

The Approved Trading System Explained

Trading Round 1/2012

An information guide for eligible persons who wish to submit offers to purchase or sell gaming machine entitlements in Trading Round 1/2012



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Approved Trading System

On 14 July 2011, the South Australian Government introduced a new approved trading system to allow eligible persons to purchase and sell gaming machine entitlements.

The full details of the new trading system are prescribed in the *Gaming Machines Regulations 2005* which can be downloaded from www.legislation.sa.gov.au.

Under the new approved trading system the purchase price of a gaming machine entitlement is no longer fixed at \$50,000.

This means that when a trading round is announced an eligible person can submit an offer to—

- purchase a gaming machine entitlement and specify the maximum price that they would be willing to pay for the entitlement; and
- sell a gaming machine entitlement and specify the minimum price that they would be willing to accept as payment for the entitlement.

It is the Government's objective to reduce the number of gaming machines that may be lawfully operated in South Australia under the *Gaming Machines Act 1992* to 12,086.

Until the Government's objective is met—

- every fourth gaming machine entitlement sold in a trading round by profit organisations (e.g. Hotels) will be cancelled; and
- every fourth gaming machine entitlement sold in the trading round by non-profit organisations (e.g. Clubs and Community Hotels) will be transferred to the holder of the special club licence (Club One).

On 29 March 2012 the Liquor and Gambling Commissioner published a notice in the Government Gazette to establish the first trading round for gaming machine entitlements under the new Regulations.

This trading round is to be known as Trading Round 1/2012 and is explained in detail in this information guide. The Commissioner has formed a Trade Team at Consumer and Business Services (CBS) to manage the trading round.

Enquiries about the approved trading system and participating in this trading round can be made by contacting the CBS Trade Team:

Telephone: (08) 8204 9442
Email: gmetrade@agd.sa.gov.au

If you are considering participating in this trading round you should inform yourself about the current applicable laws, by seeking independent legal, financial or other advice before deciding whether to buy or sell gaming machine entitlements or making other related decisions.

Trading Round 1/2012

Written offers to purchase or sell gaming machine entitlements in this trading round must be lodged with CBS by:

5.00pm on Friday 4 May 2012

Offers received at CBS after this time and date (including those submitted by mail) will **not** be accepted under any circumstances.

An administration fee of \$100 applies for Trading Round 1/2012

The fee is payable in respect of **each** entitlement that an applicant offers to **purchase** and must be enclosed with the offer when submitted to CBS.

There is no fee to submit an offer to sell a gaming machine entitlement unless an applicant subsequently withdraws an offer to sell an entitlement prior to the closing date for applications (i.e. 4 May 2012).

The Commissioner has fixed the Trading Day as **Thursday 14 June 2012** - the day that the results of this trading round period will be announced.

On Trading Day, the Commissioner will determine for the trading round:

- which offers have been accepted;
- fix the **Purchaser Price** (i.e. the amount that **all** successful purchasers will pay for an entitlement); and
- fix the **Vendor Price** (i.e. the amount that **all** successful sellers will receive for an entitlement).

All persons who make successful offers to purchase entitlements will pay the same Purchaser Price (plus GST) for each entitlement irrespective of the offer that was made.

All persons who make successful offers to sell entitlements will be paid the same Vendor Price (plus GST) for **each** entitlement, irrespective of whether their entitlement is ultimately transferred or cancelled.

Following the Trading Day, the details of the Purchaser Price and Vendor Price will also be published on the CBS website at www.cbs.sa.gov.au - follow links to liquor and gambling information.

Am I eligible to participate in this trading round?

Holders of gaming machine licences, gaming machine entitlements and the holder of the special club licence (known as 'Club One') are eligible to submit written offers to purchase or sell gaming machine entitlements in this trading round.

Further, a person who has some other form of lawful authority (e.g. a Power of Attorney or upon corporate insolvency) also has the power to act for a licensee.

The Commissioner may reject an offer to purchase or sell an entitlement if the licensee making the application is subject to disciplinary proceedings under the *Gaming Machines Act 1992*, or there is some other good reason to do so.

