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Report of the

# CASINO CONTROL AUTHORITY

for the 15 months ended  
30 September 2004

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*Presented to the House of Representatives pursuant  
to section 44A of the Public Finance Act 1989 and  
section 297 of the Gambling Act 2003*

## **THE MINISTER OF INTERNAL AFFAIRS**

In accordance with section 297(3) of the Gambling Act 2003, I present, on behalf of the members, a report on the proceedings and operations of the Casino Control Authority for the 15 months ended 30 September 2004.

A handwritten signature in black ink, appearing to read 'J Walker', with a long horizontal flourish extending to the right.

Janette Walker  
**CHAIRPERSON**

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## DIRECTORY

### OFFICE

Level 9, Massey University House  
90 Symonds Street  
PO Box 8149  
Auckland, New Zealand

Telephone: 09 358 4356  
Email: [cca@casinocontrol.govt.nz](mailto:cca@casinocontrol.govt.nz)  
Website: [www.casinocontrol.govt.nz](http://www.casinocontrol.govt.nz)  
Facsimile 09 358 4368

### MEMBERS

Janette Helen Walker\*  
(Chairperson)  
Solicitor  
Rotorua

*Appointed as a member on 11 December 2000, and appointed as Chairperson on 24 February 2003 for a term expiring on 23 February 2006*

Brian Thomas Brooks  
Professor of Law  
Wellington

*Term expired on 17 December 2003*

Brian Ross Davies\*  
Retired Assistant Commissioner of Police  
Auckland  
*Appointed on 1 December 2003 for a term expiring on the disestablishment of the Authority*

Kenneth Mark Ford\*  
Chief Executive  
Auckland

*Appointed on 24 February 2003 for a term expiring on 23 February 2006*

Cynthia Alcyion Kiro  
General Manager and Senior Lecturer  
Auckland  
*Resigned on 31 August 2003*

Mary Manson Lythe\*  
Health Advisor  
Auckland

*Continues in office until the disestablishment of the Authority after term expired on 10 December 2003*

Alison Diana Timms\*  
Consultant  
Wellington  
*Appointed on 24 February 2003 for a term expiring on 23 February 2006*

Rangi Marehua Wills\*  
Consultant  
Wanganui

*Appointed on 18 December 2003 for a term expiring on the disestablishment of the Authority*

\* Members as at date of report.

Under section 297(2) of the Gambling Act 2002 all members' terms expire the day before the Authority is disestablished.

**AUDITOR**

Audit New Zealand, Auckland (on behalf of the Auditor-General)

**INTERNAL AUDITOR**

Staples Rodway

**BANKERS**

Westpac Banking Corporation

**AUTHORITY COMMITTEES**

(Membership as at 30 June 2004)

***Audit Committee***

Mark Ford (Convenor)  
Brian Davies  
Jan Walker

***Remuneration Committee***

Jan Walker (Convenor)  
Alison Timms

***Research Committee***

Mary Lythe (Convenor)  
Rangi Wills

**AUTHORITY STAFF**

Trevor Garrett	Chief Executive	tgarrett@casinocontrol.govt.nz
Kristina Muller	Legal Counsel	kmuller@casinocontrol.govt.nz
Martin Hearnden	Acting Manager, Casino Operations	mhearnden@casinocontrol.govt.nz
Tony Goddard	Manager, Finance	tgoddard@casinocontrol.govt.nz
Shona White	Executive PA	swhite@casinocontrol.govt.nz
Ingrid Rebeiro	Receptionist/Secretary	irebeiro@casinocontrol.govt.nz

## **CHAIRPERSON'S REPORT**

This is the final report of the Casino Control Authority. The Authority came into existence in 1990 following the enactment of the Casino Control Act 1990 and will be dissolved on 1 October 2004 under the Gambling Act 2003, which has established a new regulatory regime for most forms of gambling in New Zealand. Since its inception the Authority, a Crown entity, has reported annually to Parliament through the Minister of Internal Affairs.

This report focuses on the 15 month period between the end of the Authority's 2002/3 financial year and its impending dissolution. But it also touches on the highlights and more significant trends noted by the Authority during its lifetime. The Authority was charged with overseeing the introduction into New Zealand of a new, and highly regulated, industry. Initially the establishment of casinos was relatively uncontroversial but as time passed it became evident that casino gambling, like gambling generally, was capable of polarising community and political opinion. Against a background of changing attitudes to gambling, the casino industry has been evolving rapidly in response to technological developments and new patterns of customer demand. Working within that dynamic environment to apply the provisions of the relevant legislation faithfully, while maintaining the neutrality required of a quasi-judicial body, has been challenging.

In addition to performing its ongoing functions under the Casino Control Act during the year to 30 June 2004, the Authority has faced the challenge of playing its part in ensuring a trouble-free disestablishment process and a smooth transition to the new regulatory regime. To that end it has worked closely with the Department of Internal Affairs and the Gambling Commission, which have now between them assumed responsibility for regulating most aspects of casino operations.

In August 2003 Cindy Kiro resigned her membership of the Authority to become the Commissioner for Children, and the term of appointment of Brian Brooks expired on 17 December 2003, following his departure for South Africa to take up an academic position there. They were replaced by (respectively) Brian Davies and Rangi Wills, who during their (necessarily) short terms of office were quick to brief themselves on issues relevant to casino regulation and participated fully and usefully in the deliberations of the Authority. I would like to record my appreciation of the work done by the present members of the Authority, as well as my two predecessors as Chairperson, past members, and the present and past staff of the Authority, who are listed in an appendix to this report.



Janette Walker  
**CHAIRPERSON**  
29 September 2004

## **CHIEF EXECUTIVE'S REPORT**

### **BACKGROUND TO THE ESTABLISHMENT OF THE AUTHORITY**

Government proposals for casinos initially developed as a means of assisting the New Zealand tourism industry. The view that casinos might promote tourism appears to have arisen as a result of the obvious impact of casinos in Australia. In particular the Wrest Point Casino in Hobart and Jupiters Casino at Broad Beach on the Gold Coast of Queensland provided a considerable impetus for the development of tourism in those localities.

Various Ministers of Tourism, the New Zealand Tourist and Publicity Department and the tourism industry itself, argued quite strongly that a similar type of casino in New Zealand could have a similar impact.

In June 1988 the Government established the Committee of Enquiry into the Establishment of Casinos in New Zealand. It was asked to consider the impact casinos would be likely to have, to recommend whether or not they should be permitted and, if they were permitted, under what conditions. Among the Committee's main recommendations were the following, that:

- σ Provided effective control systems were instituted, the casino industry be permitted to operate in New Zealand;
- σ Casino licences be issued by a Casino Supervisory Authority, and not Parliament or Ministers of the Crown;
- σ The industry be a private one;
- σ Initially two licences be issued, one in the North Island and one in the South Island;
- σ These casinos have a monopoly for five years, after which the Authority could, but need not, issue further licences;
- σ The detailed controls on casinos not be specified by statute but be imposed by regulation and direction of the Authority;
- σ A social impact report be mandatory before any casino licence issued.

The Government accepted the tenor of the Committee of Enquiry's recommendations and established a committee of officials to draft legislation.

The resulting Casino Control Bill was introduced to the House of Representatives on Wednesday, 26 July 1989. It followed the general thrust, and adopted many of the specific recommendations, in the report of the Committee of Enquiry. Parliament referred the bill to the Commerce and Marketing Select Committee. The Select Committee's report to the House on 5 December 1989 recommended a number of significant changes to the Bill. Two of the more notable changes were:

- σ The separation of the powers between the Authority as the decision making body and the Secretary of Internal Affairs and the Police as investigators and enforcement agencies; and
- σ The introduction of a two-licence system requiring both a premises licence and a casino operator's licence for the legitimate establishment of a casino.

The Bill had its second and third readings in April and July 1990 respectively and, having received the Royal assent on 1 August 1990, came into effect on Thursday, 2 August 1990.

### **AUTHORITY FUNCTIONS**

The Casino Control Authority was established by the Casino Control Act 1990, which was repealed by the Gambling Act 2003 with effect from 1 July 2004. Under the Gambling Act the Authority will be dissolved on 1 October 2004.

The functions of the Authority under the Casino Control Act were to:

- σ Consider applications for, and to grant, casino operator's licences and (until the grant of any further casino premises licences was first suspended and then prohibited by statute) premises licences;
- σ Determine the conditions of licences;
- σ Consider and determine appeals in relation to the issue, cancellation and suspension of employee certificates of approval;
- σ Advise the Minister of Internal Affairs on matters relating to the Casino Control Act;
- σ Determine policy in relation to the supervision and inspection of casinos;
- σ Approve the games played in casinos and the rules under which such games were to be played; and
- σ Carry out such other functions as were conferred on the Authority by legislation.

In carrying out these functions the Authority has been mindful of the object of the Casino Control Act, which was:

- “to establish a system for the licensing, supervision, and control of casinos with the aims of -
- (a) Promoting tourism, employment, and economic development generally; and
  - (b) Ensuring that gaming in casinos is conducted honestly; and
  - (c) Ensuring that the management and operation of casinos remains free from criminal influence or exploitation” (section 5).

It is noteworthy that nowhere in the objectives of the Casino Control Act was express mention made of problem gambling or responsible gambling. These are concepts that came very much to the fore in the consciousness of the New Zealand public and politicians during the lifetime of the 1990 Act, and now inform much of the policy underlying the provisions of the Gambling Act.

### **MISSION STATEMENT**

“To continually strive to complete our judicial and operational responsibilities with the highest degree of integrity, innovation, service excellence and professionalism, and to be recognised internationally by other government agencies, operators, regulators and the public as experts in our field.”

### **STATEMENT OF PURPOSE**

“To ensure awareness of, and compliance with, the Casino Control Act 1990, so that consumers and operators benefit from an equitable, efficient and effective regulatory regime.”

### **GAMBLING ACT 2003**

The Gambling Act 2003 received the Royal assent on 18 September 2003. Some provisions of the Act came into force on the following day, others during the course of the period to 30 June 2004, and most of the remainder on 1 July 2004.

With the repeal of the Casino Control Act 1990 on 1 July 2004 the Authority ceased to perform functions under that statute. The Gambling Act provides for the Authority to be dissolved three months later, on 1 October, and for the terms of the members to expire on 30 September. Before it is dissolved the Authority is required to deliver to the Minister of Internal Affairs the present report on its operations for the financial year to 30 June 2004 and for the period until dissolution.

Although most of the provisions of the Gambling Act did not become operative until 1 July 2004, some did come into force beforehand, and impacted on the performance of the Authority's functions under the Casino Control Act. Foremost among these was section 11 of the Gambling Act, which provides that a "person must not increase the opportunities for casino gambling". Section 12 conferred on the Authority until 1 July 2004, and on the Gambling Commission from then on, the function and responsibility of deciding what constitutes an increase in the opportunities for casino gambling. In deciding applications for regulatory approvals under the Casino Control Act the Authority was mindful of the requirement to give effect to section 11 of the Gambling Act.

Another provision worthy of mention is section 180, which has from 19 March 2004 prohibited the operation in any casino of a gaming machine capable of accepting banknotes with a denomination greater than \$20. [The Gambling Act also applies this restriction to non-casino gaming machines.] When casinos were first established in New Zealand in 1994, gaming machines were generally operated with coin. Over the years, following the introduction of banknote acceptors, the use of banknotes to operate machines has become prevalent. Section 180 can therefore be expected to have a very real practical impact on casino operations. Now, in line with what is happening in business and society generally, casinos in the more developed jurisdictions are exploring electronic payment systems, posing a new challenge for gaming policy makers and regulators.

From March 2005, restrictions on branding businesses as casinos will apply to persons other than those authorised to own or operate casinos that are licensed as casinos under the Gambling Act. This will put a stop to the practice, common among non-casino gaming machine venues, of trading as casinos, which has been a source of confusion for members of the public and of concern to casino operators.

The Authority had expected that its workload would decrease as the repeal of the Casino Control Act approached, in view of the fact that unresolved applications before the Authority at the time of the repeal would have to be recommenced under the new regulatory regime. In fact that did not occur. The Authority is pleased to report that it was able to dispose of most of the applications before it by the end of June 2004, scheduling extra meetings and telephone conferences where necessary. Some applications for approval of associated persons could not be dealt with due to outstanding Police reports or information requested from applicants.

### **TRANSITIONAL ARRANGEMENTS**

Authority staff worked closely with the Department of Internal Affairs, and with the Gambling Commission after its establishment during the course of the year to 30 June 2004, on arrangements for the transition to the new regulatory regime established under the Gambling Act.

The Department assisted the Authority by seconding (first) Jannette Farley and (then) Martin Hearnden to act as Manager, Casino Operations. This was of particular value to the Authority as it meant that there was no need to make a short-term appointment to the position, with the associated training and induction costs that accompany such an appointment.

The Audit Committee also took measures to ensure that there was heightened control and scrutiny of Authority operations due to the impending disestablishment.

## **CASINO LICENSING**

### **CASINO PREMISES LICENCES (CASINO VENUE LICENCES)**

Under the Casino Control Act the Authority granted casino premises licences (which are now known as casino venue licences) to permit the establishment of the following six casinos:

<i>Premises Licensee (Casino)</i>	<i>Licence Granted</i>	<i>Commenced Operation</i>
Christchurch Casinos Limited (Christchurch Casino)	1993	November 1994
Sky City Auckland Limited (SKYCITY Auckland Casino)	1994	January 1996
Dunedin Casinos Limited (Dunedin Casino)	1998	October 1999
Otago Casinos Limited (Wharf Casino, Queenstown)	1999	September 1999
Queenstown Casinos Limited (SKYCITY Queenstown Casino)	1999	December 2000
Riverside Casino Limited (SKYCITY Hamilton Casino)	1999	September 2002

Casino venue licences have a term of 25 years from the date of commencement of operation of the casino and, under the Casino Control Act 1990, could be renewed for up to two further periods of 15 years each. Under the Gambling Act there is no limit on the number of renewal periods.

The Casino Control Act provided that a maximum of two premises licences could be granted in the first instance, one each in the North Island and the South Island. In 1991 the Casino Control (Applications and Hours) Regulations 1991 were promulgated. These set out the forms and procedures for the making and hearing of applications for casino licences, as well as the permitted opening hours for casinos. Shortly afterwards, in November 1991, the Authority called for applications for the two initial premises licences. Applications closed on 11 March 1992, at which time six applications had been received. The fee for an application for a premises licence was \$450,000, GST inclusive, which was set at a level that was designed to ensure that all of the costs associated with the processing of an application were met out of the fee.

