capital. Other transfers that are in the nature of contributions or distributions have also been designated as contributions by owners.

#### (n) Commitments

Commitments include those operating and capital commitments arising from non-cancellable contractual or statutory sources and are disclosed at the nominal value inclusive of the GST payable.

#### (o) Contingent assets and liabilities

Contingent assets and contingent liabilities are not recognised in the balance sheet but are disclosed by way of note and, if quantifiable, measured at their

nominal value inclusive of GST receivable or payable respectively.

#### (p) Goods and services tax ('GST')

Income, expenses and assets are recognised net of the amount of associated goods and services tax (GST), except:

- where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

Commitments and contingent assets and liabilities are also stated inclusive of GST.

#### (q) Events after the reporting period

Assets, liabilities, income or expenses arise from past transactions or other past events. Where the transactions result from an agreement between the VCGR and other parties, the transactions are only recognised when the agreement is irrevocable at or before the end of the reporting period. Adjustments are made to amounts recognised in the financial statements for events which occur after the reporting period and before the date the financial statements are authorised for issue, where those events provide information about conditions which existed at the reporting period. Note disclosure is made about events between the end of the reporting period and the date the financial statements are authorised for issue where the events relate to conditions which arose after the

# Notes to the VCGR financial statements

For the period ended 5 February 2012

end of the reporting period and which may have a material impact on the results of subsequent reporting periods.

## (r) Rounding of amounts.

Amounts in the financial statements have been rounded to the nearest dollar, or in the case of amounts collected/receivable on behalf of Government and amounts paid/payable to other jurisdictions (see Note 20), to the nearest thousand dollars. Figures in the financial statements may not equate due to rounding.

## (s) AASs issued that are not yet effective

Certain new AASs have been published that are not mandatory for the 30 June 2012 reporting period. The Department of Treasury and Finance assesses the impact of these new standards and advises departments and other entities of their applicability and early adoption where applicable. As at 5 February 2012, the following standards and interpretations had been issued but were not mandatory for the financial year ending 30 June 2012. The VCGR has not early adopted these standards.

AASB 9 Financial instruments	This standard simplifies requirements for the classification and measurement of financial assets resulting from Phase 1 of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement (AASB 139 Financial Instruments: Recognition and Measurement).	Beginning 1 Jan 2013	Detail of impact is still being assessed.
AASB 124 Related Party Disclosures (Dec 2009)	Government related entities have been granted partial exemption with certain disclosure requirements.	Beginning 1 Jan 2011	Preliminary assessment suggests the impact is insignificant. However, the VCGR is still assessing the detailed impact and whether to early adopt.
AASB 1053 Application of Tiers of Australian Accounting Standards	This Standard establishes a differential financial reporting framework consisting of two tiers of reporting requirements for preparing general purpose financial statements.	Beginning 1 July 2013	The Victorian Government is currently considering the impacts of Reduced Disclosure Requirements (RDRs) for certain public sector entities and has not decided if RDRs will be implemented to the Victorian Public Sector.

AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 and 1038 and Interpretations 10 and 12]	This Standard gives effect to consequential changes arising from the issuance of AASB 9.	Beginning 1 Jan 2013	Detail of impact is still being assessed.
AASB 2009-14 Amendments to Australian Interpretation - Prepayments of a Minimum Funding Requirement [AASB Interpretation 14]	Amendments to Interpretation 14 arise from the issuance of prepayments of a minimum funding requirement.	Beginning 1 Jan 2011	Expected to have no significant impact.
AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements	This Standard makes amendments to many Australian Accounting Standards, including Interpretations, to introduce reduced disclosure requirements to the pronouncements for application by certain types of entities.	Beginning 1 July 2013	Does not affect financial measurement or recognition, so is not expected to have any impact on financial result or position. May reduce some note disclosures in financial statements.
AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101 & AASB 134 and Interpretation 13]	This Standard makes numerous improvements designed to enhance the clarity of standards.	Beginning 1 Jan 2011	No significant impact on the financial statements.
AASB 2010-5 Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042]	This amendment contains editorial corrections to a range of Australian Accounting Standards and Interpretations, which includes amendments to reflect changes made to the text of IFRSs by the IASB.	Beginning 1 Jan 2011	No significant impact on the financial statements.

# Notes to the VCGR financial statements

For the period ended 5 February 2012

<p>AASB 2010-6 Amendments to Australian Accounting Standards - Disclosures on Transfers of Financial Assets [AASB 1 &amp; AASB 7]</p>	<p>This amendment adds and changes disclosure requirements about the transfer of financial assets. This includes the nature and risk of the financial assets.</p>	<p>Beginning 1 July 2011</p>	<p>This may impact on departments and public sector entities as it creates additional disclosure for transfers of financial assets.</p> <p>Detail of impact is still being assessed.</p>
<p>AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 &amp; 1038 and Interpretations 2, 5, 10, 12, 19 &amp; 127]</p>	<p>These amendments are in relation to the introduction of AASB 9.</p>	<p>Beginning 1 Jan 2013</p>	<p>This amendment may have an impact on departments and public sector bodies as AASB 9 is a new standard and it changes the requirements of numerous standards.</p> <p>Detail of impact is still being assessed.</p>
<p>AASB 2011-2 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project - Reduced Disclosure Requirements [AASB 101 &amp; AASB 1054]</p>	<p>The objective of this amendment is to include some additional disclosure from the Trans-Tasman Convergence Project and to reduce disclosure requirements for entities preparing general purpose financial statements under Australian Accounting Standards - Reduced Disclosure Requirements.</p>	<p>Beginning 1 July 2013</p>	<p>The Victorian Government is currently considering the impacts of Reduced Disclosure Requirements (RDRs) and has not decided if RDRs will be implemented by the Victorian Public Sector.</p>
<p>AASB 2011-3 Amendments to Australian Accounting Standards - Orderly Adoption of Changes to the ABS GFS Manual and Related Amendments [AASB 1049]</p>	<p>This amends AASB 1049 to clarify the definition of the ABS GFS Manual, and to facilitate the adoption of changes to the ABS GFS Manual and related disclosures.</p>	<p>Beginning 1 July 2012</p>	<p>This amendment provides clarification to users on the version of the GFS Manual to be used and what to disclose if the latest GFS Manual is not used.</p> <p>No impact on performance measurements will occur.</p>

## Note 2: VCGR outputs

The VCGR activities form part of the Department of Justice Gaming and Racing Management and Regulation output. The focus of this output is policy development, regulation, research and community education and the delivery of problem gambling services to achieve responsible, safe and sustainable gambling and racing environments.

The outputs delivered by the VCGR are comprised of Regulatory Services consisting of licensing and compliance activities. The activities undertaken to deliver this output are geared towards achieving “the best community outcomes from gambling activities for all Victorians”. Performance targets include quantity, quality and timeliness measures.

The Licensing sub-group incorporates all activities undertaken to ensure that all licences, permits and authorisations are issued within the necessary legislative framework. This includes assessments for probity, social and economic impact assessments, game fairness and responsible gambling.

The Compliance Services sub-group covers the on-going monitoring of participants, products, equipment and systems, investigation of complaints and possible breaches of legislation and revenue verification.

## Note 3: Income from transactions

	2012 \$	2011 \$
<b>Income from transactions</b>		
Grants from the Department of Justice	15,781,156	29,053,214
<b>Total income from transactions</b>	<b>15,781,156</b>	<b>29,053,214</b>

# Notes to the VCGR financial statements

For the period ended 5 February 2012

## Note 4: Expenses from transactions

	2012 \$	2011 \$
<b>(a) Employee expenses</b>		
Salaries and wages	7,577,165	14,063,998
Annual leave	897,227	1,295,546
Long service leave	220,690	384,764
Superannuation	699,385	1,360,269
Other on-costs (payroll tax, workcover levy and fringe benefits tax)	517,000	844,320
<b>Total employee expenses</b>	<b>9,911,467</b>	<b>17,948,897</b>
<b>(b) Depreciation and amortisation expense</b>		
<b>Depreciation of plant and equipment</b>		
(EDP) hardware	309,872	234,788
Office fit-out	-	94,744
Plant, equipment & motor vehicles	10,100	48,918
<b>Amortisation expense</b>		
Internal-use software	128,140	356,281
<b>Total depreciation and amortisation expense</b>	<b>448,112</b>	<b>734,731</b>
<b>(c) Supplies and services</b>		
Probity and credit check payments	83,612	209,854
IT Licence and maintenance	876,001	629,924
Professional services	2,563,281	5,085,461
Telephone and other communication expenses	143,964	226,049
Occupancy costs	1,434,635	2,164,167
Postage and advertising	105,611	185,359
Printing, stationery and office requisites	456,149	568,507
Travel and related expenses	164,483	311,455
Training and development	118,808	266,334
Motor vehicle running costs	186,439	351,250
Other	145,014	292,948
<b>Total supplies and services</b>	<b>6,277,997</b>	<b>10,291,308</b>



### Note 5: Other economic flows included in net result

	2012 \$	2011 \$
<b>(a) Net gain/(loss) on non-financial assets</b>		
Impairment of plant and equipment <sup>i</sup>	-	(1,477,725)
Net gain/(loss) on disposal of plant and equipment	(93,271)	(79,232)
<b>Total net gain/(loss) on non-financial assets</b>	<b>(93,271)</b>	<b>(1,556,957)</b>
<b>(b) Other gains/(losses) from other economic flows</b>		
Net gain/(loss) arising from revaluation of long service leave liability <sup>ii</sup>	(74,851)	(3,355)
<b>Total other gains/(losses) from other economic flows</b>	<b>(74,851)</b>	<b>(3,355)</b>

<sup>i</sup> Impairment is due to the write down of leasehold improvements at the premises occupied by the VCGR on 27 January 2012. The VCGR relocated to new premises on 28 January 2012.

<sup>ii</sup> Revaluation gain/(loss) due to changes in bond rates.

### Note 6: Receivables

	2012 \$	2011 \$
<b>Current receivables</b>		
<b>Contractual</b>		
Other receivables	118,479	172,594
	<b>118,479</b>	<b>172,594</b>
<b>Statutory</b>		
Amounts owing from the Department of Justice <sup>i</sup>	733,856	1,419,268
GST Input tax credits recoverable	17,259	81,154
	<b>751,115</b>	<b>1,500,422</b>
<b>Total current receivables</b>	<b>869,594</b>	<b>1,673,016</b>
<b>Non-current receivables</b>		
<b>Statutory</b>		
Amounts owing from the Department of Justice <sup>i</sup>	2,870,622	2,335,215
<b>Total non-current receivables</b>	<b>2,870,622</b>	<b>2,335,215</b>
<b>Total receivables</b>	<b>3,740,216</b>	<b>4,008,231</b>

# Notes to the VCGR financial statements

For the period ended 5 February 2012

<sup>i</sup> The amounts recognised from the Department of Justice represent funding for all commitments incurred for the appropriation and are drawn down from the Consolidated Fund as the commitments fall due.

(a) Ageing analysis of contractual receivables.

Please refer to table 16.3 in Note 16 for the ageing analysis of contractual receivables.

(b) Nature and extent of risk arising from contractual receivables.

Please refer to table 16.5 in Note 16 for the nature and extent of risks arising from contractual receivables.

## Note 7: Plant and equipment

All assets of the VCGR are measured at fair value. Reconciliations of the carrying amounts of each class of plant and equipment at the beginning and end of the current financial period are set out in the following table:

Table 7.1: Classification by 'Purpose Group' – Carrying amounts<sup>i</sup>

	Public safety and environment	
	2012 \$	2011 \$
<b>Plant and equipment</b>		
<b>EDP Hardware</b>		
At Fair value	1,728,932	2,492,328
Less: Accumulated depreciation	(1,260,804)	(1,933,234)
	468,128	559,094
<b>Office Fit-out</b>		
At Fair value	-	-
Less: Accumulated depreciation	-	-
	-	-
<b>Plant, equipment &amp; motor vehicles</b>		
At Fair value	183,117	217,281
Less: Accumulated depreciation	(8,979)	(15,861)
	174,138	201,420
<b>Total Plant and Equipment</b>		
At Fair value	1,902,049	2,709,609
Less: Accumulated depreciation	(1,269,783)	(1,949,095)
	642,266	760,514

<sup>i</sup> Plant and equipment are classified primarily by the 'purpose' for which the assets are used according to one of six 'Purpose Groups' based upon Government Purpose Classifications (GPC). Assets within a purpose

group are further sub categorised according to the asset's 'nature' (i.e. plant and equipment, etc), with each sub category being classified as a separate class of asset for financial reporting purposes.

**Table 7.2: Classification by Purpose Group 'Public safety and environment' - Movements in carrying amounts:**

	EDP Hardware		Office Fit-out		Plant, equipment & motor vehicles		Total	
	2012 \$	2011 \$	2012 \$	2011 \$	2012 \$	2011 \$	2012 \$	2011 \$
<b>Opening balance</b>	<b>559,094</b>	533,295	-	1,381,814	<b>201,420</b>	407,633	<b>760,514</b>	2,322,742
Additions	<b>218,907</b>	260,819	-	-	<b>76,088</b>	112,360	<b>294,995</b>	373,179
Disposals	-	(232)	-	-	<b>(93,271)</b>	(79,000)	<b>(93,271)</b>	(79,232)
Impairment of assets	-	-	-	(1,287,070)	-	(190,655)	-	(1,477,725)
Depreciation expense	<b>(309,872)</b>	(234,788)	-	(94,744)	<b>(10,100)</b>	(48,918)	<b>(319,972)</b>	(378,450)
<b>Closing balance</b>	<b>468,129</b>	559,094	-	-	<b>174,137</b>	201,420	<b>642,266</b>	760,514

**Note 8: Intangible assets**

	2012 \$	2011 \$
<b>Gross carrying amount</b>		
Opening balance	<b>5,852,321</b>	5,113,322
Additions from internal development	<b>715,333</b>	738,999
<b>Closing balance</b>	<b>6,567,654</b>	5,852,321
<b>Accumulated amortisation</b>		
Opening balance	<b>(4,400,503)</b>	(4,044,222)
Amortisation expense	<b>(128,140)</b>	(356,281)
<b>Closing balance</b>	<b>(4,528,643)</b>	(4,400,503)
<b>Net book value at end of the reporting period</b>	<b>2,039,011</b>	1,451,818

# Notes to the VCGR financial statements

For the period ended 5 February 2012

## Note 9: Other non-financial assets

	2012 \$	2011 \$
<b>Current other assets</b>		
Prepayments	589,621	396,173
<b>Total current other assets</b>	<b>589,621</b>	<b>396,173</b>
<b>Total other non-financial assets</b>	<b>589,621</b>	<b>396,173</b>

## Note 10: Payables

	2012 \$	2011 \$
<b>Current payables</b>		
Contractual		
Creditors	657,323	425,220
Accrued expenses	1,038,009	607,028
<b>Total current payables</b>	<b>1,695,332</b>	<b>1,032,248</b>
<b>Total payables</b>	<b>1,695,332</b>	<b>1,032,248</b>

(a) Maturity analysis of payables.

Please refer to section (c) in Note 16 for the ageing analysis of payables.

(b) Nature and extent of risk arising from payables.

Please refer to Note 16 for the nature and extent of risk arising from payables.