The Adelaide Casino is not able to participate in the Approved Trading System or submit offers in this trading round.

Not Eligible

In certain circumstances the Commissioner may have granted temporary permission for a landlord, mortgagee or other person to carry on business as the licensee under the licence (e.g. when a licensee has vacated the premises to which a licence relates).

While this authorisation allows such persons to temporarily continue to operate the gaming machines on the licensed premises so as to prevent loss to the commercial business operating under the licence, it **does not** assign a right of title or possession over the licence or associated gaming machine entitlements.

Subject to the provisions of any applicable Commonwealth legislation, gaming machine entitlements are not transferable during the period of such an authorisation and therefore cannot be sold by either the person authorised or the actual licensee.

A person who is authorised to carry on business in such circumstances is not the holder of a licence and is therefore not eligible to purchase entitlements in the trading round.

Eligible Sellers

To sell entitlements in this trading round, a seller will have to actually hold the number of entitlements that they offer for sale and have the lawful right to sell those entitlements.

Eligible Purchasers

Each gaming machine licence specifies the maximum number of gaming machines which are approved for a licensed premises and also reflects the maximum number of gaming machine entitlements that a licensee can hold (the maximum is 40).

A licensee cannot possess or operate gaming machines without holding an equivalent number of gaming machine entitlements.

This means that the total number of existing gaming machine entitlements held by the licensee plus offers to purchase entitlements in this trading round **cannot** exceed the maximum number of gaming machines approved for the licensed premises.

Example 1

***Premises A** currently has approval for 20 gaming machines and holds 20 gaming machine entitlements. The licensee wishes to purchase an additional five entitlements in the trading round. The licensee must apply for and be granted an increase in the approved number of gaming machines for the premises to 25 before applying to purchase five entitlements in the trading round.*

Example 2

***Premises B** currently has approval for 40 gaming machines and holds 32 gaming machine entitlements. The licensee wishes to purchase an additional three entitlements in the trading round.*

As the licence already has approval for 40 gaming machines, an application to increase the approved number is not required. Therefore, the licensee may apply to purchase the additional three entitlements or up to eight entitlements in the trading round.

Licensees who have less than 40 gaming machines authorised on their licence can apply to the Commissioner to increase the maximum number of gaming machines approved for their licensed premises.

However, approval for the increase must be granted prior to submitting any offers in the trading round.

The maximum number of gaming machines which can be approved for any licensed gaming venue in South Australia is 40 gaming machines.

How do I make an offer to purchase or sell entitlements?

Eligible persons who wish to make an offer to purchase or sell gaming machine entitlements in this trading round must complete an application form, nominating the number of entitlements that they wish to purchase or sell.

Application forms can be downloaded from the CBS website at www.cbs.sa.gov.au - follow links to liquor and gambling information.

Note that these application forms are valid **only** for Trading Round 1/2012 and will only be available from CBS **until 5.00pm on Friday 4 May 2012**, being the closing date for the submission of offers.

Purchasers

A purchaser must submit for **each** entitlement that they wish to purchase, an offer specifying the **highest price** that they are willing to pay. This can be the same offer for multiple entitlements or a different offer for each entitlement that they wish to purchase.

Offers to purchase gaming machine entitlements must also be accompanied by evidence to prove that the applicant has sufficient funds to purchase such entitlements.

This can be in the form of an *Irrevocable Letter Of Credit* from a financial institution or other documentary evidence of security.

An administration fee of \$100 applies for Trading Round 1/2012

This fee is payable in respect of **each** entitlement that an applicant offers to **purchase** and must be enclosed with the offer when submitted to CBS.

Administration fees can only be paid by—

- Bank Cheque or Money Order (*made payable to the Attorney-General's Department*); or
- Credit Card - Visa or MasterCard Only (using the authorisation on the application form).

The administration fee is not refundable unless an offer to purchase an entitlement is rejected by the Commissioner or the trading round is cancelled.

If an applicant is unable to provide satisfactory evidence of security, the offer will not be accepted for inclusion in the trading round and the administration fee retained.