Not long after the applications closed a conflict of opinion arose among the applicants over the interpretation of paragraphs (a) and (b) of section 29 of the Casino Control Act, which set out various factors to be considered by the Authority in assessing premises licence applications. This caused the Authority in October 1992 to seek a declaratory judgment from the High Court on the meaning of those provisions. The proceedings were issued by way of a special case stated under section 10(2) of the Commissions of Inquiry Act 1908, the Authority being deemed to be a commission of inquiry. Following the High Court's judgment in November 1992 (*Cashe/ Street Hotel Casino Limited v Casino Control Authority* (unreported, High Court - Auckland M1658/92, Hillyer J, 20 November 1992)) the applicants were in a position to finish preparing their cases, and the Authority to begin to hear the applications.

**South Island Initial Casino Premises Licence**

The Authority focussed its attention first on the applications for the South Island premises licence, mainly because neither involved any planning issues that needed to be resolved before the applications could be heard. This was not the case with the North Island proposals.

The South Island initial premises licence was the subject of two applications, made by Christchurch Casinos Limited and Cashel Street Hotel Casino Limited, both of which related to venues in Christchurch. The Christchurch Casinos Limited application was for a purpose-built standalone casino accompanied by ancillary parking, bar and restaurant facilities in Victoria Street. The Cashel Street Hotel Casino Limited application was for a casino with a hotel and other facilities in a converted high-rise office building in Cashel Street.

The two applications were heard together in February-April 1993 at a hearing lasting 14 days. On 30 June 1993 the Authority granted the licence to Christchurch Casinos Limited. Christchurch Casino was built during 1993/4 and opened to the public on 3 November 1994, operated by Aspinall (NZ) Limited under an approved casino agreement with Christchurch Casinos Limited.

**North Island Initial Casino Premises Licence**

Initially there were four contenders for the first casino premises licence in the North Island, all of whom proposed locations in Auckland. Of these Casino Investments Limited withdrew its application, which related to a site at the Viaduct Basin, in February 1993, before the hearing began.

The other applicants were Sky Tower Casino Limited, Saltoun Investment Limited and Auckland Casino Limited. In September 1992 Sky Tower Casino Limited applied to the Authority to amend its application by changing the site of the proposed casino from Symonds Street to Hobson Street, and making consequential modifications to the proposal. The change of site was necessary to allow for the construction of a tower. The Authority's decision in November 1992 to allow the amendment led to proceedings for judicial review, which culminated in a judgment of the Court of Appeal in May 1993 upholding the Authority's decision and the judgment of the High Court (*Saltoun Investments Limited v Casino Control Authority* (unreported, Court of Appeal, CA69/93, 20 May 1993)).

Saltoun Investment Limited's application involved a conversion of the old Custom House Building in Auckland, and Auckland Casino Limited's was for a conversion of the then main Railway Station in Beach Road.

The Authority heard the three applications that went to a hearing consecutively and (at times) jointly over 49 days from July to November 1993. On 21 January 1994 a premises licence was granted to Sky Tower Casino Limited, the Authority having earlier indicated in a written decision its preference for Sky Tower's application and its intention to consult on the conditions that might be attached to the licence if and when it was granted. Sky Tower Casino Limited later changed its name to Harrah's Sky City Limited and is now known as Sky City Auckland Limited.

Although the Casino Control Act prohibited appeals from decisions of the Authority on applications for casino licences, such decisions were subject to judicial review. In January 1994 one of the unsuccessful applicants for the North Island premises licence issued proceedings for judicial review of the decision to grant the licence to Sky Tower Casino Limited. The application for judicial review was heard in the High Court in May-June 1994 and in July the court delivered a judgment upholding the grant of the licence. By consent, the court made some changes to the scope of the licence delineating the casino premises, after which the licence was re-issued. The High Court's judgment was appealed to the Court of Appeal, which on 20 October 1994 dismissed the appeal (*Auckland Casino Limited v Casino Control Authority* [1995], NZLR142). Subsequently the Court of Appeal refused leave for an appeal to the Privy Council.

Under section 26(1) of the Casino Control Act the casino was required to begin operating within two years of the date on which the premises licence was granted, that is by 22 January 1996, unless the Authority granted an extension of time. Harrah's Sky City Limited applied for an extension, which after a formal hearing was granted in November 1995. In the event an extension of only a few days was required. The casino in Auckland opened to the public on 30 January 1996 under the name Harrah's Sky City Casino, operated by Harrah's New Zealand Inc. Subsequently the casino changed its name to Sky City Casino and it is now known as SKYCITY Auckland.

In addition to the gambling facilities, the casino now has associated with it a hotel, with a second hotel under construction across the road from the main premises; conference facilities, which were initially located on the premises but in 2003/4 moved across the road to a purpose-built convention centre; a theatre; bars and restaurants; retail facilities; parking; a transport centre; and the Sky Tower.

In February 1996, shortly after the opening of the casino, Sky City Auckland Limited's parent company, which was then called Sky City Limited and is now known as Sky City Entertainment Group Limited, listed on the New Zealand Stock Exchange. The directors, and some of the shareholders, of Sky City Limited were deemed to be associated persons of Harrah's Sky City Limited in terms of the Casino Control Act, and consequently subject to requirements for approval by the Authority under the Act. The constitutions of Sky City Limited and (later) Sky City Entertainment Group Limited have since the company listed contained provisions aimed at ensuring that all necessary approvals are obtained for persons associated with the company who need approval under the regulatory regime for casinos, as well as provisions to safeguard against the possibility of casino licences held by the Sky City group being jeopardised by the unsuitability of any person associated with the parent company. This has been less of an issue for the other casino licensees, which have been closely held companies.

The Sky City group has extensive interests in the Australasian gaming and entertainment sector, including casinos in Auckland, Hamilton, Queenstown, Adelaide and Darwin.

#### ***Further South Island Premises Licences***

Christchurch Casino began operating on 3 November 1994, and SKYCITY Auckland on 30 January 1996. The Casino Control Act prohibited the grant of any further premises licences in the South Island until the casino established under the initial premises licence for that island had been operating for two years, and likewise for the North Island. No further licence could be granted for a location within 100 kilometres of the initial casino in either island until the casino in that island had been operating for five years.

The Act did not impose any specific limits on the number of further premises licences that could be granted once the relevant monopoly periods given to the initial premises licensees had expired. It did set out various criteria that the Authority had to consider in determining an application for a premises licence. These were the same as the criteria for the two initial premises licences, namely:

- σ The suitability requirements relevant to the applicant and its associated persons. The Authority had to be satisfied that the applicant was a suitable person to be granted a premises licence, having regard to those requirements;
- σ The social impacts of the proposed casino on the place or region in which it was proposed to be sited. The Authority had to receive a social impact report from the applicant in relation to the proposal and could not grant a licence unless it was satisfied that the casino would not have unduly negative social impacts on the place or region;
- σ The standard and nature of the proposed casino, and the facilities to be provided in or in conjunction with it;
- σ The likely impact of the use of the premises concerned as a casino on tourism, employment and economic development generally in the place or region in which the premises were proposed to be located; and

- σ The extent to which the beneficial ownership of the casino would be vested in New Zealand citizens or persons ordinarily resident in New Zealand.

In 1997, after Christchurch Casino had been operating for over two years, the Authority received three further applications for premises licences in the South Island, one relating to Dunedin and two to Queenstown. Dunedin Casinos Limited's application, which was filed in May 1997, was heard over 15 days in 1997/8, and a licence was granted on 22 December 1998 to establish a casino business in existing premises forming part of the Southern Cross Hotel complex in Dunedin. Dunedin Casino, which contains a small restaurant and bar in addition to the gaming facilities, opened to the public on 6 October 1999 with Aspinnall (NZ) Limited as the operator.

Otago Casinos Limited's application, which was filed in February 1997, was initially for a casino at Millbrook Resort near Arrowtown, but the application was amended in 1998 and the proposed site changed to a converted part of the Steamer Wharf complex in the centre of Queenstown. Queenstown Casinos Limited's application, filed in June 1997, was for part of a building to be constructed in Beach Street. Both proposals were for small boutique casinos. The applications were heard one after the other over 34 days during 1998 and both applicants were granted licences on 15 June 1999. The decision to grant a licence to Otago Casinos Limited was a majority one; all previous decisions of the Authority on applications for casino licences had been unanimous.

Wharf Casino, which is both owned and operated by Otago Casinos Limited, opened at Steamer Wharf on 10 September 1999. It contains a bar and gaming facilities. SKYCITY Queenstown Casino, then known as Sky Alpine Queenstown Casino, opened on 7 December 2000. The premises licensee, Queenstown Casinos Limited, is a 60%/40% joint venture between the Sky City group and Skyline Enterprises Limited, and the casino is operated by Sky City Casino Management Limited. In addition to the main gaming facilities it offers a restaurant, bar and private gaming room.

By the terms of the premises licences issued to Queenstown Casinos Limited and Otago Casinos Limited, those companies were required to contribute to the costs of a community liaison group in Queenstown. The group, comprising representatives of the local council, the Police and community groups in the area, has acted as a conduit between the local community and the Authority with respect to the impact of the casinos in Queenstown on the local community.

#### ***Hamilton Premises Licence***

In September 1997, when the Auckland casino had been operating for almost 18 months, Riverside Casino Limited filed an application for a premises licence for Hamilton. While the Authority had no power to grant any further premises licences in the North Island until the Auckland casino had been operating for two years, it was not precluded by the Casino Control Act from beginning to investigate the application. The proposed premises were to be on the banks of the Waikato River in a purpose-built building behind the former main Post Office, and were to include restaurant, bar and parking facilities. The application was heard over 30 days during 1999 and a licence was granted on 3 December of that year, by a majority decision of the Authority.

The decision to grant the licence to Riverside Casino Limited was challenged in proceedings for judicial review. The High Court in May 2000 set aside the grant on one of the grounds alleged in the proceedings, namely apparent bias on the part of one of the members of the Authority who had heard the application. In December 2000 the Court of Appeal reinstated the Authority's decision, finding that there had been no bias (*Riverside Casino Limited v Moxon* [2001] 2 NZLR 78). The legal proceedings delayed the construction of the casino, which opened on 19 September 2002 under the name Sky Riverside Casino, with Sky City Casino Management Limited as the operator. By this time the Sky City group had acquired a majority shareholding in Riverside Casino Limited from some of the founding shareholders. The business now operates as SKYCITY Hamilton Casino.

### ***Moratorium on Grant of Premises Licences***

The Casino Control (Moratorium) Amendment Act 1997, enacted in December 1997, imposed moratorium on further applications for premises licences for a three year period from 16 October 1997. The moratorium did not affect applications filed with the Authority before 16 October 1997, namely the applications relating to Dunedin, Queenstown and Hamilton referred to above. Four other applications, which were received between 15 October 1997 and the enactment of the legislation, were returned to the applicants. The moratorium was extended in October 2000 by the Casino Control (Moratorium Extension) Act 2000, and eventually became permanent on 19 September 2003 upon the enactment of the Gambling Act 2003.

### **CASINO OPERATORS**

The Authority has issued licences to operate casinos in New Zealand to the following nine companies:

<b><i>Licensed Casino Operators</i></b>	<b><i>Licence Granted</i></b>
Aspinall (NZ) Limited	1993
Casinos Austria International AG	1993
Christchurch Casinos Limited	1999
Conrad (New Zealand) Corporation	1993
Harrah's New Zealand Inc.	1993
Dunedin Casinos Management Limited	1993
Otago Casinos Limited	1999
Sheraton Pacific Hotels Pty Limited	1993
Sky City Casino Management Limited	1998

The Casino Control Act introduced a dual licence system, whereby each casino business needed two licences to operate: a premises licence for the establishment of the casino, and an operator's licence for its operation. There was no bar to the same person holding both licences, but if the licences were held by different entities there had to be an agreement between them, approved by the Authority, making proper provision for the operation of the casino. The dual licence system had the advantage that, if the operator's licence was suspended or cancelled, the business could continue to run under the management of another operator. Otherwise it would have been necessary to close down the casino, with disruption to employees, suppliers, patrons and others associated with the business. The dual licence system continues for casinos under the Gambling Act 2003, except that casino agreements are now known as casino venue agreements.

The Casino Control Act did not - and nor does the Gambling Act - impose any limit on the number of operator's licences that might be granted. Provided the applicant and application meets the requirements of the legislation an application for a casino operator's licence may be made and granted at any time. The fee on an application for an operator's licence under the Casino Control Act was \$340,000, GST inclusive. The fee was set at a level designed to ensure that all costs of processing the application were met. It would be fair to say that applications for casino operator's licences did not incur the level of expenditure that had been anticipated when the fee was set. The applications were seldom contentious, the hearings were not lengthy, the shareholding structures of applicant companies were usually simple, and many of the persons investigated in connection with the applications were being, or had already been, investigated in connection with an application for a premises licence.

Each of the six applicants for the two initial premises licences chose to associate itself with a particular operating company. These were all subsidiaries of experienced overseas casino companies or groups, who were able to bring operating expertise to what was a new industry in New Zealand. In February and March 1992 the Authority received six applications for operator's licences. All were heard in August 1992, and three were subject to further inquiries. On 17 September 1993 the six applicants were granted operator's licences. Of these, however, only three have ever operated a casino in this country.

Aspinall (NZ) Limited operated Christchurch Casino from November 1994 until November 1999, by which time the premises licensee of the casino, Christchurch Casinos Limited, had obtained an operator's licence in its own name and took over the operation of the casino.

The Auckland casino was operated at first by Harrah's New Zealand Inc. but in 1998 Sky City Casino Management Limited, a company in the Sky City group, obtained an operator's licence and replaced Harrah's. This was the start of a trend whereby locally established operating companies replaced the overseas-based or -owned companies that had initially brought operating expertise to the local casino industry. Sky City Casino Management Limited has also operated SKYCITY Queenstown Casino and SKYCITY Hamilton Casino since they opened in 2000 and 2002 respectively.

Aspinall (NZ) Limited operated Dunedin Casino from its opening in October 1999 until April 2004. Maxims Management Limited, one of the original group of licensed operators, was inactive until 2003, when it was acquired by the premises licensee of Dunedin Casino and changed its name to Dunedin Casinos Management Limited. It replaced Aspinall as the operator of Dunedin Casino on 1 April 2004.

Otago Casinos Limited applied for an operator's licence in April 1999 and was granted one in September of that year. Under that licence Otago Casinos Limited has operated Wharf Casino, for which it also holds the premises licence, since the casino opened.

The remaining licensed operators have not operated casinos in New Zealand, but remain licence holders. Operator's licences are of indefinite duration unless surrendered or cancelled pursuant to the Casino Control Act.