## Note 11: Provisions

	2012 \$	2011 \$
<b>Current provisions</b>		
<sup>i</sup> Employee benefits (Note 11(a)) – annual leave		
<sup>ii</sup> Unconditional and expected to settle within 12 months	306,411	358,494
<sup>iii</sup> Unconditional and expected to settle after 12 months	1,105,519	914,597
<sup>i</sup> Employee benefits (Note 11(a)) – long service leave		
<sup>ii</sup> Unconditional and expected to settle within 12 months	150,291	248,174
<sup>iii</sup> Unconditional and expected to settle after 12 months	2,882,742	2,737,437
	<b>4,444,963</b>	<b>4,258,702</b>
Provisions relating to employee benefit on-costs (Note 11(a) and Note 11(b))		
<sup>ii</sup> Unconditional and expected to be settle within 12 months	73,687	97,376
<sup>iii</sup> Unconditional and expected to be settle after 12 months	627,026	573,138
	<b>700,713</b>	<b>670,514</b>
<b>Total current provisions</b>	<b>5,145,676</b>	<b>4,929,216</b>
<b>Non-current provisions</b>		
<sup>i</sup> Employee benefits (Note 11(a))	143,472	173,378
Employee benefit on-costs (Note 11(a) and Note 11(b))	22,139	26,755
<b>Total non-current provisions</b>	<b>165,611</b>	<b>200,133</b>
<b>Total provisions</b>	<b>5,311,287</b>	<b>5,129,349</b>

# Notes to the VCGR financial statements

For the period ended 5 February 2012

## (a) Employee benefits and related on-costs<sup>i</sup>

	2012 \$	2011 \$
<b>Current employee benefits</b>		
Annual leave entitlements	1,411,930	1,273,092
Long service leave entitlements	3,033,033	2,985,611
<b>Non-current employee benefits</b>		
Long service leave entitlements	143,472	173,378
<b>Total employee benefits</b>	<b>4,588,435</b>	<b>4,432,081</b>
Current on-costs	700,713	670,513
Non-current on-costs	22,139	26,755
<b>Total on-costs</b>	<b>722,852</b>	<b>697,268</b>
<b>Total employee benefits and related on-costs</b>	<b>5,311,287</b>	<b>5,129,349</b>

<sup>i</sup> Provisions for employee benefits consist of amounts for annual leave and long service leave accrued by employees, not including on-costs.

<sup>ii</sup> The amounts disclosed are nominal amounts.

<sup>iii</sup> The amounts disclosed are discounted to present values.

## (b) Movement in provisions

	On-costs
	2012 \$
<b>Opening balance</b>	<b>697,268</b>
Additional provisions recognised	233,419
Reductions arising from payments/other sacrifices of future economic benefits	(207,835)
<b>Closing balance</b>	<b>722,852</b>
Current	700,713
Non-current	22,139
	<b>722,852</b>

## Note 12: Superannuation

Employees of the VCGR are entitled to receive superannuation benefits and the VCGR contributes to both defined benefit and defined contribution plans. The defined benefit plan(s) provides benefits based on years of service and final average salary.

The VCGR does not recognise any defined benefit liability in respect of the plan(s) because the entity has no legal or constructive obligation to pay future benefits relating to its employees; its only obligation is to pay superannuation contributions as they fall due. The Department of Treasury and Finance recognises and discloses the State's total defined benefit liabilities in its disclosure for administered items. However, superannuation contributions paid or payable for the reporting period are included as part of employee benefits in the comprehensive operating statement of the VCGR.

The name and details of the major employee superannuation funds and contributions made by the VCGR are as follows:

	Paid contribution for the period		Contribution outstanding at period end	
	2012 \$	2011 \$	2012 \$	2011 \$
<b><sup>i</sup> Defined benefit plans:</b>				
Government Superannuation Scheme revised and new	220,085	396,315	-	-
<b>Defined contribution plans:</b>				
Victorian Superannuation Scheme	332,091	665,553	-	-
Various other	147,209	298,401	-	-
<b>Total</b>	<b>699,385</b>	<b>1,360,269</b>	<b>-</b>	<b>-</b>

<sup>i</sup> The bases for determining the level of contributions is determined by the various actuaries of the superannuation plans.

# Notes to the VCGR financial statements

For the period ended 5 February 2012

## Note 13: Leases

### Disclosure for lessees - operating leases

Operating lease commitments relate to the VCGR's accommodation rental.

	Present value of minimum future lease payments	
	2012 \$	2011 \$
<b>Non-cancellable operating lease payable</b>		
Not longer than one year	-	1,957,844
Longer than one year and not longer than five years	-	-
Longer than five years	-	-
<b>Total payments due and payable</b>	<b>-</b>	<b>1,957,844</b>

All amounts shown above are nominal amounts inclusive of GST.

On 28 January 2012, the VCGR vacated the premises previously occupied at 35 Spring Street, Melbourne. Any future commitment to pay the lease rental has been transferred to the Department of Justice.

## Note 14: Commitments for expenditure

The following commitments have not been recognised as liabilities in the financial statements.

	2012 \$	2011 \$
<b>Operating expenditure commitments</b>		
Plant and equipment operation and maintenance commitments		
Payable:		
Not longer than one year	<b>5,894</b>	26,945
Longer than one year and not longer than five years	<b>33,244</b>	32,215
Longer than five years	-	-
<b>Total operating expenditure commitments</b>	<b>39,138</b>	<b>59,160</b>

All amounts shown in the commitments note are nominal amounts inclusive of GST.



**Note 15: Contingent assets and contingent liabilities**

At 5 February 2012 the VCGR had no contingent assets (nil at 30 June 2011) and no contingent liabilities (nil at 30 June 2011).

**Note 16: Financial instruments****(a) Financial risk management objectives and policies**

The VCGR's principal financial instruments comprise:

- cash and deposits;
- receivables (excluding statutory receivables); and
- payables (excluding statutory payables)

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in Note 1 to the financial statements.

The carrying amounts of the VCGR's contractual financial assets and financial liabilities by category are in table 16.1.

# Notes to the VCGR financial statements

For the period ended 5 February 2012

Table 16.1: Categorisation of financial instruments

	Contractual financial assets- loans and receivables \$	Contractual financial liabilities at amortised cost \$	Total \$
<b>2012</b>			
<b>Contractual financial assets</b>			
Cash and deposits	445,014	-	445,014
<sup>i</sup> Receivables	118,479	-	118,479
<b>Total contractual financial assets</b>	<b>563,493</b>	<b>-</b>	<b>563,493</b>
<b>Contractual financial liabilities</b>			
<sup>i</sup> Payables	-	1,695,332	1,695,332
<b>Total contractual financial liabilities</b>	<b>-</b>	<b>1,695,332</b>	<b>1,695,332</b>
<b>2011</b>			
<b>Contractual financial assets</b>			
Cash and deposits	448,983	-	448,983
<sup>i</sup> Receivables	172,594	-	172,594
<b>Total contractual financial assets</b>	<b>621,577</b>	<b>-</b>	<b>621,577</b>
<b>Contractual financial liabilities</b>			
<sup>i</sup> Payables	-	1,032,248	1,032,248
<b>Total contractual financial liabilities</b>	<b>-</b>	<b>1,032,248</b>	<b>1,032,248</b>

<sup>i</sup> The total amount disclosed here exclude statutory amounts (e.g. amounts owing from Victorian Government and GST input tax credit recoverable and taxes payable).

## (b) Credit risk

Credit risk arises from the financial assets of the VCGR, which comprise cash and cash equivalents and receivables. The VCGR's exposure to credit risk arises from the potential default of a counter party on their contractual obligations resulting in financial loss to the VCGR. Credit risk is measured at fair value and is monitored on a regular basis. Credit risk associated with the VCGR's financial assets is minimal because the main debtor is the Victorian Government.

The carrying amount of financial assets recorded in the financial report represents the VCGR's maximum exposure to credit risk as indicated in Table 16.2.

**Table 16.2: Credit quality of contractual financial assets that are neither past due nor impaired**

	Financial institutions (AA credit rating) \$	Government agencies (Triple A credit rating) \$	Total \$
<b>2012</b>			
<b>Contractual financial assets</b>			
Cash and deposits	445,014	-	445,014
<sup>i</sup> Receivables	-	118,479	118,479
<b>Total contractual financial assets</b>	<b>445,014</b>	<b>118,479</b>	<b>563,493</b>
<b>2011</b>			
<b>Contractual financial assets</b>			
Cash and deposits	448,983	-	448,983
<sup>i</sup> Receivables	-	172,594	172,594
<b>Total contractual financial assets</b>	<b>448,983</b>	<b>172,594</b>	<b>621,577</b>

<sup>i</sup> The total amount disclosed here exclude statutory amounts (e.g. amounts owing from Victorian Government and GST input tax credit recoverable).

Currently the VCGR does not hold any collateral as security nor credit enhancements relating to any of its financial assets.

There are no financial assets that have had their terms renegotiated so as to prevent them from being past due or impaired, and they are stated at the carrying amounts as indicated.

The following table indicates the ageing analysis of contractual financial assets.

**Table 16.3: Ageing analysis of financial assets**

	Carrying amount \$	Not past due and not impaired \$	Past due but not impaired				Impaired financial assets \$
			Less than 1 month \$	1-3 months \$	3 months - 1 year \$	1-5 years \$	
<b>2012</b>							
<sup>i</sup> Receivables	118,479	22,474	-	96,005	-	-	-
	118,479	22,474	-	96,005	-	-	-
<b>2011</b>							
<sup>i</sup> Receivables	172,594	172,020	-	482	92	-	-
	175,594	172,020	-	482	92	-	-

# Notes to the VCGR financial statements

For the period ended 5 February 2012

## (c) Liquidity risk

Liquidity risk is the risk that the VCGR would be unable to meet its financial obligations as they fall due. The VCGR operates under the Government fair payments policy of settling financial obligations within 30 days and in the event of a dispute, make payments within 30 days from the date of resolution.

The VCGR's maximum exposure to liquidity risk is the carrying amounts of financial liabilities as disclosed on the face of the balance sheet.

The VCGR's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk.

The following table discloses the contractual maturity analysis for the VCGR's financial liabilities:

**Table 16.4: Maturity analysis of financial liabilities**

	Carrying amount \$	Nominal amount \$	Maturity dates			
			Less than 1 month \$	1-3 months \$	3 months - 1 year \$	1-5 years \$
<b>2012</b>						
<sup>i</sup> Payables	1,695,332	1,695,332	1,695,332	-	-	-
	1,695,332	1,695,332	1,695,332	-	-	-
<b>2011</b>						
<sup>i</sup> Payables	1,032,248	1,032,248	1,032,248	-	-	-
	1,032,248	1,032,248	1,032,248	-	-	-

<sup>i</sup> The carrying amounts disclosed exclude statutory amounts (e.g. GST payables).

## (d) Market risk

The VCGR's exposure to market risk is considered to be insignificant. The VCGR does not engage in financial trading and does not have exposure to foreign currency and other price risks. None of the classes of financial assets and liabilities are readily traded on organised markets in standardised form.

Table 16.5: Interest rate exposure of financial instruments

	Weighted average effective interest rate %	Carrying amount \$	Interest rate risk exposure		
			Fixed interest rate \$	Variable interest rate \$	Non-interest bearing \$
<b>2012</b>					
<b>Financial assets</b>					
Cash and deposits	N/A	445,014	-	-	445,014
<sup>i</sup> Receivables	N/A	118,479	-	-	118,479
<b>Total financial assets</b>		<b>563,493</b>	<b>-</b>	<b>-</b>	<b>563,493</b>
<b>Financial liabilities</b>					
<sup>i</sup> Payables	N/A	1,695,332	-	-	1,695,332
<b>Total financial liabilities</b>		<b>1,695,332</b>	<b>-</b>	<b>-</b>	<b>1,695,332</b>
<b>2011</b>					
<b>Financial assets</b>					
Cash and deposits	N/A	448,983	-	-	448,983
<sup>i</sup> Receivables	N/A	172,594	-	-	172,594
<b>Total financial assets</b>		<b>621,577</b>	<b>-</b>	<b>-</b>	<b>621,577</b>
<b>Financial liabilities</b>					
<sup>i</sup> Payables	N/A	1,032,248	-	-	1,032,248
<b>Total financial liabilities</b>		<b>1,032,248</b>	<b>-</b>	<b>-</b>	<b>1,032,248</b>

<sup>i</sup> The total amount disclosed here exclude statutory amounts (e.g. amounts owing from Victorian Government and GST input tax credit recoverable and taxes payable).

#### (e) Fair value

The VCGR considers that the carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair values because of the short-term nature of the financial instruments and the expectation that they will be paid in full.

The following table shows that the fair values of most of the contractual financial assets and liabilities are the same as their carrying amounts.

# Notes to the VCGR financial statements

For the period ended 5 February 2012

**Table 16.6: Comparison between carrying amount and fair value**

	Carrying amount 2012 \$	Fair value 2012 \$	Carrying amount 2011 \$	Fair value 2011 \$
<b>Contractual financial assets</b>				
Cash and deposits	445,014	445,014	448,983	448,983
<sup>i</sup> Receivables	118,479	118,479	172,594	172,594
<b>Total contractual financial assets</b>	<b>563,493</b>	<b>563,493</b>	<b>621,577</b>	<b>621,577</b>
<b>Contractual financial liabilities</b>				
<sup>i</sup> Payables	1,695,332	1,695,332	1,032,248	1,032,248
<b>Total contractual financial liabilities</b>	<b>1,695,332</b>	<b>1,695,332</b>	<b>1,032,248</b>	<b>1,032,248</b>

<sup>i</sup> The total amount disclosed here exclude statutory amounts (e.g. amounts owing from Victorian Government and GST input tax credit recoverable and taxes payable).

## Note 17: Cash flow information

### (a) Reconciliation of cash and deposits

For the purposes of the cash flow statement, cash includes cash on hand and in banks. Cash at the end of the financial period as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows:

	2012 \$	2011 \$
Total cash and deposits disclosed in the balance sheet <sup>i</sup>	445,014	448,983
<b>Balance as per Cash Flow Statement</b>	<b>445,014</b>	<b>448,983</b>

<sup>i</sup> Due to the State of Victoria's investment policy and government funding arrangements, government departments and agencies generally do not hold a large cash reserve in their bank accounts. Cash received by a department or agency from the generation of revenue is generally paid into the State's bank account, known as the public account. Similarly, any departmental or agency expenditure, including those in the form of cheques drawn by a department or agency for the payment of goods and services to its suppliers and creditors are made via the public account. The process is such that the public account would remit to the department or agency the cash required for the amount drawn on the cheques. This remittance by the public account occurs upon the presentation of the cheques by the department or agency's suppliers or creditors.

(b) Reconciliation of net result for the period

	2012 \$	2011 \$
<b>Net result for the period</b>	<b>(1,024,542)</b>	<b>(1,482,034)</b>
<b>Non cash movements:</b>		
(Gain)/loss on disposal of non-current assets	93,271	1,556,957
Depreciation and amortisation of non-current assets	448,112	734,731
Impairment of non-current assets	-	-
<b>Movements in assets and liabilities</b>		
(Increase)/decrease in receivables	268,015	(596,146)
(Increase)/decrease in other non-financial assets	(193,448)	530,785
Increase/(decrease) in payables	663,084	(278,086)
Increase/(decrease) in provisions	181,938	170,223
<b>Net cash flows from/(used in) operating activities</b>	<b>436,430</b>	<b>636,429</b>

**Note 18: Summary of compliance with grant funding**

The following table discloses the details of the funding received by the VCGR for the period through the Department of Justice appropriations.