Sellers

A seller must submit, for **each** entitlement that they wish to sell, an offer specifying the **lowest price** that they would accept as payment for each entitlement.

This can be the same offer for multiple entitlements or a different offer for each entitlement that they wish to sell.

A person who wishes to sell a gaming machine entitlement must also demonstrate that they have the lawful right to do so and obtain any necessary consents.

Lease Agreements - Landlord Consent

Many gaming machine licences relate to premises that are held by the licensee under the terms of a lease agreement.

If the lease was entered into **prior to 1 February 2005**, the lease may not specifically address the concept of gaming machine entitlements and in this case, both the lessee and the landlord must agree that one or more entitlements can be sold. Should the landlord not consent to the sale, the lessee can apply to the District Court for a determination.

If the lease was entered into **on or after 1 February 2005**, the lease may exclude or limit the right of sale of entitlements.

Mortgages - Financier Consent

If there is a charge or mortgage over the business assets which include gaming machine entitlements, an offer to sell entitlements must include written consent from the financier for the entitlements to be sold.

Note that a charge may include a Bill of Sale or a fixed or floating equitable charge over all business assets.

An equitable charge can include gaming machine entitlements even if not specifically listed as an asset.

Applicants should contact their financier if they are unsure whether their mortgage includes a charge over gaming machine entitlements and, if so, acquire written consent to sell those entitlements.

Where do I submit my offer to purchase or sell entitlements?

Offers to participate in this trading round can only be made on the application forms which are valid for Trading Round 1/2012. These forms are available on the CBS website at www.cbs.sa.gov.au - follow the links to liquor and gambling information.

CBS will only accept offers for this trading round until 5.00pm on Friday 4 May 2012.

To ensure the confidentiality of offers and the integrity of the trading round, application forms will only be accepted by CBS if submitted in a sealed envelope clearly marked "**Trading Round 1/2012**" and lodged by mail at:

Consumer and Business Services
Trading Round 1/2012
PO Box 3241
Rundle Mall SA 5000

Alternatively, application forms can be lodged in person (between 9.00am and 5.00pm Monday to Friday) at:

Consumer and Business Services
Level 3, East Wing
50 Grenfell Street
Adelaide SA 5000.

Offers received after the closing date and time (including any submitted by mail) will not be considered for inclusion in this trading round. Offers forwarded by email or facsimile will not be accepted by CBS under any circumstances.

CBS will provide a receipt for any application form lodged in person.

If an application form is lodged by mail and the gaming machine licence number and contact details are written on the back of the envelope, CBS will issue a receipt to the nominated address.

Applications will remain sealed and will **NOT** be opened until after **5.00pm on Friday 4 May 2012**, being the closing date and time for the submission of offers.

CBS will then process payments of administration fees and issue each applicant with a written acknowledgement to confirm that their application has been opened.

The information provided by applicants will be treated in a confidential manner, and in particular, information submitted by applicants will not be disclosed to any other applicant or person eligible to participate in the trading round.

All applications to participate in the trading round, including associated offers, details of financing and leasing arrangements will be treated by CBS as being commercial-in-confidence.

How is the trading price determined?

The process for determining which offers are accepted is quite complex. The following information is explained in detail in the 'How Does the Trade Work' section of this information guide:

- how the order in which offers to purchase or sell gaming machine entitlements will be traded is determined;
- how the Commissioner will determine which offers are successful;
- how the Purchaser Price is calculated (i.e. the amount that purchasers will pay); and
- how the Vendor Price is calculated (i.e. the amount that sellers will be paid).

When will I find out if my offer was successful?

On Trading Day, **Thursday 14 June 2012**, the Commissioner will determine the Purchaser Price and Vendor Price for this trading round.

All persons who submit offers in this trading round will be notified in writing of these details and whether their offer has been accepted or not.

Following the Trading Day, the details of the Purchaser Price and Vendor Price will also be published on the CBS website at www.cbs.sa.gov.au - follow links to liquor and gambling information.

GST Liability

The Australian Taxation Office has confirmed in a private ruling that purchasers, vendors and the South Australian Government will be subject to complying with GST requirements in respect to transactions under the Approved Trading System.