## **CASINOS**

### **General**

Casino operations in New Zealand vary considerably in size and scope:

#### **Approved Gaming Positions in Casinos (as at 30 June 2004)**

<b>Casino</b>	<b>No. of Gaming Tables</b>	<b>No. of Gaming Machines</b>
Christchurch Casino	35	506
SKYCITY Auckland	110	1647
Dunedin Casino	12	180
Wharf Casino, Queenstown	6	74
SKYCITY Queenstown	12	86
SKYCITY Hamilton	23	339

Under the Casino Control Act, casino operations were regulated through a combination of mechanisms, most notably:

- σ Provisions contained in the Casino Control Act and regulations made under that Act;
- σ Conditions attached to the relevant premises and operator's licences under the Act;

- σ Rules of games, including specifications for gaming equipment; and
- σ Directions given by the Authority to casino licensees under the Act.

Whereas the Authority could amend rules of games and directions of its own motion, it had no power to initiate changes to licence conditions. Changes could be sought only by the licensee concerned or, in the context of disciplinary proceedings brought against a casino licensee, by the Government inspector or Police officer initiating the proceeding. In either case there was a formal process to be followed. The Authority therefore preferred, where it was permitted to do so by law, to regulate casino operations through more flexible means such as directions, unless matters of major significance were involved.

The Authority issued directions to casino operators under section 70 of the Casino Control Act 1990:

- σ Requiring the implementation of approved systems of internal control and administrative procedures. Any changes to the systems and procedures had to be approved by the Authority, as did changes to gaming floor layouts and security and surveillance systems, and to other significant aspects of the casino operation;
- σ Imposing minimum standards for records and notifications; and
- σ Requiring casino operators to implement measures that would facilitate access by casino patrons to Government inspectors dealing with complaints relating to the conduct of gaming in casinos.

By virtue of section 123 of the Gambling Act, those directions were deemed from 1 July 2004 to be minimum operating standards approved by the Secretary for Internal Affairs under the Act.

The inspectorate drew to the Authority's attention during the course of the year to 30 June 2004 a number of incidents involving alleged breaches by a casino operator of rules of games or approved procedures. These are detailed more fully in the section of this report dealing with compliance. However no formal application has ever been made to the Authority for disciplinary action against any of the casino licensees under section 91 of the Casino Control Act.

Each premises licensee is required by the conditions of its licence to establish and/or support a trust for community purposes. Funding obligations depend on the conditions of the particular licence, but the trusts generally are required to contribute financially to measures aimed at preventing and treating problem gambling in the community. Now that the Gambling Act will impose a problem gambling levy directly on casino operators (as well as other gaming operators) the arrangements that premises licensees have put in place under the licence conditions and trusts may warrant review.

### ***SKYCITY Hamilton***

In September 2003 the Authority approved amendments to the terms of the casino agreement, made between the operator and premises licensee of the casino, relating to the basis for calculating the operator's management fee.

The Authority established a community monitoring group for the casino, as contemplated in the terms of Riverside Casino Limited's premises licence. The group, chaired by Sue Duignan of the Hamilton City Council, was made up of number of representatives of social and business organisations from within Hamilton. While the group's role was limited to the casino, due to the jurisdiction of the Authority, it was clear that the impacts of gaming in Hamilton and the region came not only from the casino but also from other gaming providers. With the Gambling Act coming into effect the ongoing role of the group will be a matter for the Department and the Gambling Commission.

**SKYCITY Auckland**

During the course of the year to 30 June 2004 Sky City Auckland Limited applied on two occasions for variations to the conditions of its premises licence. The first application dealt with two distinct matters: restrictions on the availability of ATMs and similar devices on the casino premises, and changes to the requirements for cashiering facilities. The application was refused, but a new application relating solely to cashiering facilities was later made and allowed.

Under section 47 of the Casino Control Act, a casino licence could be encumbered only with the approval of the Authority, and only in favour of a person or persons approved by the Authority. For many years there was a charge over Sky City Auckland Limited's premises licence securing funding facilities for the Sky City group. In 2004 the Sky City group advised of its intention to review its financing arrangements and the security for them, replacing the charge over the licence with a negative pledge. The Authority accepted Sky City's argument that the new arrangements did not come within the scope of section 47, and the charge over the premises licence was discharged.

During the course of the year to 30 June 2004 SKYCITY Auckland Casino undertook substantial alterations to the casino premises, opening an expanded gaming area with associated facilities on level 3 of the casino, in the part previously occupied by function rooms, which were relocated to the new convention centre built across the road from the premises. New VIP gaming facilities were also approved for the casino, new decks approved for construction, and various other changes made to the layout of the casino.

In a change applying across the Sky City group, i.e. to the casinos in Hamilton and Queenstown as well as that in Auckland, the Authority gave approval for the conduct of discount on loss programmes, and commission agent agreements, the latter under section 73 of the Casino Control Act. A number of agreements with commission agents were approved.

**Dunedin Casino**

The major event at Dunedin Casino during the year to 30 June 2004 was the change of operator on 1 April 2004 from Aspinall (NZ) Limited to Dunedin Casinos Management Limited, a subsidiary acquired during 2003 by the premises licensee, Dunedin Casinos Limited. A number of approvals from the Authority under the Casino Control Act were required in connection with both the acquisition and the change of operator, and further conditions were attached to the licences of Dunedin Casinos Limited and Dunedin Casinos Management Limited. The Authority gave directions to Dunedin Casinos Management Limited under section 70 of the Act in connection with the operation of Dunedin Casino, and revoked the directions previously given to Aspinall (NZ) Limited.

Shortly before the repeal of the Casino Control Act Dunedin Casinos Limited applied for a variation of the conditions of its premises licence relating to the community trust established by it. The application was granted.

**Wharf Casino**

In May 2004 the Authority approved a revised responsible gambling programme for Wharf Casino under the terms of Otago Casinos Limited's casino licences.

**REGULATIONS**

In addition to the Casino Control (Applications and Hours) Regulations, promulgated in 1991, the following regulations were made under the Casino Control Act:

- σ The Casino Control (Applications and Hours) Regulations, Amendment No. 1 (on 4 December 1995);

- σ The Casino Control (Certificates of Approval and Warrants) Regulations 1994 (on 15 August 1994);
- σ The Casino Control (Certificates of Approval and Warrants) Regulations, Amendment No. 1 (on 4 September 1995).

## **RULES OF GAMES**

Under the Casino Control Act, the casinos have conducted games under a single set of rules, rather than under rules specific to the particular operation as occurs in some jurisdictions. Rules have been gazetted for electronic machine gaming, keno, the racing game, table game and machine tournaments, promotions, bingo and the following table games: blackjack, roulette, electronic roulette, baccarat, tai-sai, money wheel, Caribbean stud poker, craps, pai gow, poker, and pontoon. The rules continue in force under the Gambling Act. Not all of the casinos offer all of the permitted games, and some of the games for which rules have been gazetted are not currently offered in any of the New Zealand casinos, there being (apparently) insufficient demand for them.

The Authority made a practice of reviewing the rules of games regularly in consultation with the casino operators and Government inspectorate. During the period under review it approved rules for the game of bingo, which were gazetted in August 2003. It declined an application by a casino operator for the approval of rules to permit the conduct of double zero roulette, being of the view that the game would be unduly disadvantageous to casino patrons. [The gazetted rules allow the single zero version of the game, in which the odds paid to patrons are more favourable than is the case with double zero roulette.] The Authority also declined a request to allow the introduction of hidden mystery jackpots on gaming machines. The rules for electronic roulette and tai sai were amended during the course of the year to 30 June 2004, and the rules for baccarat, midi baccarat and mini baccarat were amended in a number of respects and then consolidated into a single set of rules for baccarat. Rules for baccarat tournaments were amended, as were those governing the playing of Caribbean stud poker.

The Authority adopted the Australia/New Zealand Gaming Machine National Standards Revision 7.0 (together with New Zealand Casino Appendix Version 3.0) as the approved specifications for gaming machines in New Zealand casinos. The main standards are the common Australasian standards that have been developed in conjunction with gaming regulators in Australia for equipment used in machine gaming. As a consequence of the adoption of the new version of the standard there were amendments to the rules and specifications for electronic gaming machines in casinos. The rules and specifications were also amended to allow for gaming machine tournaments, and for the use of ticket in ticket out cashless machine gaming systems on a trial basis, subject to a number of restrictions. The restrictions laid down by the Authority related to (among other things) the number or proportion of machines in a casino on which the system could be available, the value of tickets dispensed and input, and the manner in which winnings from a machine could be collected by means of a ticket.

One matter worthy of note since casinos have begun to operate in New Zealand is the trend towards machine gaming, in the form either of games that are strictly electronic or of table games with an electronic component, such as electronic roulette and Caribbean stud poker. When the casino industry began in New Zealand it was quite clear whether a game was a table game or not; now that distinction is becoming increasingly meaningless. Present indications are that this trend will continue, as generations that have grown up with electronic technology take up casino gambling. Systems and procedures that are ancillary to the conduct of games are also becoming increasingly more automated, posing new challenges for those charged with controlling and regulating casino operations.

## **OPERATING HOURS**

Section 61 of the Casino Control Act, with regulation 15(2) of the Casino Control (Applications and Hours) Regulations 1991, restricted the hours during which a casino might lawfully be "operated". In effect no casino could operate at any time on Christmas Day or Good Friday, or on ANZAC Day between 3.00am and 1.00pm. Besides gaming, a range of activities are often carried out on casino premises, such as food and beverage operations, the provision of hotel accommodation, car parking, and conference and entertainment activities. Ever since casinos began operating in New Zealand there has been uncertainty as to what services a casino may offer, other than gambling, to customers during those restricted hours of operation. The Gambling Act prohibits the "conduct" of "casino gambling" during the relevant periods of time. The phrase "conducting gambling" is defined in section 5 of the Gambling Act as including "promoting gambling" and it will be interesting to see how the Act will affect promotional activity in the form of advertising on billboards, vehicles, websites and the like.

## **ASSOCIATED PERSONS**

The Authority's prior approval was required for any person or company to become an associated person (as defined in the Casino Control Act) of a casino licensee, and for any associated person to assume a new or greater role in a licensee's casino business. Since the licensing process began, the Authority has dealt with numerous applications for approval of associated persons. These have generally been in the following contexts:

- σ Applications for casino premises and operator's licences;
- σ Changes in the shareholding structure of casino licensees. Most of the premises licensees, and some of the operators, have experienced changes of this kind over the years;
- σ Changes in the composition of the boards of casino licensees or their parent companies;
- σ The appointment of persons to senior managerial positions in casino businesses, and changes in the holding of managerial positions.

During the course of the year the Authority determined a number of applications for the approval of new associated persons, or changes in associated persons. In many cases the applications were associated with the acquisition by Dunedin Casinos Limited of the shares in Maxims Management Limited, or with the change of operator at Dunedin Casino.

In May 2004 applications were made for approval of associated persons in connection with the proposed acquisition by Sky City Entertainment Group Limited of all of the shares in Aspinall (NZ) Limited, the licensed casino operator, and proposed changes to the boards of Aspinall and of Christchurch Casinos Limited (in which Aspinall has a substantial shareholding) consequential on the change in Aspinall's ownership. Unusually, the applications were contested, in this case by Christchurch Casinos Limited. The applications were heard together formally by the Authority in June 2004, and were granted before the Casino Control Act was repealed at the end of that month.

In June 2004 Sky City Entertainment Group Limited received unconditional approval to increase its shareholding in Riverside Casino Limited from 55% to 70%.

A number of applications were received shortly before 30 June 2004 in connection with a proposed restructuring of management positions in the Sky City group.

No application for approval of an associated person was refused during the period under review. Some of the applications relating to the Sky City group management restructuring could not be disposed of before the repeal of the Casino Control Act, because the Authority was awaiting information from either the Police or the subject of the application, and those applications lapsed.

## COMPLIANCE

The Authority received regular quarterly reports from the Government inspectorate on the operation of each casino, as well as occasional reports arising out of patron complaints or other incidents. As noted earlier in this report no application was ever made to the Authority for disciplinary action against a casino licensee. The Authority is pleased to report that casino licensees achieved acceptable levels of compliance during the year to 30 June 2004.

Under the Casino Control Act inspectors appointed by the Secretary for Internal Affairs carried out the function of inspecting and supervising casinos in accordance with a policy determined by the Authority. The first two casinos to be established each had an inspectorate based on-site, maintaining a presence at all times while the casino was operating, and with considerable involvement in the casino's internal operating procedures. After some years the policy was revised, reflecting a more focused, risk-based approach to the performance of the inspectorate function. This in turn recognised that casino operators were required to maintain a full and independent surveillance unit, as well as comprehensive systems of internal control. The change in policy, which was implemented during the 1999-2000 year, resulted in a reduction in the levels of physical supervision by inspectors and their withdrawal from an active role in the casino's own procedures. The data available suggests that casinos have continued to achieve acceptable levels of compliance notwithstanding this change of approach.

The following data on compliance measures has been obtained from the Government inspectors based at each casino and relates to matters that are itemised in the Casino Control Act.

	SKYCITY Auckland		Christchurch Casino		Dunedin Casino		Wharf Casino, Queenstown		SKYCITY Queenstown		SKYCITY Hamilton	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
Patron Complaints <sup>1</sup> :												
Made	82	113	15	21	4	3	3	5	1	5	5	14
Upheld	1	3	0	0	1	0	0	0	1	0	0	1
Cheating Incidents <sup>2</sup>	30	59	16	11	3	2	0	1	1	1	2	3
Cheating Prosecutions <sup>3</sup>	3	11	0	0	0	0	0	0	1	0	0	0
Section 91 Applications Made <sup>4</sup>	0	0	0	0	0	0	0	0	0	0	0	0
Section 91 Applications Heard <sup>4</sup>	0	0	0	0	0	0	0	0	0	0	0	0
COA's Cancelled/Suspended <sup>5</sup>	0	0	0	0	0	0	0	0	0	0	0	0
COA's Voluntarily Surrendered	7	6	1	0	0	0	0	0	0	0	1	0
Minors Removed <sup>6</sup>	31	82	21	12	7	8	0	1	2	1	16	12
Self Bars <sup>7</sup> :												
Initiated	493	521	71	94	24	23	7	15	13	15	37	15
Self-barred Patrons Removed	226	274	74	108	4	4	0	1	1	1	25	4

<sup>1</sup>Patrons could make complaints relating to the conduct of gaming in any casino to a Government casino inspector. Where, after investigation, the complaint was upheld the matter was reported to the Authority.

<sup>2</sup> Incidents of suspected cheating at games as detected by casino supervisors, casino surveillance or the Government inspectorate.

<sup>3</sup> Successful prosecution of cheating incidents.