	Grant Funding Advice \$	Funding Available \$	Funding Applied \$	Variance \$
<b>2012</b>				
Grant revenue - Provision for outputs	25,661,100	25,661,100	15,781,156	9,879,944
Capital contribution – Addition to net assets	-	569,929	569,929	-
<b>Total Funding</b>	<b>25,661,100</b>	<b>26,231,029</b>	<b>16,351,085</b>	<b>9,879,944</b>
<b>2011</b>				
Grant revenue - Provision for outputs	29,053,200	29,053,200	29,053,200	-
Capital contribution – Addition to net assets	-	387,636	387,636	-
<b>Total Funding</b>	<b>29,053,200</b>	<b>29,440,836</b>	<b>29,440,836</b>	<b>-</b>

# Notes to the VCGR financial statements

For the period ended 5 February 2012

The variance between Grant funding available and Grant funding applied reflects the return of revenue to the Department of Justice in respect of depreciation expense generated in excess of capital expenditure, variations between budgeted and generated depreciation, and deemed revenue associated with output delivery.

The variance represents funding yet to be applied and will be transferred as available funding to the VCGLR for application commencing 6 February 2012.

## **Note 19: Ex-gratia payments**

As at 5 February 2012 the VCGR had not made any ex-gratia payments (nil at 30 June 2011).

## **Note 20: Transactions on behalf of Government**

In addition to the specific VCGR operations which are included in the comprehensive operating statement, balance sheet, statement of changes in equity and cash flow statement, the VCGR collects revenue amounts on behalf of Government which are paid directly into the Consolidated Fund. Revenue collected includes taxes, fees and fines and the proceeds from the sale of non-current assets.

Sections 3.6.5, 4.6.7 and 5.4.2 of the *Gambling Regulation Act 2003* provide for determination by the Treasurer, after consultation with the Minister for Gaming, of the supervision charges payable by Tabcorp, Tattersall's and Intralot. This charge is determined annually and reflects the recoupment of expenses incurred in the regulation of gambling by these operators, including the processing of licences, conducting investigations and compliance audits, reviewing operator systems and procedures, testing and evaluating gambling equipment and monitoring gambling activities. This charge is also paid into the Consolidated Fund.

The VCGR also makes payments from the Consolidated Fund revenue to other jurisdictions (Payments made on behalf of Government) for their share of public lottery taxes which are collected in Victoria.

During the period ended 30 June 2010, the VCGR collected amounts on behalf of Government related to the electronic gaming machine entitlements (licences) which become operational 16 August 2012. The amount of the first instalment of \$76.2 million which was due and received during 2010 is recognised as unearned revenue. Similarly during the period ended 5 February 2012 the VCGR collected amounts related to the Keno and Wagering and Betting licences which become operational on 15 April 2012 and 16 August 2012 respectively for amounts of \$60 million and \$410 million respectively. These amounts are also recognised as unearned revenue.



Consolidated Fund	2012 \$'000	2011 \$'000
<b>Income –</b>		
<b>Amounts collected/receivable on behalf of Government</b>		
Gaming Taxation	605,689	999,793
Licence Fees	401	681
Minor Gaming	607	1,086
Club Keno	815	1,403
Casino Taxation and Licence Fees	91,453	165,598
Racing Taxation and Licence Fees	78,504	136,796
Tattersall's Lotteries	231,195	367,116
Intralot Lotteries	12,400	17,269
Tabcorp Supervision Fee	2,374	4,408
Tattersall's Supervision Fee	2,187	4,085
Intralot Supervision Fee	186	731
Lottery Premium Payment	1,938	3,243
Miscellaneous	397	1,283
<b>Total amount collected/receivable</b>	<b>1,028,146</b>	<b>1,703,492</b>
<b>Expenses –</b>		
<b>Amounts paid/payable on behalf of Government</b>		
Payments made to other jurisdictions	24,377	41,346
Payments to consolidated fund	1,438,058	1,731,064
<b>Total amount paid/payable</b>	<b>1,462,435</b>	<b>1,772,410</b>
<b>Net Result</b>	<b>(434,289)</b>	<b>(68,918)</b>
<b>Assets</b>		
Receivables	42,698	64,255
<b>Total assets</b>	<b>42,698</b>	<b>64,255</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Prepaid income	9,166	10,001
Payables	3,566	3,545
Trust Fund	-	-
<b>Total current liabilities</b>	<b>12,732</b>	<b>13,546</b>
<b>Non-current liabilities</b>		
Unearned income	546,289	136,289
<b>Total non-current liabilities</b>	<b>546,289</b>	<b>136,289</b>
<b>Total liabilities</b>	<b>559,021</b>	<b>149,835</b>
<b>Net Assets</b>	<b>(516,323)</b>	<b>(85,580)</b>

# Notes to the VCGR financial statements

For the period ended 5 February 2012

## Note 21: Responsible persons

In accordance with the Ministerial Directions issued by the Minister for Finance under the *Financial Management Act 1994*, the following disclosures are made regarding responsible persons for the reporting period.

### Names

The persons who held the positions of Responsible Minister, Members of the Commission and Accountable Officer in the VCGR are as follows:

#### Responsible Minister – Minister for Gaming:

The Hon Michael O'Brien MP	1 July 2011 to 5 February 2012
The Hon Andrew McIntosh MP (Acting)	5 September 2011 to 10 September 2011
The Hon Andrew McIntosh MP (Acting)	17 September 2011 to 2 October 2011

#### Commission Members:

Mr Bruce Thompson (Chairman)	1 July 2011 to 5 February 2012
Mrs Judith King (Deputy Chair)	1 July 2011 to 5 February 2012
Ms Gail Owen, OAM (Commissioner)	1 July 2011 to 5 February 2012
Mr Ches Baragwanath, AO (Commissioner)	1 July 2011 to 5 February 2012
Mr Max Priestley (Acting Executive Commissioner)	1 July 2011 to 4 September 2011
Ms Jane Brockington (Executive Commissioner)	5 September 2011 to 5 February 2012

#### Additional Commission Members:

His Honour Gordon Lewis AM (Deputy Chair)	1 July 2011 to 31 August 2011
Mr Ken Loughnan AO (Commissioner)	1 July 2011 to 31 August 2011
Ms Suzanne Jones (Commissioner)	1 July 2011 to 31 August 2011

The additional Commissioners were engaged for activities associated with the Gambling Licences Project.

#### Accountable Officer - Executive Commissioner

Mr Max Priestley (Acting)	1 July 2011 to 4 September 2011
Ms Jane Brockington (Executive Commissioner)	5 September 2011 to 5 February 2012

### Remuneration

Remuneration received or receivable by members of the Commission including the Accountable Officer in connection with the management of the VCGR during the reporting period was in the range:

Income Band	2012 No.	2011 No.
\$10,000 to \$19,999	2	-
\$20,000 to \$29,999	1	-
\$30,000 to \$39,999	3	-
\$50,000 to \$59,999	-	2
\$60,000 to \$69,999	1	-
\$70,000 to \$79,999	1	1
\$100,000 to \$109,999	1	-
\$110,000 to \$119,999	-	1
\$120,000 to \$129,999	-	1
\$170,000 to \$179,999	-	2
\$270,000 to \$279,999	-	1
\$350,000 to \$359,999	-	1
<b>Total numbers</b>	<b>9</b>	<b>9</b>
<b>Total Amount</b>	<b>\$404,787</b>	<b>\$1,408,374</b>

Amounts relating to the Minister for Gaming are reported in the financial statements of the Department of Premier and Cabinet.

# Notes to the VCGR financial statements

For the period ended 5 February 2012

## Note 22: Remuneration of executives

The number of executive officers, other than Responsible Persons, and their total remuneration during the reporting period are shown in the first two columns in the table below in their relevant income bands. The base remuneration of executive officers is shown in the third and fourth columns. Base remuneration is exclusive of bonus payments, long service leave payments, redundancy payments and retirement benefits.

Income Band	Total remuneration		Base remuneration	
	2012 No.	2011 No.	2012 No.	2011 No.
Under \$100,000	1	1	2	1
\$100,000 – \$109,999	1	-	-	-
\$110,000 – \$119,999	1	-	-	-
\$120,000 – \$129,999	1	-	2	-
\$150,000 – \$159,999	-	-	-	1
\$160,000 – \$169,999	-	2	-	1
\$190,000 – \$199,999	-	-	-	1
\$200,000 – \$209,999	-	1	-	-
<b>Total numbers</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>
<b>Total amount</b>	<b>\$427,133</b>	<b>\$634,720</b>	<b>\$398,294</b>	<b>\$595,972</b>

## Note 23: Remuneration of auditors

	2012 \$	2011 \$
<b>Victorian Auditor-General's Office</b> Audit of the financial statements	<b>75,000</b>	101,500

## Note 24: Related party transactions

Related party transactions requiring disclosure have been considered and there are no matters to report.

## Note 25: Integration of Victorian Commission for Gambling Regulation into Victorian Commission for Gambling and Liquor Regulation

During 2010 the State Government announced its intention that the Victorian Commission for Gambling Regulation will integrate with the Director of Liquor Licensing and Responsible Alcohol Victoria to form the Victorian Commission for Gambling and Liquor Regulation ('VCGLR').

The VCGLR commenced operation on 6 February 2012, pursuant to the *Victorian Commission for Gambling and Liquor Regulation Act 2011* which was passed on 27 October 2011 and received Royal Assent on 2 November 2011.

In accordance with Part 8 of the *Victorian Commission for Gambling and Liquor Regulation Act 2011*, all the assets and liabilities of the VCGR become the assets and liabilities of the VCGLR as outlined below.

#### Net assets and Equity: Controlled

The following controlled net assets and equity of the VCGR became the net assets and equity of the VCGLR on 6 February 2012.

The net asset transfer to VCGLR will be treated as a contribution of capital by the Crown. No income or consideration has been recognised by the VCGR in respect of the net assets transferred to the VCGLR.

	2012 \$
<b>Assets</b>	
<b>Financial assets</b>	
Cash and deposits	445,014
Receivables	3,740,216
<b>Total financial assets</b>	4,185,230
<b>Non-financial assets</b>	
Plant and equipment	642,266
Intangible assets	2,039,011
Other non-financial assets	589,621
<b>Total non-financial assets</b>	3,270,898
<b>Total assets</b>	7,456,128
<b>Liabilities</b>	
Payables	1,695,332
Provisions	5,311,287
<b>Total liabilities</b>	7,006,619
<b>Net assets</b>	449,509
<b>Equity</b>	
Accumulated surplus/(deficit)	(5,969,395)
Contributed capital	6,418,904
<b>Net worth</b>	449,509

# Notes to the VCGR financial statements

For the period ended 5 February 2012

## Net assets and Equity: Administered

The following administered net assets of the VCGR became the responsibility of the VCGLR on 6 February 2012.

	2012 \$'000
<b>Assets</b>	
Receivables	42,698
<b>Total assets</b>	<b>42,698</b>
<b>Liabilities</b>	
<b>Current liabilities</b>	
Prepaid income	9,166
Payables	3,566
<b>Total current liabilities</b>	<b>12,732</b>
<b>Non-current liabilities</b>	
Unearned income	546,289
<b>Total non-current liabilities</b>	<b>546,289</b>
<b>Total liabilities</b>	<b>559,021</b>
<b>Net Assets</b>	<b>(516,323)</b>

## Note 26: Subsequent events

The financial statements for the VCGR are prepared for the reporting period ending 5 February 2012. As at the date of signing there are no events subsequent to the balance date which would have a significant impact on the financial position of the VCGR, with the exception of the arrangements disclosed in Note 25.

## Note 27: Glossary of terms

### Actuarial gains or losses on superannuation defined benefit plans

Actuarial gains or losses reflect movements in the superannuation liability resulting from differences between the assumptions used to calculate the superannuation expense from transactions and actual experience.

### Comprehensive result

Total comprehensive result is the change in equity for the period other than changes arising from transactions with owners. It is the aggregate of net result and other non-owner changes in equity.

### Commitments

Commitments include those operating, capital and other outsourcing commitments arising from non-cancellable contractual or statutory sources.

### Employee benefits expenses

Employee benefits expenses include all costs related to employment including wages and salaries, leave entitlements, redundancy payments and superannuation contributions.

### Financial asset

A financial asset is any asset that is:

- (a) cash;
- (b) an equity instrument of another entity;
- (c) a contractual right:
  - to receive cash or another financial asset from another entity; or
  - to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity; or
- (d) a contract that will or may be settled in the entity's own equity instruments and is:
  - a non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments; or
  - a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial

- asset for a fixed number of the entity's own equity instruments.

### Financial liability

A financial liability is any liability that is:

- (a) a contractual or statutory obligation:
  - to deliver cash or another financial asset to another entity; or
  - to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity; or
- (b) a contract that will or may be settled in the entity's own equity instrument and is:
  - a non-derivative for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments; or
  - a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this purpose the entity's own equity instruments do not include instruments that are themselves contracts for the future receipt or delivery of the entity's own equity instruments.

### Financial statements

Depending on the context of the sentence where the term 'financial statements' is used, it may include only the main financial statements (i.e. comprehensive operating statement, balance sheet, cash flow statements, and statement of changes in equity); or it may also be used to replace the old term 'financial report' under the revised AASB 101 (Sept 2007), which means it may include the main financial statements and the notes.

### Grants and other transfers

Transactions in which one unit provides goods, services, assets (or extinguishes a liability) or labour to another unit without receiving approximately equal value in return. Grants can either be operating

# Notes to the VCGR financial statements

For the period ended 5 February 2012

or capital in nature. While grants to governments may result in the provision of some goods or services to the transferor, they do not give the transferor a claim to receive directly benefits of approximately equal value. Receipt and sacrifice of approximately equal value may occur, but only by coincidence. For example, governments are not obliged to provide commensurate benefits, in the form of goods or services, to particular taxpayers in return for their taxes. For this reason, grants are referred to by the AASB as involuntary transfers and are termed non-reciprocal transfers.

Grants can be paid as general purpose grants which refer to grants that are not subject to conditions regarding their use. Alternatively, they may be paid as specific purpose grants which are paid for a particular purpose and/or have conditions attached regarding their use.

## Grants for on-passing

All grants paid to one institutional sector (e.g. a State general government) to be passed on to another institutional sector (e.g. local government or a private non-profit institution).

## Intangible assets

Intangible assets represent identifiable non-monetary assets without physical substance.

## Interest expense

Costs incurred in connection with the borrowing of funds. Interest expenses include interest on bank overdrafts and short-term and long-term borrowings, amortisation of discounts or premiums relating to borrowings, interest component of finance leases repayments, and the increase in financial liabilities and non-employee provisions due to the unwinding of discounts to reflect the passage of time.

## Interest income

Interest income includes unwinding over time of discounts on financial assets and interest received on bank term deposits and other investments.

## Net acquisition of non-financial assets (from transactions)

Purchases (and other acquisitions) of non-financial assets less sales (or disposals) of non-financial assets less depreciation plus changes in inventories and other movements in non-financial assets. Includes only those increases or decreases in non-financial assets resulting from transactions and therefore excludes write-offs, impairment write-downs and revaluations.

## Net result

Net result is a measure of financial performance of the operations for the period. It is the net result of items of revenue, gains and expenses (including losses) recognised for the period, excluding those that are classified as 'other non-owner changes in equity'.

## Net result from transactions/net operating balance

Net result from transactions or net operating balance is a key fiscal aggregate and is revenue from transactions minus expenses from transactions. It is a summary measure of the ongoing sustainability of operations. It excludes gains and losses resulting from changes in price levels and other changes in the volume of assets. It is the component of the change in net worth that is due to transactions and can be attributed directly to government policies.

## Non-financial assets

Non-financial assets are all assets that are not 'financial assets'.

## Other economic flows

Other economic flows are changes in the volume or value of an asset or liability that do not result from transactions. It includes gains and losses from disposals, revaluations and impairments of non-current physical and intangible assets; actuarial gains and losses arising from defined benefit superannuation plans; fair value changes of financial instruments and agricultural assets; and depletion



of natural assets (non-produced) from their use or removal. In simple terms, other economic flows are changes arising from market re-measurements.