An edited version of the ruling has been published on the Australian Taxation Office website www.ato.gov.au/rba in the *Register of private binding rulings* (Quote Authorisation number: 1011998370778).

Prospective participants in a trading round should seek their own financial and legal advice concerning their GST obligations.

When will a purchaser have to pay for entitlements?

A person whose offer to purchase a gaming machine entitlement has been accepted must, **by 28 June 2012**, pay to the Commissioner the Purchaser Price (plus GST) for the entitlement.

Purchasers will be invoiced by CBS and can make the required payment by—

- Bank Cheque (made payable to Attorney-General's Department); or
- Credit Card (*VISA or MasterCard Only*); or
- Electronic Funds Transfer.

A purchaser who does not make the required payment within 14 days after the trading day will be considered to be in default and cannot submit an offer to purchase gaming machine entitlements (in respect of any premises) in the next trading round. The administration fee will also be retained.

A "defaulting purchaser" shall be taken as the specific licensee company for a given licensed premise (i.e. the name of the licensee as stated on the Gaming Machine Licence).

In such circumstances, the Commissioner may use discretionary powers under the regulations to offer the entitlement at the purchaser price to persons who submitted unsuccessful offers in the trading round at or above the Purchaser Price according to the order of priority of those unsuccessful offers.

When will a seller be paid?

As CBS receives proceeds from purchasers, and at intervals after the trading day, funds will be disbursed to successful sellers by Electronic Funds Transfer (EFT) to an account nominated at the time of application.

To satisfy GST requirements, CBS will issue a 'Recipient Created Tax Invoice' to sellers for the amount that they will be paid.

Sellers who do not receive payment for an accepted offer by 25 July 2012 may, by notice in writing to the Commissioner, formally withdraw the entitlement from sale in the trading round.

When will entitlements be transferred?

Sellers

CBS will advise sellers in writing of the date that entitlements will be transferred (known as the vesting date) once all payments that are due to a seller have been made.

The Commissioner will also advise the Independent Gaming Corporation (IGC) when payments are made to a seller so that, if required, an equivalent number of gaming machines can be disabled from the gaming machine monitoring system.

IGC will disable gaming machines according to the sequence specified by sellers in their application to sell gaming machine entitlements.

Purchasers

CBS will advise purchasers in writing of the date that entitlements will be transferred to their licence (known as the vesting date) **only** after the Commissioner has received payment for such entitlements **and** has disbursed funds to successful sellers.

Gaming machine entitlements will be transferred to successful purchasers in the order in which payments to the Commissioner were received.

Purchasers are not permitted to install or operate any additional gaming machines in respect of these purchased gaming machine entitlements until on or after the vesting date and only in accordance with a gaming layout approved by the Commissioner.

Successful purchasers are not required to install a gaming machine in respect to a purchased entitlement within any prescribed period.

When will gaming machines have to be removed by sellers?

It is a condition of holding a gaming machine licence that—

“the licensee will not have in the licensee’s possession more gaming machines than the number of gaming machine entitlements held in respect of the licensed premises.”

To allow for the orderly disposal of gaming machines that a licensee is no longer authorised to operate, the Commissioner will, in accordance with section 16(5) of the Act, grant such licensees temporary authorisation to possess (but not to operate) an equivalent number of gaming machines until a specified date after these entitlements have been transferred.

It will be the responsibility of licensees to make their own arrangements to sell or dispose of any gaming machines for which they no longer hold an entitlement.

Licensees are urged to contact their service agent or a gaming machine dealer promptly after receiving payment for an entitlement to make these arrangements.

Under these circumstances, a licensee will not be required to seek further approval from the Commissioner or pay the associated application fee to sell or dispose of these gaming machines.

Do I receive a new gaming machine licence?

A new gaming machine licence will be issued to each successful seller and purchaser stating the new number of gaming machine entitlements held under the licence and the date that this licence will become effective.

Cancellation of a trading round

The Commissioner may, by placing a notice in the Government Gazette on or before Thursday 14 June 2012 cancel this trading round.