<sup>4</sup> Application by Police or Government casino inspector for cancellation or suspension of a casino licence.

<sup>5</sup> Employee certificate of approval cancelled/suspended by the Secretary for Internal Affairs.

<sup>6</sup> Number of minors found on gaming floor and removed from premises.

<sup>7</sup> Individuals may apply to a casino to be barred from entering the gaming area. This is usually for reasons relating to problem gambling. Where a self-barred patron enters the gaming floor, a condition of the self-bar is that they be removed by casino personnel.

## **APPEALS**

The Authority had the function of hearing appeals against decisions by the Secretary for Internal Affairs to:

- σ Refuse to grant a certificate of approval, authorising employment in the casino in certain capacities related to the conduct of gaming and ancillary activities; or
- σ Suspend or cancel a certificate of approval.

The number of appeals lodged with the Authority under the Casino Control Act was surprisingly low, with only four appeals being filed between 1994, when employee licensing began, and the repeal of the Act. Two of these proceeded to a hearing and determination, the two other being withdrawn, in at least one case because the Secretary reversed the decision that had been appealed. Both of the appeals that were heard were successful. The low number of appeals may have been due in part to the deterrent effect of an appeal fee set at \$500 (inclusive of GST). While justifiable in terms of cost recovery, the appeal fee was payable on top of the initial application fee of \$506, and was not refundable even if the appeal succeeded. This may well have acted as a disincentive to prospective appellants, many of whom would have been holding or seeking positions in the casino industry that were not particularly highly paid.

One appeal was lodged with the Authority during the year to 30 June 2004. It was filed outside of the normal appeal period of 20 working days from receipt by the appellant of the decision on the initial application, but the Authority granted leave to bring the appeal. The appeal was withdrawn before the hearing date when the initial decision was reconsidered.

## **SURVEILLANCE POLICY REVIEW**

Some years ago the Authority developed a policy setting out its expectations for the performance of surveillance equipment in casinos.

Issues arose during the course of the year to 30 June 2003 concerning the appropriateness of aspects of the policy. Ultimately the formulation of a policy of this kind is a matter of judgment, with the perceived risks to be averted weighed against what is technically possible, the existence of other risk-mitigating factors and measures, and questions of cost.

The Authority commissioned IPP Consulting Pty Limited, Australian-based independent experts in risk management and technology, to review the surveillance policy and its operation at representative casino sites, against best practice as viewed by casino regulators in Australian jurisdictions. The review, which was carried out with the involvement of the Government inspectorate and the casino operators, resulted in the policy being amended during the second half of 2003. In view of the impending changes in the regulatory framework, which would see responsibility for surveillance standards passing to the Gambling Commission and the Secretary for Internal Affairs, the Authority did not implement some of the more far-reaching recommendations in the report.

## **JUNKETS**

In 2002 casino operators began to express a serious interest in conducting junkets, otherwise known as group commission programmes, bringing high-spending foreign customers to New Zealand casinos on organised group programmes. It is not clear why this did not happen sooner: it may be that the casinos were concentrating initially on establishing themselves in the local market, or that, in the group commission programme segment of the market, New Zealand was increasingly seen as an alternative to Australia as a destination. Although the Casino Control Act 1990 provided for regulations to be made prescribing the terms and conditions under which casino licensees might enter into arrangements with junket organisers regarding junkets, no regulations of this kind were promulgated.

However, by their very nature agreements with junket organisers typically required the approval of the Authority under section 73 of the Casino Control Act. [Section 73 has been replaced by section 181 of the Gambling Act, with the power of approval being conferred on the Secretary for Internal Affairs.] These provisions relate to agreements between casino licensees and other parties (not necessarily junket operators) for the provision by the other party of things or services in return for reward based on amounts of money staked or lost in a casino.

During 2003 and the first half of 2004 applications were made to the Authority for approval of a number of agreements with junket operators under section 73 of the Casino Control Act. A number of agreements were approved, all relating to either SKYCITY Auckland Casino or SKYCITY Queenstown Casino. All of the approved agreements were for terms of no more than a year, following which approval will have to be sought under the Gambling Act for new agreements if the junket programmes are to continue. Internal control procedures for the conduct of group commission programmes were developed and implemented in the relevant casinos. The Authority has not been made aware of any particular concerns about the conduct of junkets, from a regulatory perspective, since the programmes began operating in the second part of 2003.

### **CASINO IMPACT RESEARCH**

The Authority commissioned two major research projects to study the impacts of casinos in New Zealand.

The first was a study of the social and economic impacts of the Christchurch and Auckland casinos, which was carried out over 1997/8, once both casinos had been operating for over a year. Professor Jan McMillen, the then Director of the Australian Institute for Gambling Research at the University of Western Sydney Macarthur, led the project, with the assistance of researchers in New Zealand and Australia. The full report, *Study of the Social and Economic Impacts of New Zealand Casinos* (1998), was published in December 1998, together with an executive summary. One of the difficulties that the research team faced was the lack of relevant and sensitive data in New Zealand compared with, for example, the sort of data that was available in Australia.

In 2002 the Authority commissioned the University of Waikato to undertake research into the social and economic impacts of the establishment of SKYCITY Hamilton Casino, including a base-line study conducted before the opening of the casino. This is the first research into casinos in New Zealand to include a base-line study. The first phase of the project research was carried out during 2002/3, and the second phase began a year after the casino started operating in September 2002. The research team's report will be publicly available when it has been completed, which is anticipated to be at the end of this reporting period.

### **INTERNET GAMING**

In previous annual reports the Authority has commented extensively on the development and growth of internet gaming. It is the Authority's observation that this is a complex but rapidly growing part of the gaming market.

The area is complex, not only because of the shifting legal and regulatory positions taken by different jurisdictions, but also because the internet medium is allowing for the development of gaming activities that are not able to be provided through traditional means.

The Authority first developed a model for the regulation of internet gaming in 1996. That model assumed that gaming conducted by way of this medium was fundamentally different from traditional gaming and that traditional regulatory models would not be effective when applied to it.

The Authority's model utilised some of the principles of the traditional model but also acknowledged that because of the portability of an internet gaming operator participation in a regulated environment would be voluntary.

The Government of the day accepted the alternative advice, which was to wait and see how the industry developed. In the meantime the Authority's model was adopted by a large number of overseas jurisdictions as a basis for their own regulation of internet gaming.

The approach now adopted by the Gambling Act means that only the TAB and the New Zealand Lotteries Commission can offer internet gaming in New Zealand. However, that does not prevent people in New Zealand using the numerous gaming sites offered by overseas operators. It also means that New Zealand companies wishing to involve themselves in this business can still do so by basing themselves in an overseas jurisdiction.

The Authority remains of the view that this part of the industry will continue to grow and that a more sophisticated policy position will need to be developed in New Zealand.

### **NEW ZEALAND REGULATORY AGENCIES**

The Authority worked closely with both the Department of Internal Affairs and the New Zealand Police in the regulation of casinos under the Casino Control Act.

The Department was responsible under the Act for inspecting and supervising casino operations in accordance with the Authority's policy, and for employee licensing.

The Police vetted applicants for casino licences, and prospective associated persons, particularly in respect of probity. All Police officers had the functions and powers of Government inspectors under the Act. Police officers and Government inspectors could bring applications to the Authority under section 91 of the Act for disciplinary action against casino licensees. However only the Police could prosecute offences committed under the Act, such as for cheating. These activities fell outside the normal responsibilities of the Police and it was therefore a requirement of the Casino Control Act that the Authority provide funding for them.

At first the Police operated in a national unit, the Police Casino Project Unit, out of the Police National Headquarters. After the initial premises licences were granted the unit was disbanded and the Police carried their functions under the Act locally.

Since the coming into force of the Financial Transactions Reporting Act 1996 the Police through the Financial Intelligence Unit have been the body primarily responsible for enforcing the legal requirements relating to the recording and reporting of financial transactions by casino operators and other financial agencies. The Authority worked closely with the Police to ensure that training courses and internal control systems implemented by casino operators met the requirements of the 1996 Act.

### **OVERSEAS JURISDICTIONS**

From its inception the Authority maintained contact with regulators and casino operators in other jurisdictions, particularly in Australia, but also elsewhere. Interchanges with both groups proved invaluable to the Authority in conducting investigations into applicants for casino licensees, many whom have been based or owned overseas, and in formulating policies and procedures for casinos. The Authority has appreciated the co-operation afforded to it, its staff and investigators by foreign gaming regulators and Police forces. With the Sky City group listed and operating in both New Zealand and Australia, close liaison between the Authority and Australian regulators has been particularly important.

Since its establishment, the Authority has learned a great deal from the principles and operational expertise of international regulatory organisations. It continues to be of the view that the regulatory principles used in New Zealand should be tested against the best practices overseas to ensure that casino regulation continues to meet the stringent regulatory requirements expected, while also allowing licensees to operate successful and innovative businesses.

The Authority has taken a leadership role in seeking a greater level of co-operation among regulatory agencies and this has led in large measure to a move towards standardising regulatory requirements in Australasia. The Authority believes that this has resulted in greater efficiencies among regulatory agencies, without limiting the effectiveness of those agencies' activities. Further, it will reduce compliance costs for casino businesses working within different jurisdictions.

The Chief Executive is a member of the Australasian Casino and Gaming Machine Regulators CEOs Forum. Staff members of the Authority have contributed to the following Australasian working parties, among others:

- σ Responsible Gambling Working Party
- σ Working Party on National Standards for Gaming Machines
- σ Working Party on Best Practice Casino Control Model
- σ National Panel for Accreditation for Testing Laboratories; and
- σ Working Party on Interactive Gaming.

As well as working towards standardising regulatory requirements in Australasia the Authority has also discussed with other international regulators a more global response to some regulatory requirements. Some tentative steps have been taken, particularly by South African and American regulators, to see where efficiencies can be made by regulators. While it may take some years to achieve more global co-operation, the initial steps taken are seen as encouraging.

The Authority has developed a very good international reputation for its work. The previous Chairperson was, and the Chief Executive has been, regularly invited to speak at various international forums. The Authority used these forums to promote its views on casino regulation and to challenge regulators to continually assess the impact of their regulatory activities on casino businesses; to be at the forefront of considering best practice in casino regulation; and to highlight the New Zealand regulatory environment. By taking part in these forums the Authority developed excellent relationships with overseas jurisdictions, which, in turn, assisted with inquiries made by those jurisdictions of the Authority. The Authority also, for its part, has received information that assisted its own operational objectives. The Chief Executive is a past chair of the International Association of Gaming Regulators and a former member of the Association's management committee. The annual meeting of that organisation that was held in Lisbon in September 2003 was attended by more than 120 regulators from more than 70 gaming jurisdictions worldwide.

## **ADMINISTRATION**

When the Authority was first established it received administrative support from staff of the Department of Internal Affairs in Wellington, an arrangement that the Casino Control Act permitted. It soon became apparent that it would be more appropriate for the Authority to be administered quite independently of the Department. This was not least because the Authority had the function of hearing appeals from decisions of the Secretary for Internal Affairs relating to certificates of approval for casino employees (decisions that in practice were made by Departmental staff acting under delegated authority), and in hearing applications for disciplinary action against casino licensees brought by Government inspectors employed by the Department.

In 1991, therefore, the Authority appointed a Chief Executive, who also performed the statutory role of Secretary to the Authority, and in January 1992 it established an office in Auckland which was staffed by employees appointed by the Authority under the Casino Control Act. Since then the Authority has been based in Auckland. It did however hold hearings and meetings in other parts of the country when appropriate, for example hearing applications for casino licences in the place most closely related to the application concerned.

## **FUNDING**

Under the Casino Control Act costs associated with the regulation of casinos were met by the industry or those seeking to enter it. Over the Authority's lifetime most costs were met by levies imposed on premises licensees. Costs associated with determining applications for casino licensees, and with some other sorts of application, were met by prescribed application fees; other kinds of application were not subject to any prescribed application fee. Apart from an establishment grant of \$200,000 from the Government, which the Authority repaid once it began to receive funding from other sources, no taxpayer funding was used to support the Authority or other bodies performing functions under the Act.

The levies imposed on premises licensees during 2003/4 totalled \$4,090,000.00 (exclusive of GST), made up as follows:

Sky City Auckland Limited (SKYCITY Auckland)	\$2,023,438.00
Christchurch Casinos Limited (Christchurch Casino)	\$ 790,457.00
Riverside Casino Limited (SKYCITY Hamilton)	\$ 497,415.00
Dunedin Casinos Limited (Dunedin Casino)	\$ 389,721.00
Queenstown Casinos Limited (SKYCITY Queenstown)	\$ 207,882.00
Otago Casinos Limited (Wharf Casino)	\$ 181,087.00

From 1993, when the first premises licence was granted, until 2003 the Authority recommended to the Ministers of Internal Affairs and Finance the amount of the levy to be imposed on each premises licensee during the following financial year, and the Ministers then determined the levy sums. In preparing its recommendation the Authority followed a process that was designed to ensure transparency for stakeholders, which involved exposing its budget, as well as those of the Government inspectorate and the Police, to the premises licensees for comment and discussion.

The Authority and inspectorate adopted a policy of refunding to the levy payers levies collected in excess of actual regulatory costs. For the 15 months to 30 September 2004 refunds to casinos of \$747,399 in total reduced the total levy ultimately imposed. The amended total levy figure was distributed among the Authority (\$576,648), the Department of Internal Affairs (\$2,714,748) and the Police (\$51,205).

Any surplus funds of the Authority that remain after the costs expected to be incurred up to the time of dissolution have been allowed for, and after provision has been made for unforeseen expenditure and liabilities, will pass - with the Authority's other assets and liabilities - to the Crown under section 298 of the Gambling Act when the Authority is dissolved on 1 October 2004.

## **CASINO DUTY**

In addition to income tax, GST and other taxes and levies imposed generally on businesses, casinos have paid duty at the rate of 4% on their win pursuant to the Gaming Duties Amendment Act 1991. As noted earlier in this report the industry has also met the costs of the regulatory system, and most premises licensees have contributed financially on a voluntary basis to

programmes to prevent and treat problem gambling, through both the community trusts established under the conditions of their licences, and the Problem Gambling Committee (formerly the Committee on Problem Gambling Management), a body that was recognised by the Gaming and Lotteries Amendment Act (No. 2) 1996 as a funder of problem gambling counselling services in New Zealand. With the establishment under the Gambling Act 2003 of new arrangements for providing and funding problem gambling services, the committee has been disbanded.