**Payables**

Includes short and long term trade debt and accounts payable, grants and interest payable.

**Receivables**

Includes short and long term trade credit and accounts receivable, grants, taxes and interest receivable.

**Sales of goods and services**

Refers to revenue from the direct provision of goods and services and includes fees and charges for services rendered, sales of goods and services, fees from regulatory services, work done as an agent for private enterprises. It also includes rental income under operating leases and on produced assets such as buildings and entertainment, but excludes rent income from the use of non-produced assets such as land. User charges includes sale of goods and services revenue.

**Supplies and services**

Supplies and services generally represent cost of goods sold and the day-to-day running costs, including maintenance costs, incurred in the normal operations of the VCGR.

**Transactions**

Transactions are those economic flows that are considered to arise as a result of policy decisions, usually an interaction between two entities by mutual agreement. They also include flows within an entity such as depreciation where the owner is simultaneously acting as the owner of the depreciating asset and as the consumer of the service provided by the asset. Taxation is regarded as mutually agreed interactions between the government and taxpayers. Transactions can be in kind (e.g. assets provided/given free of charge or for nominal consideration) or where the final consideration is cash. In simple terms, transactions arise from the policy decisions of the government.

**Style conventions**

Figures in the tables and in the text have been rounded. Discrepancies in tables between totals and sums of components reflect rounding. Percentage variations in all tables are based on the underlying unrounded amounts.

The notation used in the tables is as follows:

- or 0	zero, or rounded to zero
(xxx)	negative numbers
200x	year period
200x-0x	year period

## Declaration by the Accountable officer and the Chief Finance and Accounting officer

The attached financial statements for the Victorian Commission for Gambling Regulation have been prepared in accordance with Standing Directions 4.2 of the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian accounting standards including Interpretations and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement and accompanying notes, presents fairly the financial transactions during the period ended 5 February 2012 and financial position of the Victorian Commission for Gambling Regulation at 5 February 2012.

At the time of signing, we are not aware of any circumstance which would render any particulars included in the financial statements to be misleading or inaccurate.

We authorise the attached financial statements for issue on 31 May 2012.



Mark Brennan  
Chairman



Jane Brockington  
Chief Executive Officer



Elizabeth Tasevska  
Chief Finance and Accounting Officer

Dated: 31 May 2012  
Melbourne



# Auditor-General's report

## VCGLR 6 February–30 June 2012

# VAGO

Victorian Auditor-General's Office

Level 24, 35 Collins Street  
Melbourne VIC 3000  
Telephone 61 3 8601 7000  
Facsimile 61 3 8601 7010  
Email [comments@audit.vic.gov.au](mailto:comments@audit.vic.gov.au)  
Website [www.audit.vic.gov.au](http://www.audit.vic.gov.au)

### INDEPENDENT AUDITOR'S REPORT

#### To the Commissioners of the Victorian Commission for Gambling and Liquor Regulation

##### *The Financial Report*

The accompanying financial report for the period 6 February 2012 to 30 June 2012 of the Victorian Commission for Gambling and Liquor Regulation which comprises the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement, notes comprising a summary of significant accounting policies and other explanatory information, and the declaration by the accountable officer and the chief finance and accounting officer has been audited.

##### *The Commissioners' Responsibility for the Financial Report*

The Commissioners of the Victorian Commission for Gambling and Liquor Regulation are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994*, and for such internal control as the Commissioners determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

##### *Auditor's Responsibility*

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit, which has been conducted in accordance with Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The audit procedures selected depend on judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, consideration is given to the internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Commissioners, as well as evaluating the overall presentation of the financial report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### Independent Auditor's Report (continued)

#### *Independence*

The Auditor-General's independence is established by the *Constitution Act 1975*. The Auditor-General is not subject to direction by any person about the way in which his powers and responsibilities are to be exercised. In conducting the audit, the Auditor-General, his staff and delegates complied with all applicable independence requirements of the Australian accounting profession.

#### *Opinion*

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Victorian Commission for Gambling and Liquor Regulation as at 30 June 2012 and of its financial performance and its cash flows for the period then ended in accordance with applicable Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994*.

#### *Matters Relating to the Electronic Publication of the Audited Financial Report*

This auditor's report relates to the financial report of the Victorian Commission for Gambling and Liquor Regulation for the period ended 30 June 2012 included both in the Victorian Commission for Gambling and Liquor Regulation's annual report and on the website. The Commissioners of the Victorian Commission for Gambling and Liquor Regulation are responsible for the integrity of the Victorian Commission for Gambling and Liquor Regulation's website. I have not been engaged to report on the integrity of the Victorian Commission for Gambling and Liquor Regulation's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in the website version of the financial report.

MELBOURNE  
10 August 2012



D D R Pearson  
Auditor-General

## VCGLR comprehensive operating statement

For the period 6 February to 30 June 2012

	Note(s)	2012 \$
<b>Income from transactions</b>		
Grants	2, 3	16,174,109
<b>Total income from transactions</b>		<b>16,174,109</b>
<b>Expenses from transactions</b>		
Employee expenses	4 (a)	(9,317,418)
Depreciation and amortisation expense	4 (b)	(193,423)
Supplies and services	4 (c)	(5,529,659)
<b>Total expenses from transactions</b>		<b>(15,040,500)</b>
<b>Net result from transactions (net operating balance)</b>		<b>1,133,609</b>
<b>Other economic flows included in net result</b>		
Other gains/(losses) from other economic flows	5	(57,182)
<b>Net result from continuing operations</b>		<b>1,076,427</b>
<b>Comprehensive result</b>		<b>1,076,427</b>

The comprehensive operating statement should be read in conjunction with the accompanying notes.

# VCGLR balance sheet

As at 30 June 2012

	Note(s)	2012 \$
<b>Assets</b>		
<b>Financial assets</b>		
Cash and deposits	17, 18	489,478
Receivables	6, 17	6,805,998
<b>Total financial assets</b>		<b>7,295,476</b>
<b>Non-financial assets</b>		
Plant and equipment	7	623,954
Intangible assets	8	2,451,217
Other non-financial assets	9	356,335
<b>Total non-financial assets</b>		<b>3,431,506</b>
<b>Total assets</b>		<b>10,726,982</b>
<b>Liabilities</b>		
Payables	10, 17	1,228,124
Borrowings	11, 17	12,071
Provisions	12	7,581,658
<b>Total liabilities</b>		<b>8,821,853</b>
<b>Net assets</b>		<b>1,905,128</b>
<b>Equity</b>		
Administrative restructure-net assets received	26	483,382
Accumulated surplus		1,076,427
Contributed capital		345,319
<b>Net worth</b>		<b>1,905,128</b>
Commitments for expenditure	15	
Contingent assets and contingent liabilities	16	

The balance sheet should be read in conjunction with the accompanying notes.

## VCGLR statement of changes in equity

For the period 6 February to 30 June 2012

	Notes	Accumulated Surplus \$	Contributions by Owner \$	Total \$
<b>Balance at 6 February 2012</b>		-	-	-
Administrative restructure – net assets received	26	-	483,382	483,382
Net result for the period 6 February to 30 June 2012		1,076,427	-	1,076,427
Capital contributions		-	345,319	345,319
<b>Balance at 30 June 2012</b>		<b>1,076,427</b>	<b>828,701</b>	<b>1,905,128</b>

The statement of changes in equity should be read in conjunction with the accompanying notes.



## VCGLR cash flow statement

For the period 6 February to 30 June 2012

	Note(s)	2012 \$
<b>Cash flows from operating activities</b>		
Receipts		
Receipts from Government		13,112,482
Goods and Services Tax recovered from the ATO		542,939
<b>Total receipts</b>		<b>13,655,421</b>
Payments		
Payments to suppliers and employees		(13,417,534)
<b>Total payments</b>		<b>(13,417,534)</b>
<b>Net cash flows from/(used in) operating activities</b>	18(b)	<b>237,887</b>
<b>Cash flows from investing activities</b>		
Cash received from activities transferred in		445,014
Purchases of non-financial assets		(538,743)
<b>Net cash flows from/(used in) investing activities</b>		<b>(93,729)</b>
<b>Cash flows from financing activities</b>		
Owner contributions by State Government		345,319
<b>Net cash flows from/(used in) financing activities</b>		<b>345,319</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>489,478</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>-</b>
<b>Cash and cash equivalents at the end of the period</b>	18(a)	<b>489,478</b>

The cash flow statement should be read in conjunction with the accompanying notes.

# Notes to the VCGLR financial statements

For the period 6 February to 30 June 2012

## Contents

### Note

---

- 1 Summary of significant accounting policies
- 2 VCGLR outputs
- 3 Income from transactions
- 4 Expenses from transactions
- 5 Other economic flows included in net result
- 6 Receivables
- 7 Plant, equipment and vehicle
- 8 Intangible assets
- 9 Other non-financial assets
- 10 Payables
- 11 Borrowings
- 12 Provisions
- 13 Superannuation
- 14 Leases
- 15 Commitments for expenditure
- 16 Contingent assets and contingent liabilities
- 17 Financial instruments
- 18 Cash flow information
- 19 Summary of compliance with grant funding
- 20 Ex-gratia payments
- 21 Transactions on behalf of Government
- 22 Responsible persons
- 23 Remuneration of executives
- 24 Remuneration of auditors
- 25 Related party transactions
- 26 Integration of Victorian Commission for Gambling Regulation and Responsible Alcohol Victoria into Victorian Commission for Gambling and Liquor Regulation
- 27 Subsequent events
- 28 Glossary of terms

## Note 1: Summary of significant accounting policies

The annual financial statements represent the audited general purpose financial statements for the Victorian Commission for Gambling and Liquor Regulation ('VCGLR') for the period 6 February to 30 June 2012. The purpose of this report is to provide users with information about the Commission's stewardship of resources entrusted to it.

During 2010 the State Government announced its intention to establish the VCGLR combining the functions of the former Victorian Commission for Gambling Regulation (VCGR), the Director of Liquor Licensing (DLL) and Responsible Alcohol Victoria (RAV).

The VCGLR commenced operation on 6 February 2012, pursuant to the *Victorian Commission for Gambling and Liquor Regulation Act 2011* which was passed on 27 October 2011 and received Royal Assent on 2 November 2011. In accordance with Part 8 of the *Victorian Commission for Gambling and Liquor Regulation Act 2011*, all the assets and liabilities of the VCGR and to the office of the Director became the assets and liabilities of the VCGLR as per Note 26. This is the first report for the VCGLR.

### (a) Statement of compliance

These financial statements have been prepared in accordance with the *Financial Management Act 1994*, and applicable Australian Accounting Standards ('AAS') which include Interpretations issued by the Australian Accounting Standards Board ('AASB'). In particular, they are presented in a manner consistent with the requirements of AASB 1049 Whole of Government and General Government Sector Financial Reporting.

Where appropriate, those AAS paragraphs applicable to not-for-profit entities have been applied.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and

reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

To gain a better understanding of the terminology used in this report, a glossary of terms can be found in Note 28.

The annual financial statements were authorised for issue by the VCGLR on 10 August 2012.

### (b) Basis of preparation

The accrual basis of accounting has been applied in the preparation of these financial statements whereby assets, liabilities, equity, income and expenses are recognised in the reporting period to which they relate, regardless of when cash is received or paid.

Estimates and assumptions are required to be made about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on professional judgements derived from historical experience and various other factors that are believed to be reasonable under the circumstance. Actual results may differ from these estimates.

Revisions to accounting estimates are recognised in the period in which the estimate is revised and also in future periods that are affected by the revision. Judgements and assumptions made by management in the application of AASs that have significant effects on the financial statements and estimates relate to superannuation expenses (refer to Note 1(f)).

These financial statements are presented in Australian dollars and prepared in accordance with the historical cost convention with the exception of non-current physical assets which, subsequent to acquisition, are measured at a revalued amount being their fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent impairment losses. Revaluations are made with sufficient regularity to ensure that the carrying amounts do not materially differ from their fair value.

# Notes to the VCGLR financial statements

For the period 6 February to 30 June 2012

Historical cost is based on the fair values of the consideration given in exchange for assets.

The accounting policies set out below have been applied in preparing the financial statements for the period 6 February to 30 June 2012. There is no comparative information presented in these financial statements as it is the first year of operation.

## (c) Reporting entity

The financial statements include all the controlled activities of the VCGLR which was established on 6 February 2012 pursuant to the Victorian Commission for Gambling and Liquor Regulation Act 2011.

Its principal address is:

Victorian Commission for Gambling and Liquor Regulation  
49 Elizabeth Street  
Richmond VIC 3121

## Amounts collected/received on behalf of Government

The VCGLR collects revenue amounts on behalf of the Government which are paid directly into the Consolidated Fund. The VCGLR does not gain control over these resources and accordingly they are not recognised as income in the comprehensive operating statement. The VCGLR is accountable for the transactions involving these resources, but does not have the discretion to deploy the resources for achievement of its own objectives. Transactions and balances relating to these resources (except as otherwise disclosed), are accounted for on the same basis and using the same accounting policies as for VCGLR items. Specific financial disclosures related to these transactions can be found in Note 21.

## Objectives and funding

The VCGLR's functions are prescribed in section 6.2.9 of the Victorian Commission for Gambling and Liquor Regulation Act 2011. Its functions are to perform the regulatory, investigative and disciplinary functions conferred on it by, or under, the Victorian Commission for Gambling and Liquor Regulation Act 2011, the

*Gambling Regulation Act 2003, the Liquor Control Reform Act 1998, the Casino Reform Act 1991, the Racing Act 1958 or any other Act.* The VCGLR regulates gambling and liquor licensing in Victoria to ensure the integrity and probity of the gambling and liquor industry. The VCGLR receives grant funding from the Department of Justice to be applied for the purposes of delivering outputs associated with the regulation of gambling and liquor.

## (d) Scope and presentation of financial statements

### Comprehensive operating statement

Income and expenses in the comprehensive operating statement are classified according to whether or not they arise from 'transactions' or 'other economic flows'. This classification is consistent with the whole of government reporting format and is allowed under AASB 101 Presentation of financial statements.

'Transactions' and 'other economic flows' are defined by the Australian system of government finance statistics: concepts, sources and methods 2005 Cat. No. 5514.0 published by the Australian Bureau of Statistics (see Note 28 - the Glossary).

'Transactions' are those economic flows that are considered to arise as a result of policy decisions, usually interactions between two entities by mutual agreement. Transactions also include flows within an entity, such as depreciation where the owner is simultaneously acting as the owner of the depreciating asset and as the consumer of the service provided by the asset. Taxation is regarded as mutually agreed interactions between the Government and taxpayers. Transactions can be in kind (e.g. assets provided/given free of charge or for nominal consideration) or where the final consideration is cash.

'Other economic flows' are changes arising from market re-measurements. They include gains and losses from disposals, revaluations and impairments of non-current physical and intangible assets, actuarial gains and losses arising from defined benefit superannuation plans and fair value changes to financial instruments.

The net result is equivalent to profit or loss derived in accordance with AASs.

#### *Balance sheet*

Assets and liabilities are presented in liquidity order with assets aggregated into financial assets and non-financial assets.

Current and non-current assets and liabilities (those expected to be recovered or settled beyond 12 months) are disclosed in the notes, where relevant.

#### *Statement of changes in equity*

The statement of changes in equity presents reconciliations of each non-owner and owner equity opening balance at the beginning of the reporting period to the closing balance at the end of the reporting period. It also shows separately movements due to amounts recognised in the comprehensive result and amounts recognised in other comprehensive income related to other non-owner changes in equity.