Should this occur, holders of gaming machine licences, gaming machine entitlements and the holder of the special club licence (known as ‘Club One’) will be notified of the cancellation by letter and any administration fees refunded.

A notice will also be placed on the CBS website advising that the trading round has been cancelled.

Closure of a trading round

The trading round will be closed when all payments for gaming machine entitlements that may be accepted in the trading round have been made. The Commissioner will publish a notice on the CBS website advising the results of the trading round and that the trading round is closed.

How does the trading round work?

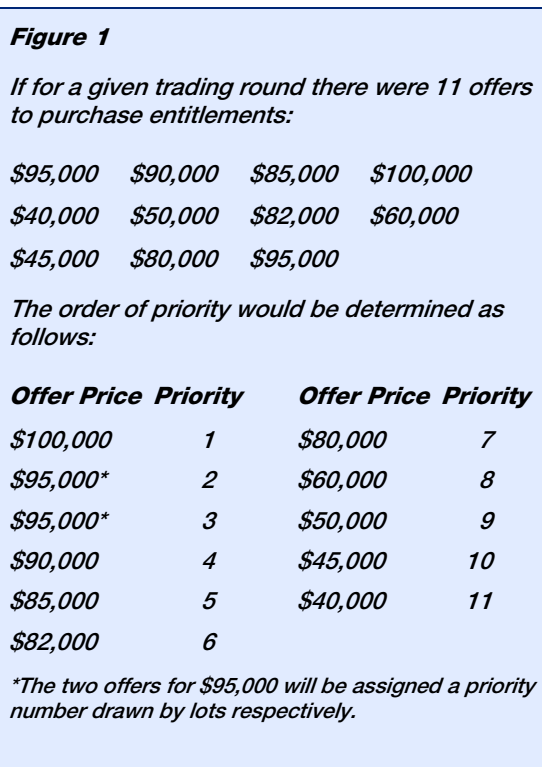
The Commissioner will determine the order in which offers to purchase or sell gaming machine entitlements are traded by assigning a **priority number** to each offer in accordance with the Regulations.

Step 1 - Determine The Order That Entitlements Will Be Purchased

Each offer to purchase an entitlement will be assigned a **priority number**, with the highest priority being assigned to the offer of the highest amount and the lowest priority being assigned to the offer of the lowest amount.

This means that offers to purchase entitlements will be sorted from **highest to lowest**.

If there is more than one offer to purchase an entitlement for the same amount, the order of priority will be determined by the drawing of lots (see Figure 1).



Step 2 – Adjust Each Offer to Sell

The Approved Trading System has been designed so that the proceeds received by CBS from purchasers as payment for three gaming machine entitlements will pay sellers for the sale of four gaming machine entitlements.

Therefore, each offer to sell a gaming machine entitlement (being the **lowest price** that a seller will accept) will be multiplied by four and divided by three. This is known as the “**Notional Selling Price**” (the NSP).

Figure 2

*The licensee of **Premises A** offers to sell five gaming machine entitlements and specifies \$60,000 as the lowest price which will be accepted for each entitlement. The NSP for each entitlement will be calculated as:*

\$60,000 multiplied by 4 divided by 3 = \$80,000

Figure 3

*The licensee of **Premises B** offers to sell four gaming machine entitlements but specifies \$50,000 for entitlements 1 and 2, \$60,000 for entitlement 3 and \$80,000 for entitlement 4. The NSP for these entitlements will be calculated as:*

\$50,000 multiplied by 4 divided by 3 = \$66,667

\$60,000 multiplied by 4 divided by 3 = \$80,000

\$80,000 multiplied by 4 divided by 3 = \$106,667

Step 3 - Determine The Order To Sell Entitlements

Each entitlement offered for sale will be assigned a **priority number**, with the highest priority being assigned to the offer with the lowest notional selling price and the lowest priority being assigned to the offer with the highest notional selling price.

This means that offers to sell entitlements will be sorted from **lowest to highest**.

If there is more than one offer to sell an entitlement with the same notional selling price, the order in which these entitlements will be sold will be determined by the drawing of lots (see Figure 4).