### **AUTHORITY MEETINGS**

The Authority met 12 times during the year under review, on two occasions by telephone conference. In addition, some urgent matters were dealt with where appropriate by written resolution. Meetings were held on:

<b>2003</b>	<b>2004</b>
31 July (Hamilton)	13 February
22 August (telephone conference)	12 March (Christchurch)
12 September	6 April
31 October (Dunedin)	14 May
14 November (telephone conference)	8 June
5 December	18 June

The Authority has always aimed to meet at least once each year in each of the centres where casinos are located other than Auckland. This enabled it to meet with interested parties in the area (including community liaison groups and other community representatives, the Police, the local inspectorate and casino management), to discuss issues relating to the local casino operation(s).



Trevor Garrett  
**CHIEF EXECUTIVE**  
 29 September 2004

**FINANCIAL STATEMENTS**  
**OF**  
**CASINO CONTROL AUTHORITY**  
**FOR THE YEAR ENDED 30 JUNE 2004**

## **GOVERNANCE AND ACCOUNTABILITY STATEMENT**

### **ROLE OF THE AUTHORITY**

The Minister of Internal Affairs has appointed members to the Authority. The members' governance responsibilities include:

- σ Communicating with the Minister and other stakeholders to ensure their views are reflected in the Casino Control Authority's planning
- σ Delegating responsibility for achievement of specific objectives to the Chief Executive
- σ Monitoring organisational performance towards achieving objectives
- σ Accounting to the Minister on plans and progress against them
- σ Maintaining effective systems of internal control.

### **STRUCTURE OF THE CASINO CONTROL AUTHORITY**

#### **CASINO CONTROL AUTHORITY OPERATIONS**

The Authority has appointed a single employee, the Chief Executive, to manage all Authority operations. All other employees of the Casino Control Authority have been appointed by the Chief Executive. The Authority directs the Chief Executive by delegating responsibility and authority for the achievement of objectives through setting policy.

#### **AUTHORITY COMMITTEES**

The Authority has set up several standing committees to provide a more detailed level of focus on particular issues. Each committee has been delegated responsibility for governance, that is, policy making and monitoring of the organisation's progress toward meeting objectives stated in policies. Committees do not involve themselves in operational matters. The Authority's standing committees include:

<i>Committee</i>	<i>Meets</i>
Research Committee	As required
Remuneration Committee	As required
Audit Committee	Quarterly

### **GOVERNANCE PHILOSOPHY**

#### **AUTHORITY MEMBERSHIP**

Authority members are appointed by the Governor General on the recommendation of the responsible Minister. Members are appointed pursuant to section 8 of the Casino Control Act 1990, and compose individuals who have diverse skills and experience to bring a wide range of thought to bear on policy issues. Once appointed, all members are required to act in the best interests of the Casino Control Authority. Members acknowledge that the Authority must stand unified behind its decisions; individual members have no separate governing role outside Authority meetings.

#### **CONNECTION WITH STAKEHOLDERS**

The Authority acknowledges its responsibility to keep in touch with stakeholders and, in particular, to remain cognisant of the responsible Minister's expectations.

#### **DIVISION OF RESPONSIBILITY BETWEEN THE AUTHORITY AND MANAGEMENT**

A key to the efficient running of the Casino Control Authority is that there is a clear division between the roles of the Authority members and management. The Authority members concentrate on setting policy and strategy, then monitor progress toward meeting objectives. Management is concerned with implementing policy and strategy. The Authority members

clearly demarcate these roles by ensuring that the delegation of responsibility and authority to the Chief Executive is concise and complete.

### **ACCOUNTABILITY**

The Authority holds monthly meetings to monitor progress toward its strategic objectives and to ensure that the affairs of the Casino Control Authority are being conducted in accordance with those policies adopted by Authority members.

### **CONFLICTS OF INTEREST**

The Authority maintains an interests register and ensures members are aware of their obligations to declare interests.

### **INTERNAL AUDIT**

While many of the Authority's functions have been delegated, the overall responsibility for maintaining effective systems of internal control ultimately rests with Authority members. Internal controls includes the policies, systems and procedures established to provide assurance that specific objectives of the Authority will be achieved. Authority members have acknowledged their responsibility by signing the Statement of Responsibility on page 30 of this report.

The Casino Control Authority has an internal audit function which is responsible for monitoring its systems of internal control and the quality and reliability of financial and other information reported to Authority members at its monthly meetings. Internal audit operates independently of the management and reports its findings directly to the Audit Committee. Internal audit liaises closely with the external auditors, who review the systems of internal control to the extent necessary to support their audit opinion.

### **RISK MANAGEMENT**

Authority members acknowledge that they are ultimately responsible for the management of risks to the Casino Control Authority. Authority members have charged the Chief Executive through a risk management policy with establishing and operating a risk management programme in accordance with the Australia/New Zealand standard 4360:1995 Risk Management.

### **LEGISLATIVE COMPLIANCE**

Authority members acknowledge their responsibility to ensure the organisation complies with all legislation. Authority members have delegated responsibility to the Chief Executive for the development and operation of a programme to systematically identify compliance issues and ensure that all staff are aware of legislative requirements that are particularly relevant to them.

### **ETHICS**

Authority members have adopted a code of ethics and regularly monitor whether staff maintain high standards of ethical behaviour and practice the principles of 'good corporate citizenship'.

Monitoring compliance with ethical standards is done through such means as monitoring trends in complaints and disciplinary actions; internal audit reports; or any reports or indications that show non-conformance with the principles espoused in the code of ethics.

Good corporate citizenship involves this entity, including its employees, acknowledging that it is a member of one or more communities outside of itself, and making a commitment to act in a manner consistent with the social mores and accepted rights and responsibilities of all citizens of those communities.

## **STATEMENT OF RESPONSIBILITY FOR THE YEAR ENDED 30 JUNE 2004**

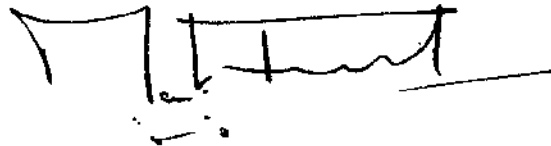
The members of the Casino Control Authority accept responsibility for the preparation of the annual Financial Statements and the judgements used in them.

The members of the Casino Control Authority accept responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial and non-financial reporting.

In the opinion of the members of the Casino Control Authority the annual Financial Statements for the year ended 30 June 2004, fairly reflect the financial position and operations of the Casino Control Authority.



**CHAIRPERSON**  
Janette Walker  
29 September 2004



**CHAIRMAN AUDIT COMMITTEE**  
Mark Ford  
29 September 2004

for and on behalf of the members of the Casino Control Authority



**AUDIT REPORT**

**TO THE READERS OF**

**CASINO CONTROL AUTHORITY'S**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2004**

The Auditor-General is the auditor of Casino Control Authority (the Authority). The Auditor-General has appointed me, F Caetano, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements of the Authority, on his behalf, for the year ended 30 June 2004.

**UNQUALIFIED OPINION**

In our opinion the financial statements of the Authority on pages 33 to 45, that are prepared on a disestablishment basis:

- σ comply with generally accepted accounting practice in New Zealand; and
- σ fairly reflect:
  - the Authority's financial position as at 30 June 2004; and
  - the results of its operations and cash flows for the year ended on that date.

The audit was completed on 29 September 2004, and is the date at which our opinion is expressed.

The basis of the opinion, which refers to the financial statements being appropriately prepared on a disestablishment basis, is explained below. In addition, we outline the responsibilities of the Authority and the Auditor, and explain our independence.

**BASIS OF OPINION**

We carried out the audit in accordance with the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards.

We planned and performed our audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the financial statements did not have material misstatements, whether caused by fraud or error.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements. If we had found material misstatements that were not corrected, we would have referred to them in the opinion.

Our audit involved performing procedures to test the information presented in the financial statements. We assessed the results of those procedures in forming our opinion.

Audit procedures generally include:

- σ determining whether significant financial and management controls are working and can be relied on to produce complete and accurate data;
- σ verifying samples of transactions and account balances;
- σ performing analyses to identify anomalies in the reported data;
- σ reviewing significant estimates and judgements made by the Authority;

- σ confirming year-end balances;
- σ determining whether accounting policies are appropriate and consistently applied; and
- σ determining whether all financial statement disclosures are adequate.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements.

We evaluated the overall adequacy of the presentation of information in the financial statements. We obtained all the information and explanations we required to support the opinion above.

### **FINANCIAL STATEMENTS PREPARED ON THE DISESTABLISHMENT BASIS**

In forming our opinion, we considered the accounting policy on page 33, about the financial statements being prepared on a disestablishment basis. We consider the disestablishment basis to be appropriate as section 297 of the Gambling Act 2003 applied from 1 July 2004. Section 297 requires the dissolution of the Authority and the vesting of its assets and liabilities into the Crown three months from 1 July 2004.

### **RESPONSIBILITIES OF THE AUTHORITY AND THE AUDITOR**

The Authority is responsible for preparing financial statements in accordance with generally accepted accounting practice in New Zealand. Those financial statements must fairly reflect the financial position of the Authority as at 30 June 2004. They must also fairly reflect the results of its operations and cash flows for the year ended on that date. The Authority's responsibilities arise from the Gambling Act 2003 and the Public Finance Act 1989.

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you. This responsibility arises from section 5 of the Public Audit Act 2001 and section 43(1) of the Public Finance Act 1989.

### **INDEPENDENCE**

When carrying out the audit we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the Institute of Chartered Accountants of New Zealand.

Other than the audit, we have no relationship with or interests in the Authority.



**F CAETANO**

Audit New Zealand

On behalf of the Auditor-General

Auckland, New Zealand

## **STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2004**

### **REPORTING ENTITY**

These are the financial statements of the Casino Control Authority, a Crown entity in terms of the Public Finance Act 1989.

These financial statements have been prepared in accordance with section 41 of the Public Finance Act 1989.

### **MEASUREMENT BASE**

The financial statements have been prepared on an historical cost basis.

### **ACCOUNTING POLICIES**

The following particular accounting policies which materially affect the measurement of financial performance and financial position have been applied:

#### **DISESTABLISHMENT**

The Gambling Act, 2003 provides for the dissolution of the Casino Control Authority and for its assets and liabilities to vest in the Crown three months after section 297 comes into force. Section 297 came into force on 30 June 2004, and the Casino Control Act 1990 was repealed on that date. The Authority will be dissolved on 30 September 2004.

These financial statements have been prepared on a disestablishment basis. The financial statements reflect all assets and liabilities adjusted to account for any change in value to expected net realizable value at the date of disestablishment.

#### **BUDGET FIGURES**

The budget figures are those approved by Authority members at the beginning of the financial year.

The budget figures have been prepared in accordance with generally accepted accounting practice and are consistent with the accounting policies adopted by Authority members for the preparation of the financial statements.

#### **REVENUE**

Fees from new licence applications and fees for appeals and existing licence amendments are recognised when accepted by the Authority.

Income from levies on casinos is recognised in the financial year to which it relates.

#### **GOODS AND SERVICES TAX (GST)**

All items in the financial statements are exclusive of GST, with the exception of accounts receivable and accounts payable which are stated with GST included. Where GST is irrecoverable as an input tax, then it is recognised as part of the related asset or expense.

#### **TAXATION**

The Casino Control Authority is a public authority in terms of the Income Tax Act 1994 and consequently is exempt from income tax.

#### **FOREIGN CURRENCY**

Foreign currency transactions are converted at the exchange rate at the date of settlement and at balance date. Foreign exchange movements are recognised in the statement of financial performance.

### **ACCOUNTS RECEIVABLE**

Accounts receivable are stated at their expected realisable value after providing for doubtful and uncollectable debts.

### **INVESTMENTS**

Investments are stated at the lower of cost and net realisable value. Any write-downs are recognised in the statement of financial performance.

### **PROPERTY, PLANT AND EQUIPMENT**

All fixed assets, or groups of assets forming part of a network which are material in aggregate are capitalised and recorded at cost. Any write-down of an item to its recoverable amount is recognised in the statement of financial performance.

### **DEPRECIATION**

Depreciation is provided on a straight line basis on all fixed assets, other than freehold land and items under construction, at a rate which will write off the cost (or valuation) of the assets to their estimated residual value over their useful lives.

The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

Office equipment	5 years	20%
Furniture and fittings	5 years	20%
Computer equipment	3 years	33.3%
Motor vehicles	5 years	20%

The cost of leasehold improvements is capitalised and depreciated over the unexpired period of the lease or the estimated remaining useful lives of the improvements, whichever is shorter.

### **EMPLOYEE ENTITLEMENTS**

Provision is made in respect of the Casino Control Authority's liability for annual and long service leave. Annual leave and other entitlements are measured at nominal values on an actual entitlement basis at current rates of pay.

Provision has been made in respect of the Authority's liability on disestablishment for redundancy payments to employees under the terms of their employment contracts. An assumption has been made that no equivalent employment will be offered by the Department of Internal Affairs to any employee of the Authority.

### **OPERATING LEASES**

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased items are classified as operating leases. Operating lease expenses are recognised on a systematic basis over the period of the lease.

### **FINANCIAL INSTRUMENTS**

The Casino Control Authority is party to financial instruments as part of its normal operations. These financial instruments include bank accounts, short-term deposits, debtors, creditors. All financial instruments are recognised in the statement of financial position and all revenues and expenses in relation to financial instruments are recognised in the statement of financial performance.

**STATEMENT OF CASH FLOWS**

**Cash** means cash balances on hand, held in bank accounts, demand deposits and other highly liquid investments in which the Casino Control Authority invests as part of its day-to-day cash management.

**Operating activities** include all activities other than investing and financing activities. The cash inflows include all receipts from the sale of goods and services and other sources of revenue that support the Casino Control Authority's operating activities. Cash outflows include payments made to employees, suppliers and for taxes.

**Investing activities** are those activities relating to the acquisition and disposal of current and non-current securities and any other non-current assets.

**Financing activities** are those activities relating to changes in equity and debt capital structure of the Casino Control Authority and those activities relating to the cost of servicing the Casino Control Authority's equity capital.

**CHANGES IN ACCOUNTING POLICIES**

There have been no changes in accounting policies since the date of the last audited financial statements.

All policies have been applied on a basis consistent with the previous year.

**STATEMENT OF FINANCIAL PERFORMANCE  
FOR THE YEAR ENDED 30 JUNE 2004**

	Note	Actual 2004 \$000	Budget 2004 \$000	Actual 2003 \$000
Levies on casinos		3,343	4,090	4,009
Income from licence application Activities		25	-	24
Other revenue		45	-	25
Interest income		86	83	86
<b>Total operating revenue</b>		<b>3,499</b>	<b>4,173</b>	<b>4,144</b>
Cost of services	1	4,084	4,173	4,044
<b>Net surplus / (deficit) for the period</b>		<b>(585)</b>	<b>0</b>	<b>100</b>

**STATEMENT OF MOVEMENTS IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2004**

	Note	Actual 2004 \$000	Budget 2004 \$000	Actual 2003 \$000
<b>Public equity as at 1 July</b>		<b>804</b>	<b>628</b>	<b>704</b>
Net surplus / (deficit)		(585)	0	100
<b>Total recognised revenues and expenses for the period</b>		<b>(585)</b>	<b>0</b>	<b>100</b>
Public equity as at 30 June		219	628	804

The accompanying accounting policies and notes form an integral part of these financial statements.

**STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2004**

	Note	Actual 2004 \$000	Budget 2004 \$000	Actual 2003 \$000
<b>PUBLIC EQUITY</b>				
General funds				
<b>TOTAL PUBLIC EQUITY</b>		219	628	804
Represented by:				
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and bank		931	240	360
Receivables and prepayments	2	101	53	84
Short-term deposits	3	-	1,100	900
Fixed assets	4	-	-	68
<b>Total current assets</b>		1,032	1,393	1,412
<b>Non-current assets</b>				
Fixed assets	4	-	15	-
<b>Total non-current assets</b>		-	15	-
<b>Total assets</b>		1,032	1,408	1,412
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Payables	5	563	523	311
Employee entitlements	6	250	257	257
Other provisions	7	-	-	40
<b>Total current liabilities</b>		813	780	608
<b>Non-current liabilities</b>				
Term liabilities		-	-	-
<b>Total non-current liabilities</b>		-	-	-
<b>Total liabilities</b>		813	780	608
<b>NET ASSETS</b>		219	628	804

The accompanying accounting policies and notes form an integral part of these financial statements.

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2004**

	Note	Actual 2004 \$000	Budget 2004 \$000	Actual 2003 \$000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash was provided from:				
Levies from casinos		3,715	4,090	4,008
Revenues from services provided		45	-	50
Interest received		93	82	86
Cash was applied to:				
Payments to employees		725	708	623
Payments to suppliers		3,435	3,253	3,129
Net Goods and Services Tax		63	101	113
<b>Net cash flows from operating activities</b>	8	<b>(370)</b>	<b>110</b>	<b>279</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Cash was provided from:				
Investments		1,900	3,800	4,000
Sales of fixed assets		42	-	2
Cash was applied to:				
Investments		1,000	3,800	4,200
Purchase of fixed assets		1	-	2
<b>Net cash flows from investing activities</b>		<b>941</b>	<b>-</b>	<b>(200)</b>
Net increase (decrease) in cash held		571	110	79
Plus opening cash		360	1,230	281
<b>Closing cash balance</b>		<b>931</b>	<b>1,340</b>	<b>360</b>
Cash and bank		931	1,340	360
<b>Closing cash balance</b>		<b>931</b>	<b>1,340</b>	<b>360</b>

The accompanying accounting policies and notes form an integral part of these financial statements.

**STATEMENT OF COMMITMENTS  
AS AT 30 JUNE 2004**

	2004 \$000	2003 \$000
<b>Non-cancellable operating lease commitments payable</b>		
Not later than one year	-	151
Later than one year and not later than two years	-	-
Later than two years and not later than five years	-	-
Later than five years	-	-
<b>Other non-cancellable contracts</b>		
1. At balance date the previous year the Casino Control Authority had entered into a non-cancellable contract for the provision of an economic and social impact "before and after" study of the effects of opening of the casino in Hamilton in September 2002. Commitments under this contract were as follows:		
Not later than one year	-	45
Later than one year and not later than two years	-	-
Later than two years and not later than five years	-	-
Later than five years	-	-
2. At balance date the previous year the Casino Control Authority had entered into non-cancellable contracts for the provision of computer maintenance and systems support services. Commitments under those contracts were as follows:		
Not later than one year	-	12
Later than one year and not later than two years	-	-
Later than two years and not later than five years	-	-
Later than five years	-	-
<b>Total commitments</b>	-	208

**STATEMENT OF CONTINGENT LIABILITIES  
AS AT 30 JUNE 2004**

The Casino Control Authority had no contingent liabilities at year end (2003 – nil).

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2004**

**NOTE 1: OPERATING SURPLUS/(DEFICIT)**

	2004 \$000	2003 \$000
The net deficit is after charging for:		
Fees paid to auditors:		
σ external audit	11	10
Members' fees	73	71
Depreciation:		
σ Office equipment	2	5
σ Furniture and fittings	10	29
σ Motor vehicles	10	12
σ Computer equipment	28	44
<b>Total depreciation for the year</b>	<b>50</b>	<b>90</b>
Impairment loss:		
σ Office equipment	-	(2)
σ Furniture and fittings	-	(8)
σ Motor vehicles	(1)	(5)
σ Computer equipment	-	(22)
<b>Total impairment loss</b>	<b>(1)</b>	<b>(37)</b>
Department of Internal Affairs Inspectorate	2,715	2,738
Disestablishment Costs:		
σ Ongoing lease commitment – premises	(40)	(51)
σ Ongoing service commitment – computers	-	(11)
σ Redundancy commitment – staff expenses	63	19

Costs of fixed asset impairment and other disestablishment costs have been recalculated at year end and where appropriate have been adjusted against prior year over-provisions.

**NOTE 2: RECEIVABLES AND PREPAYMENTS**

	2004 \$000	2003 \$000
Amounts receivable other than trade debtors	78	84
Trade Debtors	23	-
<b>Total</b>	<b>101</b>	<b>84</b>

**NOTE 3: INVESTMENTS**

		2004 \$000	2003 \$000		
<b>Current</b>					
Short-term deposits (Westpac Bank)		-	900		
Interest rates		5.00%-5.50%	5.49%-5.50%		
<b>Repricing maturities</b>					
	Less than 6 mths	6-12 mths	1-5 years	Greater than 5 years	Total
<b>2004</b>					
Short-term deposits	-	-	-	-	-
<b>2003</b>					
Short-term deposits	900	-	-	-	900

**NOTE 4: FIXED ASSETS**

	Cost \$000	Accumulated Depreciation \$000	Impairment \$000	Net Book Value \$000
<b>2004</b>				
Office equipment	49	48	1	-
Motor vehicles	-	-	-	-
Furniture and fittings	6	6	-	-
Computer equipment	127	126	1	-
<b>Total</b>	<b>182</b>	<b>180</b>	<b>2</b>	<b>-</b>
<b>2003</b>				
Office equipment	63	61	-	2
Motor vehicles	61	32	1	28
Furniture and fittings	186	176	-	10
Computer equipment	194	165	1	28
<b>Total</b>	<b>504</b>	<b>434</b>	<b>2</b>	<b>68</b>

Fixed Assets have been recognized as current assets in the Statement of Financial Position as all assets will vest in the Crown on the date of dissolution of the Authority under the dissolution provisions of the Gambling Act 2003. The dissolution date is 30 September 2004.

**NOTE 5: PAYABLES AND ACCRUALS**

	2004 \$000	2003 \$000
Trade creditors	140	286
Accrued expenses and payables	423	25
<b>Total payables and accruals</b>	<b>563</b>	<b>311</b>

Accrued expenses and payables includes a refund to levy payers representing amounts over levied. The amount to be refunded is \$373,000.

**NOTE 6: EMPLOYEE ENTITLEMENTS**

	2004 \$000	2003 \$000
Annual leave	47	48
Long service leave	55	38
Redundancy commitments	148	171
<b>Total</b>	<b>250</b>	<b>257</b>
Current	250	257
Non-current	-	-

**NOTE 7: PROVISIONS**

	2004 \$000	2003 \$000
<b><i>Provision for Disestablishment Costs</i></b>		
Opening balance	40	102
Additional provisions made during the year	-	-
Adjustments to provisions during the year	(40)	(62)
Charged against provision for the year	-	-
Closing balance	-	40

An expected liability to the lessor of the premises at 90 Symonds Street, Auckland for the Authority's obligations at the expiration of the lease on 6 April 2004 was discharged through an agreement between the lessor and the subsequent lessee of the premises.

**NOTE 8: RECONCILIATION OF THE NET SURPLUS FROM OPERATIONS WITH THE NET CASHFLOWS FROM OPERATING ACTIVITIES**

	2004 \$000	2003 \$000
Net surplus/(deficit) from operations	(585)	100
Add (less) non-cash items:		
Depreciation and impairment	49	53
Increase/(decrease) in employee entitlements	(7)	33
(Decrease) in provisions	(40)	(62)
<b>Total non-cash items</b>	<b>2</b>	<b>24</b>
<i>Add (less) movements in working capital items:</i>		
(Increase)/Decrease in receivables	(17)	126
Increase in payables	252	28
<b>Working capital movements - net</b>	<b>235</b>	<b>154</b>
Add (less) items classified as investing activities:		
Net loss (gain) on sale of assets	(22)	1
Total investing activity items	(22)	1
<b>Net cash flow from operating activities</b>	<b>(370)</b>	<b>279</b>

**NOTE 9: RELATED PARTY INFORMATION**

The Casino Control Authority is a wholly owned entity of the Crown. The Government significantly influences the role of the Authority.

The Authority has entered into a number of transactions with government departments and state owned enterprises on an arm's length basis. Where those parties are acting in the course of their normal dealings with the Authority, related party disclosures have not been made for transactions of this nature.

The Authority collects levies on behalf of the Department of Internal Affairs and the Police Department and pays these collections to the departments on demand. The amounts payable by the Authority during the year were:

Department of Internal Affairs \$2,714,748 (2003: \$2,737,928)  
Police Department \$52,832 (2003: \$45,850)

An employee of the Department of Internal Affairs was seconded to the Authority for the financial year to fill a temporary vacancy. The amount charged by the Department for the secondment was \$75,467 (2003: nil).

At year end the amounts due to be paid were:  
Department of Internal Affairs \$85,951 (2003: \$259,796)

In June 2004 the Department of Internal Affairs purchased a number of fixed assets, priced at an independent valuation, from the Authority for use by the Gambling Commission. The sale price of the assets was \$19,000 (plus GST).

In June 2004 the Chief Executive of the Authority purchased a motor vehicle from the Authority. The sale price of the vehicle was independently established as the market price at the time of sale, being \$13,333.33 (plus GST).

At the end of the year amounts receivable were:  
Department of Internal Affairs \$22,500 (2003: nil)

There were no other related party transactions.

### **NOTE 10: FINANCIAL INSTRUMENTS**

The Casino Control Authority has a series of policies providing risk management for interest rates, operating expenditures denominated in a foreign currency, and the concentration of credit. The Authority is risk averse and seeks to minimise its exposure from its treasury activities. Its policies do not allow any transactions which are speculative in nature to be entered into.

#### **CREDIT RISK**

Credit risk is the risk that a third party will default on its obligation to the Authority, causing the Authority to incur a loss. Financial instruments which potentially subject the Authority to risk consist principally of cash, short term investments, and levy receivables.

The Authority has a minimal credit risk in its holdings of various financial instruments. These instruments include cash, bank deposits, and accounts receivable.

The Authority places its investments with institutions that have a high credit rating. The Authority believes that these policies reduce the risk of any loss which could arise from its investment activities. The Authority does not require any collateral or security to support financial instruments.

Although the Authority has all of its bank accounts and short term deposits held at one bank, the members do not consider that this presents a significant credit risk.

The maximum amount of credit risk for each class is the carrying amount in the Statement of Financial Position.

#### **CURRENCY RISK**

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Authority has no exposure to currency risk.

#### **INTEREST RATE RISK**

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. There are no interest rate options or interest rate swap options in place as at 30 June 2004 (2003 nil). The interest rates on the Authority's investments are shown in Note 4.

The Authority does not consider that there is any significant interest exposure on either its investments.

**NOTE 11: EMPLOYEES' REMUNERATION**

Total Remuneration and Benefits	Number of Employees	
	2004	2003
240,000 to 250,000	1	-
210,000 to 220,000	-	1
200,000 to 210,000	1	-
150,000 to 160,000	-	1
100,000 to 110,000	1	-

The total remuneration amounts for the year ended 30 June 2004 include redundancy payments paid to those employees whose contracts were terminated on 30 June 2004 pursuant to the Authority's cessation of operations on that date. The Chief Executive's remuneration and benefits is in the \$240,000 - \$250,000 band (2003: \$210,000 - \$220,000 band).

**NOTE 12: MEMBERS REMUNERATION AND MEETING ATTENDANCE**

Member	Fees		Authority Meetings		Audit Committee Meetings		Research Committee Meetings		Remuneration Committee Meetings	
	2003 \$000	2004 \$000	2004	2003	2004	2003	2004	2003	2004	2003
J Walker	28	26	11/12	13/13	3/3	3/3	-	-	2/2	2/2
P Dew	-	7	-	7/9	-	2/2	-	-	-	1/1
C Kiro	1	8	½	12/13	-	-	2/2	-	-	-
M Lythe	10	11	12/12	13/13	-	-	2/2	-	-	-
B Brooks	3	13	5/6	13/13	-	-	-	-	-	3/3
A Timms	8	3	11/12	2/4	1/1	-	1/1	-	2/2	-
M Ford	10	2	11/12	¾	3/3	1/1	-	-	-	-
B Davies	7	-	7/7	-	1/1	-	-	-	-	-
R Wills	7	-	6/6	-	-	1/1	-	-	-	-
J Collins	-	-	-	0/1	-	-	-	-	-	-

Fees paid to members include attendances at meetings, other attendances on Authority business and travel on Authority business.

Section 297 of the Gambling Act 2003 provides for members' terms to expire the day before the Casino Control Authority is dissolved.

**NOTE 13: POST BALANCE DATE EVENTS**

On the 18<sup>th</sup> of September 2003 the Gambling Act 2003 received the Royal assent. Section 297 of the Act is to come into force on 30 June 2004. Section 297 provides that the Authority will be dissolved three months after this section comes into force. The Authority is therefore dissolved on 30 September 2004. The financial statements have been prepared using the disestablishment basis with adjustments made to take into account the dissolution of the Authority on that date.

**FINANCIAL STATEMENTS**  
**OF**  
**CASINO CONTROL AUTHORITY**  
**FOR THE PERIOD ENDED 29 SEPTEMBER 2004**

## **GOVERNANCE AND ACCOUNTABILITY STATEMENT**

### **ROLE OF THE AUTHORITY**

The Minister of Internal Affairs has appointed members to the Authority. The members' governance responsibilities include:

- σ Communicating with the Minister and other stakeholders to ensure their views are reflected in the Casino Control Authority's planning
- σ Delegating responsibility for achievement of specific objectives to the Chief Executive
- σ Monitoring organisational performance towards achieving objectives
- σ Accounting to the Minister on plans and progress against them
- σ Maintaining effective systems of internal control.