#### *Cash flow statement*

Cash flows are classified according to whether or not they arise from operating activities, investing activities or financing activities. This classification is consistent with requirements under AASB 107 *Statement of cash flows*.

### **(e) Income from transactions**

Income is recognised to the extent that it is probable that the economic benefits will flow to the entity and the income can be reliably measured.

#### *Grants*

The VCGLR's income is by way of grant funding from the Department of Justice's appropriations for the production of VCGLR outputs, which are deemed to have been delivered by the Department of Justice. Grant income is recognised as received from the Department of Justice when the VCGLR delivers the required outputs in accordance with specified performance targets.

### **(f) Expenses from transactions**

Expenses are recognised as they are incurred and reported in the period to which they relate.

#### *Employee expenses*

Employee expenses include all costs related to employment including wages and salaries, leave entitlements, redundancy payments, fringe benefit tax, workcover premiums and superannuation contributions. These are recognised when incurred, except for contributions in respect of defined benefit plans.

#### *Superannuation – defined benefit plans*

The amount recognised in the comprehensive operating statement in relation to employer contributions for members of defined superannuation plans is simply the employer contributions that are paid or payable to these plans during the reporting period. The level of these contributions will vary depending upon the relevant rules of each plan, and is based upon actuarial advice.

The Department of Treasury and Finance ('DTF') discloses in its Annual Financial Statements on behalf of the State as the sponsoring employer, the net defined benefit cost related to the members of these plans as an administered liability. Refer to the DTF Annual Financial Statements for more detailed disclosures in relation to these plans.

#### *Depreciation and amortisation*

Depreciation is provided on plant, equipment and vehicle. Depreciation is calculated on a straight-line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

The following are typical estimated useful lives for the different asset classes for the 2012 period.

# Notes to the VCGLR financial statements

For the period 6 February to 30 June 2012

Asset Class	Useful life (in Years)
	2012
Office fit-out	20
Plant, equipment and vehicle	
• Office furniture & equipment	8-10
• Gaming equipment	6-7
• Motor vehicles	3
EDP hardware	4

The VCGLR occupies premises at 49 Elizabeth Street, Richmond. The cost of the fit out works for the 2011-12 period has been reported in the financial report of the Department of Justice. The cost of the fit-out will be reported in future reports of the VCGLR as designated contribution by owners of contributed capital.

The VCGLR has capitalised as an intangible asset internal use software expenditure related to development of information technology systems. Costs associated with the acquisition or development of computer software which is greater than \$10,000 are capitalised and amounts below this threshold are expensed in the period in which they are incurred.

Intangible assets with finite useful lives are amortised on a straight-line basis over the asset's useful life. The useful life for intangibles is eight years. Amortisation begins when the asset is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. The estimated useful lives, residual values and amortisation method are reviewed at the end of each annual reporting period. In addition, an assessment is made at each reporting date to determine whether there are indicators that the intangible asset concerned is impaired. If so, the assets concerned are tested as to whether their carrying value exceeds their recoverable amount.

## Supplies and services

Supplies and services generally represent the day to day running costs incurred in the normal operations of the entity. These items are recognised as an

expense in the reporting period in which they are incurred.

## (g) Other economic flows included in net result

Other economic flows measure the change in volume or value of assets or liabilities that do not result from transactions.

### Net gain/(loss) on non-financial assets

Net gain/(loss) on non-financial assets and liabilities includes realised and unrealised gains and losses from revaluations, impairments, and disposals of all physical assets and intangible assets.

## Disposal of non-financial assets

Any gain or loss on the sale of non-financial assets is recognised at the date that control of the asset is passed to the buyer and is determined after deducting from the proceeds the carrying value of the asset at that time.

## Impairment of non-financial assets

All assets are assessed annually for indications of impairment.

If there is an indication of impairment, the assets concerned are tested as to whether their carrying value exceeds their possible recoverable amount. Where an asset's carrying value exceeds its recoverable amount, the difference is written-off as an 'other economic flow'.

It is deemed that, in the event of the loss of an asset, the future economic benefits arising from the use of the asset will be replaced unless a specific decision to the contrary has been made. The recoverable amount for most assets is measured at the higher of depreciated or amortised replacement cost and fair value less costs to sell.

### Net gain/(loss) on financial instruments

Net gain/(loss) on financial instruments includes:

- realised and unrealised gains and losses from revaluations of financial instruments at fair value;

- impairment and reversal if impairment for financial instruments at amortised cost; and
- disposal of financial assets.

#### *Other gains/(losses) from economic flows*

Other gains/(losses) from other economic flows include the gains or losses from reclassifications of amounts from reserves and/or accumulated surplus to net result, and from the revaluation of the present value of the long service leave liability due to changes in the bond interest rates.

#### **(h) Financial instruments**

Financial instruments arise out of contractual agreements that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Due to the nature of the VCGLR's activities, certain financial assets and financial liabilities arise under statute rather than contract. Such financial assets and financial liabilities do not meet the definition of financial instruments in AASB 132 *Financial Instruments: Presentation*. For example, statutory receivables arising from taxes, fines and penalties do not meet the definition of financial instruments as they do not arise under contract.

Where relevant for note disclosure purposes, a distinction is made between those financial assets and financial liabilities that meet the definition of financial instruments in accordance with AASB 132 and those that do not.

#### **(i) Financial assets**

##### *Cash and cash deposits*

Cash and deposits comprise cash on hand and cash at bank.

##### *Receivables*

Receivables consist predominantly of amounts owing from the Victorian Government, debtors in relation to goods and services and GST input tax credits recoverable. Receivables that are contractual are

classified as financial instruments. Amounts owing from the Victorian Government, taxes and other statutory receivables are not classified as financial instruments.

#### **(j) Non-financial assets**

##### *Plant and equipment*

Non-current physical assets held by the VCGLR are those used in the day to day operations and are primarily plant, equipment and vehicle. These assets are measured initially at cost and subsequently revalued at fair value less accumulated depreciation and accumulated impairment.

The initial cost for non-financial physical assets under a finance lease (refer to note 1 (N)) is measured at amounts equal to the fair value of the lease asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease.

##### *Intangible assets*

Intangible assets represent identifiable non-monetary assets without physical substance. Intangible assets are recognised at cost less accumulated amortisation and accumulated impairment losses. Costs incurred subsequent to initial acquisition are capitalised when it is expected that additional future economic benefits will flow to the VCGLR.

An internally generated intangible asset arising from development is recognised if the following can be demonstrated:

- (a) the technical feasibility of completing the intangible asset so that it will be available for use;
- (b) an intention to complete the intangible asset and use it;
- (c) the ability to use the intangible asset;
- (d) the intangible asset will generate probable future economic benefits;
- (e) the availability of adequate technical, financial and other resources to complete the development and to use the intangible asset; and

# Notes to the VCGLR financial statements

For the period 6 February to 30 June 2012

(f) the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Expenditure incurred on internally generated intangibles that are capitalised include:

- direct materials and consultancy service cost;
- direct labour and overhead;
- directly attributable cost such as registration fees for legal rights or patents; and
- fees to register or legal right

Where no internally generated intangible asset can be recognised, development expenditure is recognised as an expense in the period as incurred.

## (k) Other non-financial assets

### *Prepayments*

Other non-financial assets include prepayments which represent payments in advance of receipt of goods or services or that part of expenditure made in one accounting period covering a term extending beyond that period.

## (l) Liabilities

### *Payables*

Payables consist predominantly of accounts payable and other sundry liabilities and are recognised at fair value. Payables represent liabilities for goods and services provided to the VCGLR prior to the end of a period that are unpaid, and arise when the VCGLR becomes obliged to make future payments in respect of the purchase of these goods and services. Fair value is as described in Note 17.

### *Borrowings*

Borrowings are initially measured at fair value, being the cost of the borrowings, net of transaction costs (refer to note 1(m) Leases).

Subsequent to initial recognition, borrowings are measured at amortised cost with any difference

between the initial recognised amount and the redemption value being recognised in net results over the period of the borrowings using the effective interest method.

### *Provisions*

Provisions are recognised when the VCGLR has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a liability is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cashflows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

### *Employee benefits*

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave for services rendered to the reporting date.

#### (i) Wages and salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in the provision for employee benefits in respect of employee services up to the reporting date, classified as current liabilities and measured at their nominal values.

Those liabilities which are not expected to be settled within 12 months are recognised in the provision for employee benefits as current liabilities measured at present value of the amounts expected to be paid when the liabilities are settled using the remuneration rate expected to apply at the time of settlement.

#### (ii) Long service leave

Liability for long service leave (LSL) is recognised in the provision for employee benefits.



- **Current liability – unconditional LSL** is disclosed as a current liability even where the VCGLR does not expect to settle the liability within 12 months because it will not have the unconditional right to defer the settlement of the entitlement should an employee take leave within 12 months.

The components of this current LSL liability are measured at:

- Nominal value – component that the VCGLR expects to settle within 12 months.
- Present value – component that the VCGLR does not expect to settle within 12 months; and
- Non-current liability – conditional LSL is disclosed as a non-current liability. There is an unconditional right to defer the settlement of the entitlement until the employee has completed the requisite years of service.

This non-current LSL liability is measured at present value. Any gain or loss following revaluation of the present value of non-current LSL liability is recognised as a transaction, except to the extent that a gain or loss arises due to changes in bond rates for which it is then recognised as an 'other economic flow' (refer to Note 1(g) Other economic flows included in net result).

#### (iii) Employee benefits on-costs

Employee benefits on-costs such as payroll tax, workers compensation and superannuation are recognised separately from the provision for employee benefits.

#### (m) Leases

A lease is a right to use an asset for an agreed period of time in exchange for payment.

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks

and rewards incidental to ownership. Leases of property, plant, equipment and vehicle are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership from the lessor to the lessee. All other leases are classified as operating leases.

#### *Finance leases*

##### Commission as lessee

At the commencement of the lease term, finance leases are initially recognised as assets and liabilities at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payment, each determined at the inception of the lease. The leased asset is depreciated over the shorter of the estimated useful life of the asset or the term of the lease.

Minimum finance lease payments are apportioned between reduction of the outstanding lease liability, and periodic finance expense which is calculated using the interest rate implicit in the lease and charged directly to the Comprehensive operating statement. Contingent rentals associated with finance leases are recognised as an expense in the period in which they are incurred. Leases are recognised at the commencement of the lease term.

#### *Operating leases*

##### Commission as sub-lessee

Operating lease payments, including any contingent rentals, are recognised as an expense in the Comprehensive operating statement on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern of the benefits derived from the use of the leased asset. The leased asset is not recognised in the Balance sheet.

All incentives for the agreement of a new or renewed operating lease are recognised as an integral part of the net consideration agreed for the use of the leased asset, irrespective of the incentive's nature or form or the timing of payments.

# Notes to the VCGLR financial statements

For the period 6 February to 30 June 2012

In the event that lease incentives are received to enter into operating leases, the aggregate cost of incentives are recognised as a reduction of rental expense over the lease term on a straight line basis, unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

## (n) Equity

### *Contributions by owners*

Additions to net assets which have been designated as contributions by owners are recognised as contributed capital. Other transfers that are in the nature of contributions or distributions have also been designated as contributions by owners.

Transfers of net assets arising from administrative restructurings are treated as distributions to or contributions by owners.

## (o) Commitments

Commitments include those operating and capital commitments arising from non-cancellable contractual or statutory sources and are disclosed at the nominal value inclusive of the GST payable.

## (p) Contingent assets and liabilities

Contingent assets and contingent liabilities are not recognised in the balance sheet but are disclosed by way of note and, if quantifiable, measured at their nominal value inclusive of GST receivable or payable respectively.

## (q) Goods and services tax ('GST')

Income, expenses and assets are recognised net of the amount of associated goods and services tax (GST), except:

- where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or

- for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

Commitments and contingent assets and liabilities are also stated inclusive of GST.

## (r) Events after the reporting period

Assets, liabilities, income or expenses arise from past transactions or other past events. Where the transactions result from an agreement between the VCGLR and other parties, the transactions are only recognised when the agreement is irrevocable at or before the end of the reporting period. Adjustments are made to amounts recognised in the financial statements for events which occur after the reporting period and before the date the financial statements are authorised for issue, where those events provide information about conditions which existed at the reporting period. Note disclosure is made about events between the end of the reporting period and the date the financial statements are authorised for issue where the events relate to conditions which arose after the end of the reporting period and which may have a material impact on the results of subsequent reporting periods.

## (s) Rounding of amounts.

Amounts in the financial statements have been rounded to the nearest dollar, or in the case of amounts collected/receivable on behalf of Government and amounts paid/payable to other jurisdictions (see Note 21), to the nearest thousand dollars. Figures in the financial statements may not equate due to rounding.

**(f) AASBs issued that are not yet effective**

Certain new AASBs have been published that are not mandatory for the 30 June 2012 reporting period. The Department of Treasury and Finance assesses the impact of these new standards and advises departments and other entities of their applicability and early adoption where applicable. As at 30 June 2012, the following standards and interpretations had been issued but were not mandatory for the period 6 February to 30 June 2012. The VCGLR has not early adopted these standards.

AASB 9 <i>Financial instruments</i>	This standard simplifies requirements for the classification and measurement of financial assets resulting from Phase 1 of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement (AASB 139 Financial Instruments: Recognition and Measurement).	1 Jan 2013	Detail of impact is still being assessed.
AASB 13 <i>Fair Value Measurement</i>	This Standard outlines the requirements for measuring the fair value of assets and liabilities and replaces the existing fair value definition and guidance in other AASBs. AASB 13 includes a 'fair value hierarchy' which ranks the valuation technique inputs into three levels using unadjusted quoted prices in active markets for identical assets or liabilities; other observable inputs; and unobservable inputs.	1 Jan 2013	Disclosure for fair value measurements using unobservable inputs are relatively onerous compared to disclosure for fair value measurements using observable inputs. Consequently, the Standard may increase the disclosures for public sector entities that have assets measured using depreciated replacement cost.
AASB 119 <i>Employee Benefits</i>	In this revised Standard for defined benefit superannuation plans, there is a change to the methodology in the calculation of superannuation expenses, in particular there is now a change in the split between superannuation interest expense (classified as transactions) and actuarial gains and losses (classified as 'Other economic flows – other movements in equity') reported on the comprehensive operating statement.	1 Jan 2013	Not-for-profit entities are not permitted to apply this Standard prior to the mandatory application date.  While the total superannuation expense is unchanged, the revised methodology is expected to have a negative impact on the net result from transactions of the general government sector and for those few Victorian public sector entities that report superannuation defined benefit plans.
AASB 2009-11 <i>Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 and 1038 and Interpretations 10 and 12]</i>	This Standard gives effect to consequential changes arising from the issuance of AASB 9.	1 Jan 2013	No significant impact is expected from these consequential amendments on entity reporting.