Figure 4

*If we assume that the 9 entitlements offered for sale by the licensees of **Premises A** and **Premises B** comprise the trading round, the order of priority to SELL would be:*

Offer Price	NSP	Priority
\$50,000	\$66,667	1
\$50,000	\$66,667	2
\$60,000	\$80,000	3
\$60,000	\$80,000	4
\$60,000	\$80,000	5
\$60,000	\$80,000	6
\$60,000	\$80,000	7
\$60,000	\$80,000	8
\$80,000	\$106,667	9

Each offer for \$50,000 and \$60,000 will be assigned a priority number drawn by lots respectively.

Step 4 - Adjusting the Selling Priority

The Regulations require that—

- every fourth gaming machine entitlement sold in the trading round by profit organisations (e.g. Hotels) will be cancelled; **and**
- every fourth gaming machine entitlement sold in the trading round by non-profit organisations (e.g. Clubs and Community Hotels) will be transferred to Club One.

If a total of 100 offers to SELL were successful, made up of 40 from hotels and 60 from clubs—

- *10 entitlements will be cancelled;*
- *15 entitlements will be transferred to Club One; and*
- *the remaining 75 entitlements will be transferred to successful purchasers.*

To achieve this, the priority number assigned to each offer to sell (Figure 4) will be further adjusted so that there are two offers for every priority number that is a multiple of three.

This means that the offer to sell which was originally assigned priority number 4 will become priority 3, original priority number 5 will become priority 4 and original priority number 6 will become priority 5 and so on.

Hence, the original priority numbers assigned to the offers to sell in figure 4 will be adjusted to match the pattern 1, 2, 3, 3, 4, 5, 6, 6, 7, 8, 9, 9, 10, 11, 12, 12 and so on. This is known as the “Notional Priority”.

Even though this adjustment process will result in the same priority number being assigned to two offers to sell, the original assigned selling order will be maintained (see Figure 5).

Figure 5

If we assume that the 9 entitlements offered for sale by the licensees of Premises A and Premises B comprise the trading round, the priority numbers assigned in step 3 would be adjusted as follows:

Offer Price	NSP	Original Priority	Notional Priority
\$50,000	\$66,667	1	1
\$50,000	\$66,667	2	2
\$60,000	\$80,000	3	3
\$60,000	\$80,000	4	3
\$60,000	\$80,000	5	4
\$60,000	\$80,000	6	5
\$60,000	\$80,000	7	6
\$60,000	\$80,000	8	6
\$80,000	\$106,667	9	7

with priority numbers 3 and 4 both being assigned a notional priority of 3 and priority numbers 7 and 8 both being assigned a notional priority of 6.

Step 5 - The Trade

The number of entitlements to be sold (if any) will be determined by the Commissioner on **Thursday 14 June 2012** being the day specified in the Trading Round Announcement Notice as the ‘Trading Day’.

A gaming machine entitlement will **only** be sold if—

- (A) An offer to SELL an entitlement at an assigned “Notional Priority” has a “Notional Selling Price”*
- which is equal to OR less than*
- (B) An offer to PURCHASE an entitlement of the SAME priority*

Trade Scenarios

The three scenarios on the following pages illustrate the results of a trading round where some offers are traded, a trading round where all offers to buy and sell entitlements are successful and a trading where no offers are successful.

Scenario 1 - Partial Trade

This scenario shows a sample result if the trading round consisted of 11 offers to purchase (Figure 1) and nine offers to sell entitlements (Figure 5).

Offers S1 to S8 from eligible persons wishing to sell entitlements would be successful (i.e. the notional selling price of each offer is equal to or less than the corresponding offer to purchase).

Offers S4 and S8 which were assigned a notional priority number of “3” and “6” respectively, while being successfully sold, will be transferred either to Club One or cancelled under the withholding rules.

Offer S9 with a notional priority number of 7 does not qualify to be traded as the notional selling price for this offer (\$106,667) is greater than the corresponding offer to purchase (i.e. offer P7 for \$80,000).