### **STRUCTURE OF THE CASINO CONTROL AUTHORITY**

#### **CASINO CONTROL AUTHORITY OPERATIONS**

The Authority has appointed a single employee, the Chief Executive, to manage all Authority operations. All other employees of the Casino Control Authority have been appointed by the Chief Executive. The Authority directs the Chief Executive by delegating responsibility and authority for the achievement of objectives through setting policy.

#### **AUTHORITY COMMITTEES**

The Authority has set up several standing committees to provide a more detailed level of focus on particular issues. Each committee has been delegated responsibility for governance, that is, policy making and monitoring of the organisation's progress toward meeting objectives stated in policies. Committees do not involve themselves in operational matters. The Authority's standing committees include:

<i>Committee</i>	<i>Meets</i>
Research Committee	As required
Remuneration Committee	As required
Audit Committee	Quarterly

### **GOVERNANCE PHILOSOPHY**

#### **AUTHORITY MEMBERSHIP**

Authority members are appointed by the Governor General on the recommendation of the responsible Minister. Members are appointed pursuant to section 8 of the Casino Control Act 1990, and compose individuals who have diverse skills and experience to bring a wide range of thought to bear on policy issues. Once appointed, all members are required to act in the best interests of the Casino Control Authority. Members acknowledge that the Authority must stand unified behind its decisions; individual members have no separate governing role outside Authority meetings.

#### **CONNECTION WITH STAKEHOLDERS**

The Authority acknowledges its responsibility to keep in touch with stakeholders and, in particular, to remain cognisant of the responsible Minister's expectations.

#### **DIVISION OF RESPONSIBILITY BETWEEN THE AUTHORITY AND MANAGEMENT**

A key to the efficient running of the Casino Control Authority is that there is a clear division between the roles of the Authority members and management. The Authority

members concentrate on setting policy and strategy, then monitor progress toward meeting objectives. Management is concerned with implementing policy and strategy. The Authority members clearly demarcate these roles by ensuring that the delegation of responsibility and authority to the Chief Executive is concise and complete.

### **ACCOUNTABILITY**

The Authority has previously held monthly meetings to monitor progress toward its strategic objectives and to ensure that the affairs of the Casino Control Authority are being conducted in accordance with those policies adopted by Authority members, however due to the cessation of regulatory and licensing operations on 30 June 2004 the Authority has held only one meeting during the period to September 2004 to facilitate the winding up of the Authority.

### **CONFLICTS OF INTEREST**

The Authority maintains an interests register and ensures members are aware of their obligations to declare interests.

### **INTERNAL AUDIT**

While many of the Authority's functions have been delegated, the overall responsibility for maintaining effective systems of internal control ultimately rests with Authority members. Internal controls includes the policies, systems and procedures established to provide assurance that specific objectives of the Authority will be achieved. Authority members have acknowledged their responsibility by signing the Statement of Responsibility on page 50 of this report.

The Casino Control Authority has an internal audit function which is responsible for monitoring its systems of internal control and the quality and reliability of financial and other information reported to Authority members at its meetings. Due to the recognised increase in risks associated with the Authority's dissolution the Audit Committee instructed the internal auditor to carry out additional procedures relating to the review of discretionary and non-standard employee expenditure, and asset sales to employees. Internal audit operates independently of the management and reports its findings directly to the Audit Committee. Internal audit liaises closely with the external auditors, who review the systems of internal control to the extent necessary to support their audit opinion.

### **RISK MANAGEMENT**

Authority members acknowledge that they are ultimately responsible for the management of risks to the Casino Control Authority. Authority members have charged the Chief Executive through a risk management policy with establishing and operating a risk management programme in accordance with the Australia/New Zealand standard 4360:1995 Risk Management.

### **LEGISLATIVE COMPLIANCE**

Authority members acknowledge their responsibility to ensure the organisation complies with all legislation. Authority members have delegated responsibility to the Chief Executive for the development and operation of a programme to systematically identify compliance issues and ensure that all staff are aware of legislative requirements that are particularly relevant to them.

### **ETHICS**

Authority members have adopted a code of ethics and regularly monitor whether staff maintain high standards of ethical behaviour and practice the principles of 'good corporate citizenship'.

Monitoring compliance with ethical standards is done through such means as monitoring trends in complaints and disciplinary actions; internal audit reports; or any reports or indications that show non-conformance with the principles espoused in the code of ethics.

Good corporate citizenship involves this entity, including its employees, acknowledging that it is a member of one or more communities outside of itself, and making a commitment to act in a manner consistent with the social mores and accepted rights and responsibilities of all citizens of those communities.

**STATEMENT OF RESPONSIBILITY  
FOR THE PERIOD ENDED 29 SEPTEMBER 2004**

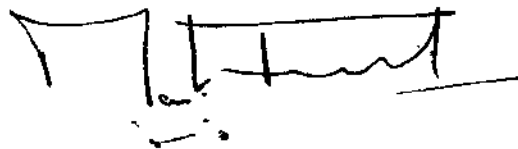
The members of the Casino Control Authority accept responsibility for the preparation of the Financial Statements for the period to 29 September 2004 and the judgements used in them.

The members of the Casino Control Authority accept responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial and non-financial reporting.

In the opinion of the members of the Casino Control Authority the annual Financial Statements for the period ended 29 September 2004, fairly reflect the financial position and operations of the Casino Control Authority.



**CHAIRPERSON**  
Janette Walker  
29 September 2004



**CHAIRMAN AUDIT COMMITTEE**  
Mark Ford  
29 September 2004

for and on behalf of the members of the Casino Control Authority



**AUDIT REPORT**  
**TO THE READERS OF**  
**CASINO CONTROL AUTHORITY'S**  
**FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 29 SEPTEMBER 2004**

The Auditor-General is the auditor of Casino Control Authority (the Authority). The Auditor-General has appointed me, F Caetano, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements of the Authority, on his behalf, for the period ended 29 September 2004.

**UNQUALIFIED OPINION**

In our opinion the financial statements of the Authority on pages 53 to 64, that are prepared on a disestablishment basis:

- σ comply with generally accepted accounting practice in New Zealand; and
- σ fairly reflect:
  - the Authority's financial position as at 29 September 2004; and
  - the results of its operations and cash flows for period ended on that date.

The audit was completed on 29 September 2004, and is the date at which our opinion is expressed.

The basis of the opinion, which refers to the financial statements being appropriately prepared on a disestablishment basis, is explained below. In addition, we outline the responsibilities of the Authority and the Auditor, and explain our independence.

**BASIS OF OPINION**

We carried out the audit in accordance with the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards.

We planned and performed our audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the financial statements did not have material misstatements, whether caused by fraud or error.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements. If we had found material misstatements that were not corrected, we would have referred to them in the opinion.

Our audit involved performing procedures to test the information presented in the financial statements. We assessed the results of those procedures in forming our opinion.

Audit procedures generally include:

- σ determining whether significant financial and management controls are working and can be relied on to produce complete and accurate data;
- σ verifying samples of transactions and account balances;
- σ performing analyses to identify anomalies in the reported data;

- σ reviewing significant estimates and judgements made by the Authority;
- σ confirming period-end balances;
- σ determining whether accounting policies are appropriate and consistently applied; and
- σ determining whether all financial statement disclosures are adequate.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements.

We evaluated the overall adequacy of the presentation of information in the financial statements. We obtained all the information and explanations we required to support the opinion above.

### **FINANCIAL STATEMENTS PREPARED ON THE DISESTABLISHMENT BASIS**

In forming our opinion, we considered the accounting policy on page 53 about the financial statements being prepared on a disestablishment basis. We consider the disestablishment basis to be appropriate as section 297 of the Gambling Act 2003 applied from 1 July 2004. Section 297 requires the dissolution of the Authority and the vesting of its assets and liabilities into the Crown three months from 1 July 2004.

### **RESPONSIBILITIES OF THE AUTHORITY AND THE AUDITOR**

The Authority is responsible for preparing financial statements in accordance with generally accepted accounting practice in New Zealand. Those financial statements must fairly reflect the financial position of the Authority as at 29 September 2004. They must also fairly reflect the results of its operations and cash flows for period ended on that date. The Authority's responsibilities arise from the Gambling Act 2003 and the Public Finance Act 1989.

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001 and section 43(1) of the Public Finance Act 1989.

### **INDEPENDENCE**

When carrying out the audit we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the Institute of Chartered Accountants of New Zealand.

Other than the audit, we have no relationship with or interests in the Authority.



**F CAETANO**

Audit New Zealand

On behalf of the Auditor-General

Auckland, New Zealand

## **STATEMENT OF ACCOUNTING POLICIES FOR THE PERIOD ENDED 29 SEPTEMBER 2004**

### **REPORTING ENTITY**

These are the financial statements of the Casino Control Authority, a Crown entity in terms of the Public Finance Act 1989.

These financial statements have been prepared in accordance with section 41 of the Public Finance Act 1989.

### **MEASUREMENT BASE**

The financial statements have been prepared on an historical cost basis.

### **ACCOUNTING POLICIES**

The following particular accounting policies which materially affect the measurement of financial performance and financial position have been applied:

#### **DISESTABLISHMENT**

The Gambling Act, 2003 provides for the dissolution of the Casino Control Authority and for its assets and liabilities to vest in the Crown three months after section 297 came into force. Section 297 came into force on 30 June 2004, and the Casino Control Act 1990 was repealed on that date. The Authority will be dissolved on 30 September 2004.

These financial statements have been prepared on a disestablishment basis. The financial statements reflect all assets and liabilities adjusted to account for any change in value to expected net realizable value at the date of disestablishment and dissolution.

#### **BUDGET FIGURES**

The budget figures are those approved by Authority members at the beginning of the period.

The budget figures have been prepared in accordance with generally accepted accounting practice and are consistent with the accounting policies adopted by Authority members for the preparation of the financial statements.

#### **REVENUE**

Fees from new licence applications and fees for appeals and existing licence amendments are recognised when accepted by the Authority.

Income from levies on casinos is recognised in the financial year to which it relates.

#### **GOODS AND SERVICES TAX (GST)**

All items in the financial statements are exclusive of GST, with the exception of accounts receivable and accounts payable which are stated with GST included. Where GST is irrecoverable as an input tax, then it is recognised as part of the related asset or expense.

#### **TAXATION**

The Casino Control Authority is a public authority in terms of the Income Tax Act 1994 and consequently is exempt from income tax.

**FOREIGN CURRENCY**

Foreign currency transactions are converted at the exchange rate at the date of settlement and at balance date. Foreign exchange movements are recognized in the statement of financial performance.

**ACCOUNTS RECEIVABLE**

Accounts receivable are stated at their expected realisable value after providing for doubtful and uncollectable debts.

**INVESTMENTS**

Investments are stated at the lower of cost and net realisable value. Any write-downs are recognised in the statement of financial performance.

**PROPERTY, PLANT AND EQUIPMENT**

All fixed assets or groups of assets, forming part of a network which are material in aggregate are capitalised and recorded at cost. Any write-down of an item to its recoverable amount is recognised in the statement of financial performance.

**DEPRECIATION**

Depreciation is provided on a straight line basis on all fixed assets, other than freehold land and items under construction, at a rate which will write off the cost (or valuation) of the assets to their estimated residual value over their useful lives.

The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

Office equipment	5 years	20%
Furniture and fittings	5 years	20%
Computer equipment	3 years	33.3%
Motor vehicles	5 years	20%

The cost of leasehold improvements is capitalised and depreciated over the unexpired period of the lease or the estimated remaining useful lives of the improvements, whichever is shorter.

**EMPLOYEE ENTITLEMENTS**

Provision is made in respect of the Casino Control Authority's liability for annual and long service leave. Annual leave and other entitlements are measured at nominal values on an actual entitlement basis at current rates of pay and have been paid out in full prior to dissolution.

Provision has been made in respect of the Authority's liability on disestablishment for redundancy payments to employees under the terms of their employment contracts. No equivalent employment has been offered by the Department of Internal Affairs to any employee of the Authority pursuant to section 300 of the Gambling Act 2003 and redundancy entitlements have been paid in full prior to dissolution.

**OPERATING LEASES**

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased items are classified as operating leases. Operating lease expenses are recognised on a systematic basis over the period of the lease.

**FINANCIAL INSTRUMENTS**

The Casino Control Authority is party to financial instruments as part of its normal operations. These financial instruments include bank accounts, short-term deposits, debtors, creditors. All financial instruments are recognised in the statement of financial position and all revenues and expenses in relation to financial instruments are recognised in the statement of financial performance.

**STATEMENT OF CASH FLOWS**

**Cash** means cash balances on hand, held in bank accounts, demand deposits and other highly liquid investments in which the Casino Control Authority invests as part of its day-to-day cash management.

**Operating activities** include all activities other than investing and financing activities. The cash inflows include all receipts from the sale of goods and services and other sources of revenue that support the Casino Control Authority's operating activities. Cash outflows include payments made to employees, suppliers and for taxes.

**Investing activities** are those activities relating to the acquisition and disposal of current and non-current securities and any other non-current assets.

**Financing activities** are those activities relating to changes in equity and debt capital structure of the Casino Control Authority and those activities relating to the cost of servicing the Casino Control Authority's equity capital.

**CHANGES IN ACCOUNTING POLICIES**

There have been no changes in accounting policies since the date of the last audited financial statements.

All policies have been applied on a basis consistent with the previous year.

**STATEMENT OF FINANCIAL PERFORMANCE  
FOR THE PERIOD ENDED 29 SEPTEMBER 2004**

	Note	Actual Period to 29 Sept 2004 \$000	Budget Period to 29 Sept 2004 \$000	Actual Year to 30 June 2004 \$000
Levies on casinos		-	-	3,343
Income from licence application activities		-	-	25
Other revenue		-	-	45
Interest income		5	5	86
<b>Total operating revenue</b>		<b>5</b>	<b>5</b>	<b>3,499</b>
Cost of services	1	202	193	4,084
<b>Net surplus / (deficit) for the period</b>		<b>(193)</b>	<b>(188)</b>	<b>(585)</b>

**STATEMENT OF MOVEMENTS IN EQUITY  
FOR THE PERIOD ENDED 29 SEPTEMBER 2004**

	Note	Actual Period to 29 Sept 2004 \$000	Budget Period to 29 Sept 2004 \$000	Actual Year to 30 June 2004 \$000
<b>Public equity as at 1 July</b>		<b>219</b>	<b>210</b>	<b>804</b>
Net (deficit)		(193)	(188)	(585)
<b>Total recognised revenues and expenses for the period</b>		<b>(193)</b>	<b>(188)</b>	<b>(585)</b>
Public equity as at 29 September		26	22	219

The accompanying accounting policies and notes form an integral part of these financial statements.