# Notes to the VCGLR financial statements

For the period 6 February to 30 June 2012

<p>AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 &amp; 1038 and Interpretations 2, 5, 10, 12, 19 &amp; 127]</p>	<p>These consequential amendments are in relation to the introduction of AASB 9.</p>	<p>1 Jan 2013</p>	<p>No significant impact is expected from these consequential amendments on entity reporting.</p>
<p>AASB 2010-10 Further Amendments to Australian Accounting Standards – Removal of Fixed Dates for First-time Adopters [AASB 2009-11 &amp; AASB 2010-7]</p>	<p>The amendments ultimately affect AASB 1 First-time Adoption of Australian Accounting Standards and provide relief for first-time adopters of Australian Accounting Standards from having to reconstruct transactions that occurred before their date of transition to Australian Accounting Standards.</p>	<p>1 Jan 2013</p>	<p>No significant impact is expected on entity reporting.</p>
<p>AASB 2011-2 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project – Reduced Disclosure Requirements [AASB 101 &amp; AASB 1054]</p>	<p>The objective of this amendment is to include some additional disclosure from the Trans-Tasman Convergence Project and to reduce disclosure requirements for entities preparing general purpose financial statements under Australian Accounting Standards – Reduced Disclosure Requirements.</p>	<p>1 July 2013</p>	<p>The Victorian Government is currently considering the impacts of Reduced Disclosure Requirements (RDRs) and has not decided if RDRs will be implemented in the Victorian public sector.</p>
<p>AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124]</p>	<p>This Standard amends AASB 124 Related Party Disclosures by removing the disclosure requirements in AASB 124 in relation to individual key management personnel (KMP).</p>	<p>1 July 2013</p>	<p>No significant impact is expected from these consequential amendments on entity reporting.</p>
<p>AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13 [AASB 1, 2, 3, 4, 5, 7, 9, 2009-11, 2010-7, 101, 102, 108, 110, 116, 117, 118, 119, 120, 121, 128, 131, 132, 133, 134, 136, 138, 139, 140, 141, 1004, 1023 &amp; 1038 and Interpretations 2, 4, 12, 13, 14, 17, 19, 131 &amp; 132]</p>	<p>This amending Standard makes consequential changes to a range of Standards and Interpretations arising from the issuance of AASB 13. In particular, this Standard replaces the existing definition and guidance of fair value measurements in other Australian Accounting Standards and Interpretations.</p>	<p>1 Jan 2013</p>	<p>Disclosures for fair value measurements using unobservable inputs is potentially onerous, and may increase disclosures for assets measured using depreciated replacement cost.</p>

<p>AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 &amp; 1049]</p>	<p>The main change resulting from this Standard is a requirement for entities to group items presented in other comprehensive income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). These amendments do not remove the option to present profit or loss and other comprehensive income in two statements, nor change the option to present items of OCI either before tax or net of tax.</p>	<p>1 July 2012</p>	<p>This amending Standard could change the current presentation of ‘Other economic flows- other movements in equity’ that will be grouped on the basis of whether they are potentially reclassifiable to profit or loss subsequently.</p> <p>No other significant impact will be expected.</p>
<p>AASB 2011-11 Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements</p>	<p>This Standard makes amendments to AASB 119 Employee Benefits (September 2011), to incorporate reduced disclosure requirements into the Standard for entities applying Tier 2 requirements in preparing general purpose financial statements.</p>	<p>1 July 2013</p>	<p>The Victorian Government is currently considering the impacts of Reduced Disclosure Requirements (RDRs) and has not decided if RDRs will be implemented in the Victorian public sector.</p>
<p>2011-13 Amendments to Australian Accounting Standard – Improvements to AASB 1049</p>	<p>This Standard aims to improve the AASB 1049 Whole of Government and General Government Sector Financial Reporting at the operational level. The main amendments clarify a number of requirements in AASB 1049, including the amendment to allow disclosure of other measures of key fiscal aggregates as long as they are clearly distinguished from the key fiscal aggregates and do not detract from the the information required by AASB 1049. Furthermore, this Standard provides additional guidance and examples on the classification between ‘transactions’ and ‘other economic flows’ for GAAP items without GFS equivalents.</p>	<p>1 July 2012</p>	<p>No significant impact is expected from these consequential amendments on entity reporting.</p>
<p>2012-1 Amendments to Australian Accounting Standards - Fair Value Measurement - Reduced Disclosure Requirements [AASB 3, AASB 7, AASB 13, AASB 140 &amp; AASB 141]</p>	<p>This amending Standard prescribes the reduced disclosure requirements in a number of Australian Accounting Standards as a consequence of the issuance of AASB 13 Fair Value Measurement.</p>	<p>1 July 2013</p>	<p>As the Victorian whole of government and the general government (GG) sector are subject to Tier 1 reporting requirements (refer to AASB 1053 Application of Tiers of Australian Accounting Standards), the reduced disclosure requirements included in AASB 2012-1 will not affect the financial reporting for Victorian whole of government and GG sector.</p>

# Notes to the VCGLR financial statements

For the period 6 February to 30 June 2012

## Note 2: VCGLR outputs

The VCGR and its successor (the VCGLR) formed part of the *Gambling regulation and racing industry development* output in 2011-2012.

This focus of this output is policy development, regulation, research and community education and delivery of problem gambling services to achieve responsible, safe and sustainable gambling and racing environments.

The gambling regulation related outputs delivered by the VCGR and its successor (the VCGLR) are comprised of regulatory services consisting of licensing and compliance activities.

The **Licensing & Approvals** Services incorporate all activities undertaken to ensure that all licences, permits and authorisations are issued with the necessary legislative framework. This includes assessment for probity, social and economic impact assessment, game fairness and responsible gambling.

The **Compliance & Audit** Services cover the on-going monitoring of participants, products, equipment and systems, investigations of complaints and possible breaches of legislation the revenue verification.

Performance targets include quantity, quality and timeliness measures.

With the integration of gambling and liquor licensing regulation on 06 February 2012, the VCGLR became responsible for three outputs which formed part of the *Promoting and protecting consumer interests* output in 2011-12. There are three quantity performance targets.

Information services provide to consumers and traders on all aspects of liquor licensing.

Regular inspections of licensed premises to monitor and ensure compliance with their license conditions and state law and to take action in relation to breaches.

Registration of liquor licences and measuring provision of responsible service of alcohol training courses.

## Note 3: Income from transactions

	2012 \$
<b>Income from transactions</b>	
Grants from the Department of Justice	16,174,109
<b>Total income from transactions</b>	<b>16,174,109</b>

**Note 4: Expenses from transactions**

	2012 \$
<b>(a) Employee expenses</b>	
Salaries and wages	7,201,412
Annual leave	735,846
Long service leave	438,164
Superannuation	655,473
Other on-costs (payroll tax, workcover levy and fringe benefits tax)	286,523
<b>Total employee expenses</b>	<b>9,317,418</b>
<b>(b) Depreciation and amortisation expense</b>	
<b>Depreciation of plant and equipment</b>	
(EDP) hardware	80,387
Office fit-out	2,432
Plant, equipment & motor vehicles	7,296
<b>Amortisation expense</b>	
Internal-use software	103,308
<b>Total depreciation and amortisation expense</b>	<b>193,423</b>
<b>(c) Supplies and services</b>	
Probity and credit check payments	94,733
IT Licence and maintenance	878,520
Interest on finance lease	377
Professional services	2,411,659
Telephone and other communication expenses	318,237
Occupancy costs	707,367
Postage and advertising	152,897
Printing, stationery and office requisites	502,482
Travel and related expenses	64,144
Training and development	58,633
Motor vehicle running costs	186,779
Other	153,831
<b>Total supplies and services</b>	<b>5,529,659</b>

# Notes to the VCGLR financial statements

For the period 6 February to 30 June 2012

## Note 5: Other economic flows included in net result

	2012 \$
<b>Other gains/(losses) from other economic flows</b>	
Net gain/(loss) arising from revaluation of long service leave liability <sup>i</sup>	(57,182)
<b>Total other gains/(losses) from other economic flows</b>	<b>(57,182)</b>

<sup>i</sup> Revaluation gain/(loss) due to changes in bond rates.

## Note 6: Receivables

	2012 \$
<b>Current receivables</b>	
<b>Contractual</b>	
Other receivables	30,327
	<b>30,327</b>
<b>Statutory</b>	
Amounts owing from the Department of Justice <sup>i</sup>	3,073,869
GST Input tax credits recoverable	49,139
	<b>3,123,008</b>
<b>Total current receivables</b>	<b>3,153,335</b>
<b>Non-current receivables</b>	
<b>Statutory</b>	
Amounts owing from the Department of Justice <sup>i</sup>	3,652,663
<b>Total non-current receivables</b>	<b>3,652,663</b>
<b>Total receivables</b>	<b>6,805,998</b>

<sup>i</sup> The amounts recognised from the Department of Justice represent funding for all commitments incurred for the appropriation and are drawn down from the Consolidated Fund as the commitments fall due.

(a) Ageing analysis of contractual receivables.

Please refer to table 17.3 in Note 17 for the ageing analysis of contractual receivables.

(b) Nature and extent of risk arising from contractual receivables.

Please refer to table 17.5 in Note 17 for the nature and extent of risks arising from contractual receivables.



**Note 7: Plant, equipment and vehicle**

All assets of the VCGLR are measured at fair value. Reconciliations of the carrying amounts of each class of plant, equipment and vehicle at the beginning and end of the current period are set out in the following table:

**Table 7.1: Classification by 'Purpose Group' – Carrying amounts<sup>i</sup>**

	Public safety and environment
	2012 \$
<b>Plant and equipment</b>	
<b>EDP Hardware</b>	
At Fair value	1,784,161
Less: Accumulated depreciation	(1,344,590)
	439,571
<b>Finance lease vehicle</b>	
At Fair value	14,455
Less: Accumulated depreciation	(2,432)
	12,023
<b>Plant and equipment</b>	
At Fair value	188,867
Less: Accumulated depreciation	(16,507)
	172,360
<b>Total Plant, equipment and vehicle</b>	
At Fair value	2,002,078
Less: Accumulated depreciation	(1,378,124)
	623,954

<sup>i</sup> Plant and equipment are classified primarily by the 'purpose' for which the assets are used according to one of six 'Purpose Groups' based upon Government Purpose Classifications (GPC). Assets within a purpose group are further sub categorised according to the asset's 'nature' (i.e. plant and equipment, etc), with each sub category being classified as a separate class of asset for financial reporting purposes.

# Notes to the VCGLR financial statements

## For the period 6 February to 30 June 2012

**Table 7.2: Classification by Purpose Group 'Public safety and environment' - Movements in carrying amounts:**

	EDP Hardware	Plant, equipment under finance lease	Plant, equipment & motor vehicles	Total
	2012 \$	2012 \$	2012 \$	2012 \$
<b>Opening balance</b>	-	-	-	-
Machinery of government transfer in	496,730	14,455	179,655	690,840
Additions	23,228	-	-	23,228
Disposals	-	-	-	-
Depreciation expense	(80,387)	(2,432)	(7,295)	(90,114)
<b>Closing balance</b>	<b>439,571</b>	<b>12,023</b>	<b>172,360</b>	<b>623,954</b>

The VCGLR occupies premises at 49 Elizabeth Street, Richmond. The premises were funded by the Department of Justice and are still deemed to be work in progress. At the completion stage of all the works, the fair value of the premises will be transferred to the VCGLR as a contribution by owners. For the current reporting period, the fair value of these premises is reported in the Department of Justice's financial report.

### Note 8: Intangible assets

	2012 \$
<b>Gross carrying amount</b>	
Opening balance	-
Machinery of government transfer in	6,567,653
Additions from internal development	515,515
<b>Closing balance</b>	<b>7,083,168</b>
<b>Accumulated amortisation</b>	
Opening balance	-
Machinery of government transfer in	(4,528,643)
Amortisation expense	(103,308)
<b>Closing balance</b>	<b>(4,631,951)</b>
<b>Net book value at end of the reporting period</b>	<b>2,451,217</b>

**Note 9: Other non-financial assets**

	2012 \$
<b>Current other assets</b>	
Prepayments	356,335
<b>Total current other assets</b>	<b>356,335</b>
<b>Total other non-financial assets</b>	<b>356,335</b>

**Note 10: Payables**

	2012 \$
<b>Current payables</b>	
Contractual	
Creditors	212,841
Accrued expenses	1,015,283
<b>Total current payables</b>	<b>1,228,124</b>
<b>Total payables</b>	<b>1,228,124</b>

(a) *Maturity analysis of payables.*

Please refer to section (c) in Note 17 for the ageing analysis of payables.

(b) *Nature and extent of risk arising from payables.*

Please refer to Note 17 for the nature and extent of risk arising from payables.

**Note 11: Borrowings**

	2012 \$
<b>Current borrowings</b>	
<sup>i</sup> Lease liability	12,071
<b>Total current borrowings</b>	<b>12,071</b>
<b>Total borrowings</b>	<b>12,071</b>

<sup>i</sup> Secured by the assets leased. Finance lease are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

(a) **Maturity analysis of borrowings**

Please refer to note 17(c) for the ageing analysis of borrowings.

(b) **Nature and extent of risk arising from borrowings**

Please refer to note 17 for the nature and extent of risk arising from borrowings.

(c) **Defaults and breaches**

During the current period, there were no defaults and breaches of any of the loans.

# Notes to the VCGLR financial statements

## For the period 6 February to 30 June 2012

### Note 12: Provisions

	2012 \$
<b>Current provisions</b>	
<sup>i</sup> Employee benefits (Note 12(a)) – annual leave	
<sup>ii</sup> Unconditional and expected to settle within 12 months	467,889
<sup>iii</sup> Unconditional and expected to settle after 12 months	1,710,966
<sup>i</sup> Employee benefits (Note 12(a)) – long service leave	
<sup>ii</sup> Unconditional and expected to settle within 12 months	157,837
<sup>iii</sup> Unconditional and expected to settle after 12 months	3,637,866
	<b>5,974,558</b>
Provisions relating to employee benefit on-costs (Note 12(a) and Note 12(b))	
<sup>ii</sup> Unconditional and expected to be settle within 12 months	104,001
<sup>iii</sup> Unconditional and expected to be settle after 12 months	900,767
	<b>1,004,768</b>
<b>Total current provisions</b>	<b>6,979,326</b>
<b>Non-current provisions</b>	
<sup>i</sup> Employee benefits (Note 12(a))	521,812
Employee benefit on-costs (Note 12(a) and Note 12(b))	80,520
<b>Total non-current provisions</b>	<b>602,332</b>
<b>Total provisions</b>	<b>7,581,658</b>

#### (a) Employee benefits and related on-costs <sup>(i)</sup>

	2012 \$
<b>Current employee benefits</b>	
Annual leave entitlements	2,178,855
Long service leave entitlements	3,795,703
<b>Non-current employee benefits</b>	
Long service leave entitlements	521,812
<b>Total employee benefits</b>	<b>6,496,370</b>
Current on-costs	1,004,767
Non-current on-costs	80,520
<b>Total on-costs</b>	<b>1,085,287</b>
<b>Total employee benefits and related on-costs</b>	<b>7,581,657</b>

- i Provisions for employee benefits consist of amounts for annual leave and long service leave accrued by employees, not including on-costs.*
- ii The amounts disclosed are nominal amounts.*
- iii The amounts disclosed are discounted to present values.*

**(b) Movement in provisions**

	On-costs
	2012 \$
<b>Opening balance</b>	722,852
Additional provisions recognised	466,264
Additions due to transfer in (MOG Changes)	524,655
Reductions arising from payments/other sacrifices of future economic benefits	(628,484)
<b>Closing balance</b>	<b>1,085,287</b>
Current	1,004,767
Non-current	80,520
	<b>1,085,287</b>

**Note 13: Superannuation**

Employees of the VCGLR are entitled to receive superannuation benefits and the VCGLR contributes to both defined benefit and defined contribution plans. The defined benefit plan(s) provides benefits based on years of service and final average salary.

The VCGLR does not recognise any defined benefit liability in respect of the plan(s) because the entity has no legal or constructive obligation to pay future benefits relating to its employees; its only obligation is to pay superannuation contributions as they fall due. The Department of Treasury and Finance recognises and discloses the State's total defined benefit liabilities in its disclosure for administered items. However, superannuation contributions paid or payable for the reporting period are included as part of employee benefits in the comprehensive operating statement of the VCGLR.