Any further outstanding offers to purchase (i.e. Offers P8 through to P11) will also be unsuccessful and the administration fees in respect to such offers will not be refunded.

Scenario 1 – Partial Trade								
Offers To Purchase (B)			Offers To Sell (A)					
(Step 1)			(Step 4)	(Step 3)	(Step 2)			
Offer To Purchase	Priority	Trade Result	Notional Priority	Original Priority	Notional Selling Price	Offer To Sell		
P1	\$100,000	1	Offer S1 Sold	1	1	\$66,667	\$50,000	S1
P2	\$95,000	2	Offer S2 Sold	2	2	\$66,667	\$50,000	S2
P3	\$95,000	3	Offer S3 Sold	3	3	\$80,000	\$60,000	S3
			Offer S4 Sold (But Withheld)	3	4	\$80,000	\$60,000	S4
P4	\$90,000	4	Offer S5 Sold	4	5	\$80,000	\$60,000	S5
P5	\$85,000	5	Offer S6 Sold	5	6	\$80,000	\$60,000	S6
P6	\$82,000	6	Offer S7 Sold	6	7	\$80,000	\$60,000	S7
			Offer S8 Sold (But Withheld)	6	8	\$80,000	\$60,000	S8
P7	\$80,000	7	No Trade	7	9	\$106,667	\$80,000	S9
P8	\$60,000	8	Not Accepted					
P9	\$50,000	9	Not Accepted					
P10	\$45,000	10	Not Accepted					
P11	\$40,000	11	Not Accepted					

Scenario 2 - All Offers Traded

All offers to sell (S1 to S12), have a notional selling price equal to or less than the corresponding offers to purchase (P1 to P9) with the same priority number.

Scenario 2 – All Offers Traded								
Offers To Purchase (B)			Offers To Sell (A)					
(Step 1)			(Step 4)	(Step 3)	(Step 2)			
Offer To Purchase	Priority	Trade Result	Notional Priority	Original Priority	Notional Selling Price	Offer To Sell		
P1	\$100,000	1	Offer S1 Sold	1	1	\$66,667	\$50,000	S1
P2	\$100,000	2	Offer S2 Sold	2	2	\$66,667	\$50,000	S2
P3	\$95,000	3	Offer S3 Sold	3	3	\$66,667	\$50,000	S3
			Offer S4 Sold (But Withheld)	3	4	\$73,333	\$55,000	S4
P4	\$90,000	4	Offer S5 Sold	4	5	\$73,333	\$55,000	S5
P5	\$90,000	5	Offer S6 Sold	5	6	\$80,000	\$60,000	S6
P6	\$90,000	6	Offer S7 Sold	6	7	\$80,000	\$60,000	S7
			Offer S8 Sold (But Withheld)	6	8	\$80,000	\$60,000	S8
P7	\$90,000	7	Offer S9 Sold	7	9	\$80,000	\$60,000	S9
P8	\$87,000	8	Offer S10 Sold	8		\$80,000	\$60,000	S10
P9	\$85,000	9	Offer S11 Sold	9		\$80,000	\$60,000	S11
			Offer S12 Sold (But Withheld)	9		\$84,000	\$63,000	S12

Scenario 3 - No Offers Traded

In the event that all of the offers to sell have a notional selling price greater than the corresponding offer to purchase, no offers will be accepted and the trading round will be closed.

Scenario 3 – No Offers Traded								
Offers To Purchase (B)			Offers To Sell (A)					
(Step 1)			(Step 4)	(Step 3)	(Step 2)			
Offer To Purchase	Priority	Trade Result	Notional Priority	Original Priority	Notional Selling Price	Offer To Sell		
P1	\$65,000	1	No Trade	1	1	\$80,000	\$60,000	S1
P2	\$65,000	2	No Trade	2	2	\$80,000	\$60,000	S2
P3	\$60,000	3	No Trade	3	3	\$80,000	\$60,000	S3
			No Trade	3	4	\$86,667	\$65,000	S4
P4	\$50,000	4	No Trade	4	5	\$93,333	\$70,000	S5
P5	\$50,000	5	No Trade	5	6	\$100,000	\$80,000	S6
P6	\$50,000	6	No Trade	6	7	\$100,000	\$80,000	S7
			No Trade	6	8	\$100,000	\$80,000	S8
P7	\$50,000	7	No Trade	7	9	\$113,333	\$85,000	S9
P8	\$40,000	8	Not Accepted					
P9	\$40,000	9	Not Accepted					

Step 6 - Calculate the Purchaser Price

All persons who make successful offers to purchase entitlements will pay the **same** Purchaser Price (plus GST) for each entitlement irrespective of the offer that was made.

The Purchaser Price for each entitlement will be calculated as:

Half of the sum of—

(A) the lowest successful offer to PURCHASE an entitlement;

and

(B) the notional selling price of the highest successful offer to SELL an entitlement.

This will mean that the actual amount paid by successful purchasers for an entitlement will either be **equal to or less** than the amount offered in the application to PURCHASE an entitlement (see Figure 6).

Figure 6

*Using the offers to purchase and sell entitlements shown in **Scenario 1**, the Purchaser Price for the trading round would be calculated as half of the sum of—*

A. *the lowest successful offer to purchase (i.e. Offer P6 @ **\$82,000**)*

and

B. *the highest successful notional selling price (i.e. Offer S8 @ **\$80,000**)*

Purchaser Price (ignoring GST): \$81,000
(Sum of A & B divided by 2)

Step 7 - Calculate the Vendor (Seller) Price

All persons who make successful offers to sell entitlements will be paid the same Vendor Price (plus GST) for **each** entitlement, irrespective of whether their entitlement is ultimately transferred or cancelled.

The Vendor Price for each entitlement will be calculated as $\frac{3}{4}$ of the amount of the Purchaser Price.

This means that the actual amount paid to vendors will either be **equal to or more** than the amount offered in the application to SELL an entitlement (see Figure 7).

Figure 7

*Using the offers to purchase and sell entitlements shown in **Scenario 1**, the Vendor Price for the trading round would be calculated as $\frac{3}{4}$ of the Purchaser Price—*

Purchaser Price <i>(as calculated in Figure 6):</i>	\$81,000
Vendor Price (ignoring GST):	\$60,750
<i>(\$81,000 multiplied by 3 divided by 4)</i>	

Purchaser Price and Vendor Price are different

As previously discussed, every three entitlements purchased will pay for a fourth entitlement to either be cancelled or transferred to Club One.

Figure 8

If we ignore GST and use the amount of the Purchaser Price and Vendor Price calculated in figure 7, for every 4 gaming machine entitlements traded—

Purchasers will pay \$81,000 per entitlement (i.e. for every **three successful offers to purchase, a total of **\$243,000**);**

Sellers will be paid \$60,750 per entitlement (i.e. for every **four successful offers to sell, a total of **\$243,000**).**

*This means that the total amount of money paid by purchasers for **three** entitlements will be transferred to sellers as payment for **four** entitlements.*

The remaining one entitlement not transferred to a purchaser, will either be cancelled or transferred to Club One, depending on the tax status of the venue from which the entitlement originated.

As a result, the actual amount paid to sellers will either be **equal to or more** than the amount offered in their application to sell an entitlement.

The actual amount paid by successful purchasers for an entitlement will either be **equal to or less** than the amount offered in their application to purchase an entitlement (see Figure 9).

Figure 9

*The Vendor Price determined from **Scenario 1** has been calculated as being **\$60,750** (see figure 8).*

*However, the minimum amount that vendors were prepared to accept for these successful offers (Offers S1 to S8) ranged between **\$50,000 and \$60,000**.*

*Irrespective of these offers, all successful vendors will be paid the Vendor Price of **\$60,750 plus GST**.*

*In contrast, the amounts that successful purchasers were willing to pay (Offers P1 to P6) ranged between **\$100,000 and \$82,000**.*

*Irrespective of these offers, all successful purchasers are only required to pay the Purchaser Price of **\$81,000 plus GST**.*

Need further information?

Enquiries about the approved trading system and participating in this trading round can be made by contacting the CBS Trade Team:

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