The name and details of the major employee superannuation funds and contributions made by the VCGLR are as follows:

	Paid contribution for the period 6 February to 30 June 2012	Contribution outstanding at year end
	2012 \$	2012 \$
<b><i>i</i> Defined benefit plans:</b>		
Government Superannuation Scheme revised and new	172,233	-
<b>Defined contribution plans:</b>		
Victorian Superannuation Scheme	366,000	-
Various other	117,240	-
<b>Total</b>	<b>655,473</b>	<b>-</b>

- i The bases for determining the level of contributions is determined by the various actuaries of the superannuation plans.*

# Notes to the VCGLR financial statements

For the period 6 February to 30 June 2012

## Note 14: Leases

### (a) Disclosure for lessees - finance leases

Finance lease commitments relate to the VCGLR's Motor Vehicle finance lease with Department of Treasury & Finance (DTF) which was transferred upon integration of RAV into VCGLR.

	Minimum future lease payments <sup>i</sup>	Present value of minimum future lease payments
	2012 \$	2012 \$
<b>Non-cancellable operating lease payable</b>		
Not longer than one year	12,138	12,071
<b>Minimum future lease payments</b>	12,138	12,071
Less future finance charges	(67)	
<b>Present value of minimum lease payments</b>	<b>12,071</b>	<b>12,071</b>
<b>Included in the financial statements as:</b>		
Current borrowings lease liabilities (Note 11)		12,071
		<b>12,071</b>

<sup>i</sup> Minimum future lease payments include the aggregate of all lease payments and any guaranteed residual

### (a) Maturity analysis of finance lease liabilities

Please refer to note 17(c) for the ageing analysis of finance lease liabilities.

### (b) Nature and extent of risk arising finance lease liabilities

Please refer to notes 17(c) and (d) for the nature and extent of risk arising from finance lease liabilities.

### (b) Disclosure for lessees - operating leases

Operating lease commitments relate to the VCGLR's accommodation rental.

	Present value of minimum future lease payments
	2012 \$
<b>Non-cancellable operating lease payable</b>	
Not longer than one year	1,271,613
Longer than one year and not longer than five years	5,037,016
Longer than five years	4,239,523
<b>Total payments due and payable</b>	<b>10,548,152</b>

All amounts shown above are nominal amounts inclusive of GST.

**Note 15: Commitments for expenditure**

The following commitments have not been recognised as liabilities in the financial statements.

	2012 \$
<b>Operating expenditure commitments</b>	
Plant, equipment and vehicle operation and maintenance commitments	
Payable:	
Not longer than one year	20,833
Longer than one year and not longer than five years	18,962
<b>Total operating expenditure commitments</b>	<b>39,795</b>

All amounts shown in the commitments note are nominal amounts inclusive of GST.

**Note 16: Contingent assets and contingent liabilities**

At 30 June 2012 the VCGLR had no contingent assets.

At 30 June 2012 the VCGLR has a contingent liability in the form of legal proceedings which is unquantifiable.

Claims for damages arise from the alleged trespass and interference in connection with a search warrant sought and executed by police and RAV compliance inspectors. The VCGLR is potentially liable for damages ordered against the former Director of Liquor Licensing (DLL) and named inspectors, under Section 22 of the VCGLR Act. The litigation has been commenced in the Supreme Court of Victoria, Commercial and Equity Division, and is matter No SCI 2010-06288.

**Note 17: Financial instruments****(a) Financial risk management objectives and policies**

The VCGLR's principal financial instruments comprise:

- cash and deposits;
- receivables (excluding statutory receivables)
- payables (excluding statutory payables); and
- borrowings

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in Note 1 to the financial statements.

The carrying amounts of the VCGLR's contractual financial assets and financial liabilities by category are in table 17.1.

# Notes to the VCGLR financial statements

For the period 6 February to 30 June 2012

**Table 17.1: Categorisation of financial instruments**

	Contractual financial assets- loans and receivables \$	Contractual financial liabilities at amortised cost \$	Total \$
<b>2012</b>			
<b>Contractual financial assets</b>			
Cash and deposits	489,478		489,478
<sup>i</sup> Receivables	30,327		30,327
<b>Total contractual financial assets</b>	<b>519,805</b>		<b>519,805</b>
<b>Contractual financial liabilities</b>			
<sup>i</sup> Payables		1,216,053	1,216,053
Borrowings		12,071	12,071
<b>Total contractual financial liabilities</b>		<b>1,228,124</b>	<b>1,228,124</b>

<sup>i</sup> The total amount disclosed here exclude statutory amounts (e.g. amounts owing from Victorian Government and GST input tax credit recoverable and taxes payable).

## (b) Credit risk

Credit risk arises from the financial assets of the VCGLR, which comprise cash and cash equivalents and receivables. The VCGLR's exposure to credit risk arises from the potential default of a counter party on their contractual obligations resulting in financial loss to the VCGLR. Credit risk is measured at fair value and is monitored on a regular basis. Credit risk associated with the VCGLR's financial assets is minimal because the main debtor is the Victorian Government.

The carrying amount of financial assets recorded in the financial report represents the VCGLR's maximum exposure to credit risk as indicated in Table 17.2.

**Table 17.2: Credit quality of contractual financial assets that are neither past due nor impaired**

	Financial institutions (AA credit rating) \$	Government agencies (Triple A credit rating) \$	Total \$
<b>2012</b>			
<b>Contractual financial assets</b>			
Cash and deposits	489,478	-	489,478
<sup>i</sup> Receivables	-	30,327	30,327
<b>Total contractual financial assets</b>	<b>489,478</b>	<b>30,327</b>	<b>519,805</b>

<sup>i</sup> The total amount disclosed here exclude statutory amounts (e.g. amounts owing from Victorian Government and GST input tax credit recoverable).



Currently the VCGLR does not hold any collateral as security nor credit enhancements relating to any of its financial assets.

There are no financial assets that have had their terms renegotiated so as to prevent them from being past due or impaired, and they are stated at the carrying amounts as indicated.

The following table indicates the ageing analysis of contractual financial assets.

**Table 17.3: Ageing analysis of financial assets**

	Carrying amount \$	Not past due and not impaired \$	Past due but not impaired				Impaired financial assets \$
			Less than 1 month \$	1-3 months \$	3 months - 1 year \$	1-5 years \$	
<b>2012</b>							
<sup>i</sup> Receivables	30,327	24,336	-	5,991	-	-	-
	30,327	24,336	-	5,991	-	-	-

### (c) Liquidity risk

Liquidity risk is the risk that the VCGLR would be unable to meet its financial obligations as they fall due. The VCGLR operates under the Government fair payments policy of settling financial obligations within 30 days and in the event of a dispute, make payments within 30 days from the date of resolution.

The VCGLR's maximum exposure to liquidity risk is the carrying amounts of financial liabilities as disclosed on the face of the balance sheet.

The VCGLR's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk.

The following table discloses the contractual maturity analysis for the VCGLR's financial liabilities:

**Table 17.4: Maturity analysis of financial liabilities**

	Carrying amount \$	Nominal amount \$	Maturity dates			
			Less than 1 month \$	1-3 months \$	3 months - 1 year \$	1-5 years \$
<b>2012</b>						
<sup>i</sup> Payables	1,216,053	1,216,053	1,216,053	-	-	-
Borrowings	12,071	12,071	12,071	-	-	-
	1,228,124	1,228,124	1,228,124	-	-	-

<sup>i</sup> The carrying amounts disclosed exclude statutory amounts (e.g. GST payables).

### (d) Market risk

The VCGLR's exposure to market risk is considered to be insignificant. The VCGLR does not engage in financial trading and does not have exposure to foreign currency and other price risks. None of the classes of financial assets and liabilities are readily traded on organised markets in standardised form.

# Notes to the VCGLR financial statements

For the period 6 February to 30 June 2012

**Table 17.5: Interest rate exposure of financial instruments**

	Weighted average effective interest rate %	Carrying amount \$	Interest rate risk exposure		
			Fixed interest rate \$	Variable interest rate \$	Non-interest bearing \$
<b>2012</b>					
<b>Financial assets</b>					
Cash and deposits	N/A	489,478	-	-	489,478
<sup>i</sup> Receivables	N/A	30,327	-	-	30,327
<b>Total financial assets</b>		519,805	-	-	519,805
<b>Financial liabilities</b>					
<sup>i</sup> Payables	N/A	1,216,053	-	-	1,216,053
Borrowings	6.62%	12,071	12,071	-	-
<b>Total financial liabilities</b>		1,228,124	12,071	-	1,216,053

<sup>i</sup> The total amount disclosed here exclude statutory amounts (e.g. amounts owing from Victorian Government and GST input tax credit recoverable and taxes payable).

## (e) Fair value

The VCGLR considers that the carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair values because of the short-term nature of the financial instruments and the expectation that they will be paid in full.

The following table shows that the fair values of most of the contractual financial assets and liabilities are the same as their carrying amounts.

**Table 17.6: Comparison between carrying amount and fair value**

	Carrying amount 2012 \$	Fair value 2012 \$
<b>Contractual financial assets</b>		
Cash and deposits	489,478	489,478
<sup>i</sup> Receivables	30,327	30,327
<b>Total contractual financial assets</b>	519,805	519,805
<b>Contractual financial liabilities</b>		
<sup>i</sup> Payables	1,216,053	1,216,053
Borrowings	12,071	12,071
<b>Total contractual financial liabilities</b>	1,228,124	1,228,124

<sup>i</sup> The total amount disclosed here exclude statutory amounts (e.g. amounts owing from Victorian Government and GST input tax credit recoverable and taxes payable).

## Note 18: Cash flow information

### (a) Reconciliation of cash and deposits

For the purposes of the cash flow statement, cash includes cash on hand and in banks. Cash at the end of the period as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows:

	2012 \$
Total cash and deposits disclosed in the balance sheet <sup>i</sup>	489,478
<b>Balance as per Cash Flow Statement</b>	<b>489,478</b>

<sup>i</sup> Due to the State of Victoria's investment policy and government funding arrangements, government departments and agencies generally do not hold a large cash reserve in their bank accounts. Cash received by a department or agency from the generation of revenue is generally paid into the State's bank account, known as the public account. Similarly, any departmental or agency expenditure, including those in the form of cheques drawn by a department or agency for the payment of goods and services to its suppliers and creditors are made via the public account. The process is such that the public account would remit to the department or agency the cash required for the amount drawn on the cheques. This remittance by the public account occurs upon the presentation of the cheques by the department or agency's suppliers or creditors.

### (b) Reconciliation of net result for the period

	2012 \$
<b>Net result for the period</b>	<b>1,076,427</b>
<b>Non cash movements:</b>	
Depreciation and amortisation of non-current assets	193,423
<b>Movements in assets and liabilities</b>	
(Increase)/decrease in receivables	(3,065,781)
(Increase)/decrease in other non-financial assets	233,287
Increase/(decrease) in payables	(467,208)
Increase/(decrease) in interest bearing liabilities	(2,631)
Increase/(decrease) in provisions	2,270,370
<b>Net cash flows from/(used in) operating activities</b>	<b>237,887</b>

## Note 19: Summary of compliance with grant funding

The following table discloses the details of the funding received by the VCGLR for the period 6 February to 30 June 2012 through the Department of Justice appropriations.

# Notes to the VCGLR financial statements

For the period 6 February to 30 June 2012

	Grant Funding Advice \$	Funding Available \$	Funding Applied \$	Variance \$
<b>2012</b>				
Grant revenue - Provision for outputs	16,174,109	16,174,109	16,174,109	-
Capital contribution – Addition to net assets	-	345,319	345,319	-
<b>Total Funding</b>	<b>16,174,109</b>	<b>16,519,428</b>	<b>16,519,428</b>	<b>-</b>

The variance between Grant funding available and Grant funding applied reflects the return of revenue to the Department of Justice in respect of depreciation expense generated in excess of capital expenditure, variations between budgeted and generated depreciation, and deemed revenue associated with output delivery.

## Note 20: Ex-gratia payments

As at 30 June 2012 the VCGLR had not made any ex-gratia payments.

## Note 21: Transactions on behalf of Government

In addition to the specific VCGLR operations which are included in the comprehensive operating statement, balance sheet, statement of changes in equity and cash flow statement, the VCGLR collects revenue amounts on behalf of Government which are paid directly into the Consolidated Fund. Revenue collected includes taxes, fees and fines and the proceeds from the sale of non-current assets.

Sections 3.6.5, 4.6.7 and 5.4.2 of the *Gambling Regulation Act 2003* provide for determination by the Treasurer, after consultation with the Minister for Gaming, of the supervision charges payable by Tabcorp, Tattersall's and Intralot. This charge is determined annually and reflects the recoupment of expenses incurred in the regulation of gambling by these operators, including the processing of licences, conducting investigations and compliance audits, reviewing operator systems and procedures, testing and evaluating gambling equipment and monitoring gambling activities. This charge is also paid into the Consolidated Fund.

The VCGLR also makes payments from the Consolidated Fund revenue to other jurisdictions (Payments made on behalf of States) for their share of public lottery taxes which are collected in Victoria.

On 31 Oct 2007, the former VCGR received \$13.3 million for the Category 1 Public Lottery Licence and to be recognised over 10 years of which \$7.98 million is recognised as unearned income. On 25 Sept 2008, \$980,000 for Category 1 Public Lottery amendment included Mon and Wed lotto was received and to be recognised over 10 years of which \$588,000 is recognised as unearned income. During the period ended 30 June 2010, amounts on behalf of Government were collected in relation to the electronic gaming machine entitlements (licences) which will become operational 16 August 2012. The amount of the first instalment of \$76.2 million which was due and received during 2010 is recognised as unearned income. The former VCGR received \$60 million for Keno licences on 19 April 2011. The licence became operational on 15 April 2012, of which \$1 million was recognised as revenue and \$59 million recognised as unearned income. An amount of \$410 million which was received on 19 January 2012 for Wagering and Betting licences is to be recognised over 12 years. The licence will become operational on 16 August 2012. The amount of \$4,000 treated as unearned income is related to the special employees licence. As at 30 June 2012, \$554 million is recognised as unearned income by the VCGLR.

Consolidated Fund	2012 \$'000
<b>Income –</b>	
<b>Amounts collected/receivable on behalf of Government</b>	
Gaming Taxation	406,240
Licence Fees	310
Minor Gaming	409
Club Keno	224
Keno	1,670
Casino Taxation and Licence Fees	103,144
Racing Taxation and Licence Fees	56,384
Tattersall's Lotteries	171,348
Intralot Lotteries	7,704
Tabcorp Supervision Fee	1,598
Tattersall's Supervision Fee	1,471
Intralot Supervision Fee	125
Lottery Premium Payment	1,305
Liquor Licence and Application Fees	961
Miscellaneous	453
<b>Total amount collected/receivable</b>	<b>753,346</b>
<b>Expenses –</b>	
<b>Amounts paid/payable on behalf of Government</b>	
Payments made to other jurisdictions	16,772
Payments to consolidated fund	699,287
Transfer of negative net assets from the former VCGR	512,757
<b>Total amount paid/payable</b>	<b>1,228,816</b>
<b>Net Result</b>	<b>(475,470)</b>
<b>Assets</b>	
Receivables	80,983
<b>Total assets</b>	<b>80,983</b>
<b>Liabilities</b>	
<b>Current liabilities</b>	
Unearned income	4
Payables	2,592
<b>Total current liabilities</b>	<b>2,596</b>
<b>Non-current liabilities</b>	
Unearned income	553,857
<b>Total non-current liabilities</b>	<b>553,857</b>
<b>Total liabilities</b>	<b>556,453</b>
<b>Net Assets</b>	<b>(475,470)</b>

# Notes to the VCGLR financial statements

For the period ended 5 February 2012

## Note 22: Responsible persons

In accordance with the Ministerial Directions issued by the Minister for Finance under the *Financial Management Act 1994*, the following disclosures are made regarding responsible persons for the reporting period.

### Names

The persons who held the positions of Responsible Minister, Members of the Commission and Accountable Officer in the VCGLR are as follows:

#### Responsible Minister – Minister for Gaming and Consumer Affairs.

The Hon Michael O'Brien MP 6 February 2012 to 30 June 2012

#### Commission Members:

Mr Mark Brennan (Chairman) 6 February 2012 to 30 June 2012

Mr Bruce Thompson (Deputy Chairman) 6 February 2012 to 30 June 2012

Ms Gail Owen, OAM (Deputy Chairman) 6 February 2012 to 30 June 2012

Mr Des Powell (Commissioner) 6 February 2012 to 30 June 2012

Ms Kate Hamond (Commissioner) 6 February 2012 to 30 June 2012

Mr Robert Kerr (Commissioner) 6 February 2012 to 30 June 2012

#### Accountable Officer – Chief Executive Officer

Ms Jane Brockington (Chief Executive Officer) 6 February 2012 to 30 June 2012

### Remuneration

Remuneration received or receivable by members of the Commission and the Accountable Officer covers the period from the commencement of VCGLR on 6 February 2012 to 30 June 2012.

#### Commissioners

Remuneration received or receivable by members of the Commission in connection with the management of the VCGLR during the reporting period was in the range:

Income Band	2012 No.
\$40,000 to \$49,999	5
\$120,000 to \$129,999	1
<b>Total numbers</b>	<b>6</b>
<b>Total Amount</b>	<b>\$349,737</b>

#### Accountable officer

Remuneration received or receivable by the accountable officer in connection with the management of the Commission during the reporting period was in the range: \$80 000 – \$89 000.

Amounts relating to the Minister for Gaming are reported in the financial statements of the Department of Premier and Cabinet.

**Note 23: Remuneration of executives**

Remuneration received or receivable by members of the Executives covers the period from the commencement of VCGLR on 6 February 2012 to 30 June 2012.

The number of executive officers, other than Responsible Persons, and their total remuneration during the reporting period are shown in the first two columns in the table below in their relevant income bands. The base remuneration of executive officers is shown in the third and fourth columns. Base remuneration is exclusive of bonus payments, long service leave payments, redundancy payments and retirement benefits.

Income Band	Total remuneration	Base remuneration
	2012 No.	2012 No.
Under \$100,000	3	3
<b>Total numbers</b>	<b>3</b>	<b>3</b>
<b>Total amount</b>	<b>\$179,812</b>	<b>\$179,812</b>

**Note 24: Remuneration of auditors**

	2012 \$
<b>Victorian Auditor-General's Office</b>	
Audit of the financial statements	70,000

**Note 25: Related party transactions**

Related party transactions requiring disclosure have been considered and there are no matters to report.

**Note 26: Integration of Victorian Commission for Gambling Regulation and Responsible Alcohol Victoria into Victorian Commission for Gambling and Liquor Regulation**

During 2010 the State Government announced its intention that the Victorian Commission for Gambling Regulation will integrate with the Director of Liquor Licensing (DLL) and Responsible Alcohol Victoria (RAV) to form the Victorian Commission for Gambling and Liquor Regulation ('VCGLR').

The VCGLR commenced operation on 6 February 2012, pursuant to the *Victorian Commission for Gambling and Liquor Regulation Act 2011* which was passed on 27 October 2011 and received Royal Assent on 2 November 2011. In accordance with Part 8 of the *Victorian Commission for Gambling and Liquor Regulation Act 2011*, all the assets and liabilities of the VCGR and to the office of the Director became the assets and liabilities of the VCGLR as outlined below.

# Notes to the VCGLR financial statements

For the period 6 February to 30 June 2012

## Net assets and Equity: Controlled

The following controlled net assets and equity of the former VCGR and the business unit Responsible Alcohol Victoria from the Department of Justice became the net assets and equity of the VCGLR on 6 February 2012.

The net asset transfer to VCGLR is treated as a contribution of capital by the Crown. No income or consideration was recognised by the former VCGR or the Department of Justice in respect of the net assets transferred to the VCGLR.

	VCGR 2012 \$	RAV 2012 \$	TOTAL 2012 \$
<b>Assets</b>			
<b>Financial assets</b>			
Cash and deposits	445,014	-	445,014
Receivables	3,740,216	1,711,208	5,451,424
<b>Total financial assets</b>	<b>4,185,230</b>	<b>1,711,208</b>	<b>5,896,438</b>
<b>Non-financial assets</b>			
Plant, equipment and vehicle	642,266	48,574	690,840
Intangible assets	2,039,011	-	2,039,011
Other non-financial assets	589,621	-	589,621
<b>Total non-financial assets</b>	<b>3,270,898</b>	<b>48,574</b>	<b>3,319,472</b>
<b>Total assets</b>	<b>7,456,128</b>	<b>1,759,782</b>	<b>9,215,910</b>
<b>Liabilities</b>			
Borrowings	1,695,332	2,630	1,697,962
Payables		12,071	12,071
Provisions	5,311,287	1,711,208	7,022,495
<b>Total liabilities</b>	<b>7,006,619</b>	<b>1,725,909</b>	<b>8,732,528</b>
<b>Net assets</b>	<b>449,509</b>	<b>33,873</b>	<b>483,382</b>
<b>Equity</b>			
Accumulated surplus/(deficit)	(5,969,395)	-	(5,969,395)
Contributed capital	6,418,904	33,873	6,452,777
<b>Net worth</b>	<b>449,509</b>	<b>33,873</b>	<b>483,382</b>



**Net assets and Equity: Administered**

The following net assets and equity administered by the former VCGR became the net assets and equity administered by the VCGLR on 6 February 2012. There were no administered net assets and equity transferred from RAV.

	2012 \$'000
<b>Assets</b>	
Receivables	42,698
<b>Total assets</b>	<b>42,698</b>
<b>Liabilities</b>	
<b>Current liabilities</b>	
Prepaid income	9,166
Payables*	3,566
<b>Total current liabilities</b>	<b>12,732</b>
<b>Non-current liabilities</b>	
Unearned income	546,289
<b>Total non-current liabilities</b>	<b>546,289</b>
<b>Total liabilities</b>	<b>559,021</b>
<b>Net Assets</b>	<b>(516,323)</b>

\* Note: Included in payables is an SAU balance not transferable to the VCGLR

**Note 27: Subsequent events**

The financial statements for the VCGLR are prepared for the reporting period 6 February to 30 June 2012.

**Voluntary Departure Packages**

The Victorian Government announced its intention to reduce the number of public servants in non-service delivery and back-office roles, with key frontline service delivery areas being exempted. The reductions will be achieved through a combination of natural attrition, a freeze on recruitment, the lapsing of fixed term contracts and the offering of Voluntary Departure Packages (VDPs) to encourage voluntary redundancies.

The VCGLR is not able to make a reliable estimate of the financial effect of the VDPs, as the number and classification of staff that will take up VDPs is not known. The VCGLR anticipates that the VDP process will be completed before 31 December 2013.

# Notes to the VCGLR financial statements

For the period 6 February to 30 June 2012

## Victorian Public Service Workplace Determination 2012

The *Victorian Public Service Workplace Determination 2012* was made by Fair Work Australia on 23 July 2012, which replaces the *2009 Extended and Varied Version of the Victorian Public Service Agreement 2006*. The Workplace Determination takes effect from 29 July 2012 and will remain in force until 31 December 2015. The Workplace Determination provides for wage increases of 3.25 per cent and 1.25 per cent on 1 July 2012 and 1 January 2013 respectively over 2012-13, with six monthly wage increases thereafter. A lump sum payment of \$1,500 (or equivalent pro-rata amount for part time employees) will also be payable to eligible Victorian Public Service employees who received a salary on 1 July 2012 and were employed on 29 July 2012.

As the Workplace Determination takes effect from 29 July 2012, no adjustments have been made to these financial statements other than for the impact on the estimated accrued employee benefits as at 30 June 2012.

## Note 28: Glossary of terms

### Actuarial gains or losses on superannuation defined benefit plans

Actuarial gains or losses reflect movements in the superannuation liability resulting from differences between the assumptions used to calculate the superannuation expense from transactions and actual experience.

### Borrowings

Borrowings refer to interest-bearing liabilities mainly raised from public borrowings raised through the Treasury Corporation of Victoria, finance leases and other interest-bearing arrangements. Borrowings also include non-interest bearing advances from government that is acquired for policy purposes.

### Comprehensive result

Total comprehensive result is the change in equity for the period other than changes arising from transactions with owners. It is the aggregate of net result and other non-owner changes in equity.

### Commitments

Commitments include those operating, capital and other outsourcing commitments arising from non-cancellable contractual or statutory sources.

### Depreciation

Depreciation is an expense that arises from the consumption through wear or time of a produced

physical or intangible asset. This expense is classified as a 'transaction' and so reduces the 'net result from transactions'.

### Employee expenses

Employee benefits expenses include all costs related to employment including wages and salaries, leave entitlements, redundancy payments and superannuation contributions.

### Financial asset

A financial asset is any asset that is:

- (a) cash;
- (b) an equity instrument of another entity;
- (c) a contractual right:
  - to receive cash or another financial asset from another entity; or
  - to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity; or
- (d) a contract that will or may be settled in the entity's own equity instruments and is:
  - a non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments; or
  - a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

### Financial instrument

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets or liabilities that are not contractual (such as statutory receivables or payables that arise as a result of statutory requirements imposed by governments) are not financial instruments.

### Financial liability

A financial liability is any liability that is:

- (a) a contractual or statutory obligation:
  - to deliver cash or another financial asset to another entity; or
  - to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity; or
- (b) a contract that will or may be settled in the entity's own equity instrument and is:
  - a non-derivative for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments; or
  - a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this purpose the entity's own equity instruments do not include instruments that are themselves contracts for the future receipt or delivery of the entity's own equity instruments.

### Financial statements

Depending on the context of the sentence where the term 'financial statements' is used, it may include only the main financial statements (i.e. comprehensive operating statement, balance sheet, cash flow statements, and statement of changes in equity); or it may also be used to replace the old term 'financial report' under the revised AASB 101 (Sept 2007), which means it may include the main financial statements and the notes.

### Grants and other transfers

Transactions in which one unit provides goods, services, assets (or extinguishes a liability) or labour to another unit without receiving approximately equal value in

return. Grants can either be operating or capital in nature. While grants to governments may result in the provision of some goods or services to the transferor, they do not give the transferor a claim to receive directly benefits of approximately equal value. Receipt and sacrifice of approximately equal value may occur, but only by coincidence. For example, governments are not obliged to provide commensurate benefits, in the form of goods or services, to particular taxpayers in return for their taxes. For this reason, grants are referred to by the AASB as involuntary transfers and are termed non-reciprocal transfers.

Grants can be paid as general purpose grants which refer to grants that are not subject to conditions regarding their use. Alternatively, they may be paid as specific purpose grants which are paid for a particular purpose and/or have conditions attached regarding their use.

### Intangible assets

Intangible assets represent identifiable non-monetary assets without physical substance.

### Interest expense

Costs incurred in connection with the borrowing of funds. Interest expenses include interest on bank overdrafts and short-term and long-term borrowings, amortisation of discounts or premiums relating to borrowings, interest component of finance leases repayments, and the increase in financial liabilities and non-employee provisions due to the unwinding of discounts to reflect the passage of time.

### Interest income

Interest income includes unwinding over time of discounts on financial assets and interest received on bank term deposits and other investments.

### Net acquisition of non-financial assets (from transactions)

Purchases (and other acquisitions) of non-financial assets less sales (or disposals) of non-financial assets less depreciation plus changes in inventories and other movements in non-financial assets. Includes only those increases or decreases in non-financial assets resulting from transactions and therefore excludes write-offs, impairment write-downs and revaluations.

# Notes to the VCGLR financial statements

For the period 6 February to 30 June 2012

## Net result

Net result is a measure of financial performance of the operations for the period. It is the net result of items of revenue, gains and expenses (including losses) recognised for the period, excluding those that are classified as 'other non-owner changes in equity'.

## Net result from transactions/net operating balance

Net result from transactions or net operating balance is a key fiscal aggregate and is revenue from transactions minus expenses from transactions. It is a summary measure of the ongoing sustainability of operations. It excludes gains and losses resulting from changes in price levels and other changes in the volume of assets. It is the component of the change in net worth that is due to transactions and can be attributed directly to government policies.

## Net worth

Assets less liabilities, which is an economic measure of wealth.

## Non-financial assets

Non-financial assets are all assets that are not 'financial assets'. It includes plant, equipment and vehicle and intangible assets.

## Other economic flows

Other economic flows are changes in the volume or value of an asset or liability that do not result from transactions. It includes gains and losses from disposals, revaluations and impairments of non-current physical and intangible assets; actuarial gains and losses arising from defined benefit superannuation plans; fair value changes of financial instruments and agricultural assets; and depletion of natural assets (non-produced) from their use or removal. In simple terms, other economic flows are changes arising from market re-measurements.

## Payables

Includes short and long term trade debt and accounts payable, grants and interest payable.

## Receivables

Includes short and long term trade credit and accounts receivable, grants, taxes and interest receivable.

## Sales of goods and services

Refers to revenue from the direct provision of goods and services and includes fees and charges for services rendered, sales of goods and services, fees from regulatory services, work done as an agent for private enterprises. It also includes rental income under operating leases and on produced assets such as buildings and entertainment, but excludes rent income from the use of non-produced assets such as land. User charges includes sale of goods and services revenue.

## Supplies and services

Supplies and services generally represent cost of goods sold and the day-to-day running costs, including maintenance costs, incurred in the normal operations of the VCGLR.

## Transactions

Transactions are those economic flows that are considered to arise as a result of policy decisions, usually an interaction between two entities by mutual agreement. They also include flows within an entity such as depreciation where the owner is simultaneously acting as the owner of the depreciating asset and as the consumer of the service provided by the asset. Taxation is regarded as mutually agreed interactions between the government and taxpayers. Transactions can be in kind (e.g. assets provided/given free of charge or for nominal consideration) or where the final consideration is cash. In simple terms, transactions arise from the policy decisions of the government.

## Style conventions

Figures in the tables and in the text have been rounded. Discrepancies in tables between totals and sums of components reflect rounding. Percentage variations in all tables are based on the underlying unrounded amounts.

The notation used in the tables is as follows:

- or 0	zero, or rounded to zero
(xxx)	negative numbers
200x	year period
200x-0x	year period

## Declaration by the Accountable officer and the Chief Finance and Accounting officer

The attached financial statements for the Victorian Commission for Gambling and Liquor Regulation have been prepared in accordance with Standing Directions 4.2 of the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian accounting standards including Interpretations and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement and accompanying notes, presents fairly the financial transactions during the period 6 February to 30 June 2012 and financial position of the Victorian Commission for Gambling and Liquor Regulation at 30 June 2012.

At the time of signing, we are not aware of any circumstance which would render any particulars included in the financial statements to be misleading or inaccurate.

We authorise the attached financial statements for issue on 10 August 2012.



Mark Brennan  
Chairman



Jane Brockington  
Chief Executive Officer



Shirley Chew  
Acting Chief Finance and Accounting Officer

Dated: 10 August 2012  
Melbourne