**STATEMENT OF FINANCIAL POSITION  
AS AT 29 SEPTEMBER 2004**

	Note	Actual Period to 29 Sept 2004 \$000	Budget Period to 29 Sept 2004 \$000	Actual Year to 30 June 2004 \$000
<b>PUBLIC EQUITY</b>				
General funds		26	22	219
<b>TOTAL PUBLIC EQUITY</b>				
Represented by:				
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and bank		15	16	931
Receivables and prepayments	2	11	6	101
Fixed assets	3	-	-	-
<b>Total current assets</b>		26	22	1,032
<b>Non-current assets</b>				
Fixed assets	3	-	-	-
<b>Total non-current assets</b>		-	-	-
<b>Total assets</b>		26	22	1,032
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Payables	4	-	-	563
Employee entitlements	5	-	-	250
Other provisions	6	-	-	-
<b>Total current liabilities</b>		-	-	813
<b>Non-current liabilities</b>				
Term liabilities		-	-	-
<b>Total non-current liabilities</b>		-	-	-
<b>Total liabilities</b>		-	-	813
<b>NET ASSETS</b>		26	22	219

The accompanying accounting policies and notes form an integral part of these financial statements.

**STATEMENT OF CASH FLOWS  
FOR THE PERIOD ENDED 29 SEPTEMBER 2004**

	Note	Actual Period to 29 Sept 2004 \$000	Budget Period to 29 Sept 2004 \$000	Actual Year to 30 June 2004 \$000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash was provided from:				
Levies from casinos		(373)	(373)	3,715
Revenues from services provided		-	-	45
Interest received		5	5	93
Cash was applied to:				
Payments to employees		372	363	725
Payments to suppliers		302	272	3,435
Net Goods and Services Tax		(126)	(88)	63
<b>Net cash flows from operating activities</b>	7	<u>(916)</u>	<u>(915)</u>	<u>(370)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Cash was provided from:				
Investments		-	-	1,900
Sales of fixed assets		-	-	42
Cash was applied to:				
Investments		-	-	1,000
Purchase of fixed assets		-	-	1
<b>Net cash flows from investing activities</b>		<u>-</u>	<u>-</u>	<u>941</u>
Net increase (decrease) in cash held		(916)	(915)	571
Plus opening cash		931	931	360
<b>Closing cash balance</b>		<u>15</u>	<u>16</u>	<u>931</u>
Cash and bank		<u>15</u>	<u>16</u>	<u>931</u>
<b>Closing cash balance</b>		<u>15</u>	<u>16</u>	<u>931</u>

The accompanying accounting policies and notes form an integral part of these financial statements.

**STATEMENT OF COMMITMENTS  
AS AT 29 SEPTEMBER 2004**

The Casino Control Authority had no contractual commitments at period end (30 June 2004 – nil).

**STATEMENT OF CONTINGENT LIABILITIES  
AS AT 29 SEPTEMBER 2004**

The Casino Control Authority had no contingent liabilities at period end (30 June 2004 – nil).

The accompanying accounting policies and notes form an integral part of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 29 SEPTEMBER 2004

### NOTE 1: OPERATING SURPLUS/(DEFICIT)

	29 Sept 2004 \$000	30 June 2004 \$000
The net deficit is after charging for:		
Fees paid to auditors:		
σ external audit	11	11
Members' fees	9	73
Depreciation:		
σ Office equipment	-	2
σ Furniture and fittings	-	10
σ Motor vehicles	-	10
<b>Total depreciation for the year</b>	<b>-</b>	<b>50</b>
Impairment loss:		
σ Office equipment	(1)	-
σ Furniture and fittings	-	-
σ Motor vehicles	-	(1)
σ Computer equipment	(1)	-
<b>Total impairment loss</b>	<b>(2)</b>	<b>(1)</b>
Department of Internal Affairs Inspectorate	-	2,715
Disestablishment Costs:		
σ Ongoing lease commitment - premises	-	(40)
σ Ongoing service commitment - computers	-	-
σ Redundancy commitment - staff expenses	148	63

All fixed assets had been disposed of by period end, so fixed asset impairment provisions have been reversed.

### NOTE 2: RECEIVABLES AND PREPAYMENTS

	29 Sept 2004 \$000	30 June 2004 \$000
Amounts receivable other than trade debtors	11	78
Trade Debtors	-	23
<b>Total</b>	<b>11</b>	<b>101</b>

**NOTE 3: FIXED ASSETS**

	Cost \$000	Accumulated Depreciation \$000	Impairment \$000	Net Book Value \$000
<b>September 2004</b>				
Office equipment	-	-	-	-
Motor vehicles	-	-	-	-
Furniture and fittings	-	-	-	-
Computer equipment	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>June 2004</b>				
Office equipment	49	48	-	-
Motor vehicles	-	-	1	-
Furniture and fittings	6	6	-	-
Computer equipment	127	126	1	-
<b>Total</b>	<b>182</b>	<b>180</b>	<b>2</b>	<b>-</b>

All fixed assets had been disposed of prior to the Authority's dissolution.

**NOTE 4: PAYABLES AND ACCRUALS**

	29 Sep 2004 \$000	30 June 2004 \$000
Trade creditors	-	140
Accrued expenses and payables	-	423
<b>Total payables and accruals</b>	<b>-</b>	<b>563</b>

**NOTE 5: EMPLOYEE ENTITLEMENTS**

	29 Sep 2004 \$000	30 June 2004 \$000
Annual leave	-	47
Long service leave	-	55
Redundancy commitments	-	148
<b>Total</b>	<b>-</b>	<b>250</b>
Current	-	250
Non-current	-	-

**NOTE 6: PROVISIONS**

	29 Sep 2004 \$000	30 June 2004 \$000
<b>Provision for Disestablishment Costs</b>		
Opening balance	-	40
Additional provisions made during the year	-	-
Adjustments to provisions during the year	-	(40)
Charged against provision for the year	-	-
Closing balance	-	-

An expected liability to the lessor of the premises at 90 Symonds Street, Auckland for the Authority's obligations at the expiration of the lease on 6 April 2004 was discharged through an agreement between the lessor and the subsequent lessee of the premises.

**NOTE 7: RECONCILIATION OF THE NET SURPLUS FROM OPERATIONS WITH THE NET CASHFLOWS FROM OPERATING ACTIVITIES**

	Period to 29 Sept 2004 \$000	Year to 30 June 2004 \$000
Net (deficit) from operations	(193)	(585)
Add (less) non-cash items:		
Depreciation and impairment	-	49
(Decrease) in employee entitlements	(250)	(7)
(Decrease) in provisions	-	(40)
<b>Total non-cash items</b>	(250)	2
Add (less) movements in working capital items:		
(Increase)/Decrease in receivables	90	(17)
Increase in payables	(563)	252
<b>Working capital movements - net</b>	(473)	235
Add (less) items classified as investing activities:		
Net loss (gain) on sale of assets	1	(22)
Total investing activity items	1	(22)
<b>Net cash flow from operating activities</b>	(915)	(370)

**NOTE 8: RELATED PARTY INFORMATION**

The Casino Control Authority is a wholly owned entity of the Crown. The Government significantly influences the role of the Authority.

The Authority has entered into a number of transactions with government departments and state owned enterprises on an arm's length basis. Where those parties are acting in the course of their normal dealings with the Authority, related party disclosures have not been made for transactions of this nature.

Prior to the repeal of the Casino Control Act 1990 on 30 June 2004, the Authority collected levies on behalf of the Department of Internal Affairs and the Police Department and paid these collections to the departments on demand. The amounts payable by the Authority during the period were:

Department of Internal Affairs: nil (year to 30 June 2004: \$2,714,748)

Police Department: nil (year to 30 June 2004: \$52,832)

There were no other related party transactions.

**NOTE 9: FINANCIAL INSTRUMENTS**

The Casino Control Authority has a series of policies providing risk management for interest rates, operating expenditures denominated in a foreign currency, and the concentration of credit. The Authority is risk averse and seeks to minimise its exposure from its treasury activities. Its policies do not allow any transactions which are speculative in nature to be entered into.

**CREDIT RISK**

Credit risk is the risk that a third party will default on its obligation to the Authority, causing the Authority to incur a loss. Financial instruments which potentially subject the Authority to risk consist principally of cash, short term investments, and levy receivables.

The Authority has a minimal credit risk in its holdings of various financial instruments. These instruments include cash, bank deposits, and accounts receivable.

The Authority places its investments with institutions that have a high credit rating. The Authority believes that these policies reduce the risk of any loss which could arise from its investment activities. The Authority does not require any collateral or security to support financial instruments.

Although the Authority has all of its bank accounts and short term deposits held at one bank, the members do not consider that this presents a significant credit risk.

The maximum amount of credit risk for each class is the carrying amount in the Statement of Financial Position.

**CURRENCY RISK**

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Authority has no exposure to currency risk.

**INTEREST RATE RISK**

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. There are no interest rate options or interest rate swap options in place as at 29 September 2004 (30 June 2004 nil).

The Authority does not consider that there is any significant interest exposure on its investments.

**NOTE 10: EMPLOYEES' REMUNERATION**

Total Remuneration and Benefits	Number of Employees	
	Period to 29 Sept 2004	Year to 30 June 2004
270,000 to 280,000	1	-
240,000 to 250,000	-	1
200,000 to 210,000	-	1
100,000 to 110,000	-	1

The total remuneration amounts for the period ended 29 September 2004 include accumulated annual leave, long service leave, and redundancy payments paid to those employees whose contracts were terminated on 29 September 2004 pursuant to the Authority's dissolution on 30 September 2004. The Chief Executive's remuneration and benefits is in the \$270,000 - \$280,000 band (year to 30 June 2004: \$240,000 - \$250,000 band).

**NOTE 11: MEMBERS REMUNERATION AND MEETING ATTENDANCE**

Member	Fees		Authority Meetings		Audit Committee Meetings		Research Committee Meetings		Remuneration Committee Meetings	
	Period to	Year to	Period to	Year to	Period to	Year to	Period to	Year to	Period to	Year to
	Sept 2004	June 2004	Sept 2004	June 2004	Sept 2004	June 2004	Sept 2004	June 2004	Sept 2004	June 2004
J Walker	4	28	1/1	11/12	-	3/3	-	-	-	2/2
C Kiro	-	1	-	1/2	-	-	-	1/1	-	-
M Lythe	1	10	-	12/12	-	-	-	2/2	-	-
B Brooks	-	3	1/1	5/6	-	-	-	-	-	-
A Timms	1	8	1/1	10/12	-	1/1	-	1/1	-	2/2
M Ford	1	10	1/1	11/12	-	3/3	-	-	-	-
B Davies	1	7	1/1	7/7	-	1/1	-	-	-	-
R Wills	1	7	1/1	6/6	-	-	-	1/1	-	-

Fees paid to members include attendances at meetings, other attendances on Authority business and travel on Authority business.

Section 297 of the Gambling Act 2003 provides for members' terms to expire the day before the Casino Control Authority is dissolved.

**NOTE 12: POST BALANCE DATE EVENTS**

On the 18th of September 2003 the Gambling Act 2003 received the Royal assent. Section 297 of the Act came into force on 30 June 2004. Section 297 provides that the Authority will be dissolved three months after this section came into force. The Authority is therefore dissolved on 30 September 2004. The financial statements have been prepared

using the disestablishment basis with adjustments made to take into account the dissolution of the Authority on that date.

## **APPENDIX 1**

### **CHRONOLOGY**

26 July 1989	Casino Control Bill introduced to House of Representatives
2 August 1990	Casino Control Act 1990 comes into force, having received the Royal assent on the previous day
13 September 1990	Initial six members appointed to the Authority
28 September 1990	First meeting of the Authority
November 1990	Authority advertises for expressions of interest in obtaining a casino licence
28 February 1991	Expressions of interest close: 13 received
22 November 1991	Casino Control (Applications and Hours) Regulations come into force, having been promulgated on the previous day
January 1992	Authority establishes offices in Auckland following the appointment of the Chief Executive
19 February 1992	Applications for operator's licences close: six received
11 March 1992	Applications for initial premises licences close: six received (four for North Island and two for South Island)
1992-1993	Investigation of applications
25 August 1992	Hearing of applications for operator's licences from Aspinall (NZ) Limited, Casinos Austria International AG, Conrad (New Zealand) Corporation, Harrah's New Zealand Inc., Maxims Management Limited and Sheraton Pacific Hotels Pty Limited
September 1992	Application by Sky Tower Casino Limited for leave to amend application for North Island premises licence
October 1992	Authority states case to High Court for declaratory judgment on interpretation of section 29 of Casino Control Act
November 1992	High Court issues declaratory judgment on interpretation of section 29  Decision of Authority to grant application by Sky Tower Casino Limited for leave to amend premises licence application
2 February 1993	Casino Investments Limited withdraws application for North Island initial premises licence
February-April 1993	Hearing of the two applications for the South Island initial premises licence
25 March 1993	High Court upholds decision to allow Sky Tower Casino Limited to amend premises licence application in judicial review proceedings
20 May 1993	Court of Appeal upholds judgment of High Court in judicial review proceedings relating to amendment of Sky Tower Casino Limited application
30 June 1993	South Island initial premises licence granted to Christchurch Casinos Limited

21 July 1993	Further hearing of application by Maxims Management Limited for operator's licence
17 September 1993	Operator's licences issued to Aspinall (NZ) Limited, Casinos Austria International AG, Conrad (New Zealand) Corporation, Harrah's New Zealand Inc., Maxims Management Limited and Sheraton Pacific Hotels Pty Limited
July-November 1993	Hearing of the three applications for the North Island initial premises licence
17 December 1993	Interim decision on applications for North Island initial premises licence
21 January 1994	North Island initial premises licence granted to Sky Tower Casino Limited
January 1994	Proceedings for judicial review of decision to grant North Island premises licence issued
May-June 1994	Hearing of application for judicial review of decision to grant North Island premises licence
13 July 1994	Judgment of the High Court upholding grant of North Island premises licence to Sky Tower Casino Limited
20 October 1994	Court of Appeal dismisses appeal against judgment of High Court in judicial review proceedings relating to grant of North Island initial premises licence
3 November 1994	Christchurch Casino opens
30 January 1996	Harrah's Sky City Casino opens in Auckland
May 1996	Sky City hotel and function rooms open
September 1996	Sky City theatre opens
February 1997	Otago Casinos Limited applies for premises licence for site at Millbrook Resort, near Arrowtown, Otago
May 1997	Dunedin Casinos Limited applies for premises licence for part of the Southern Cross Hotel complex, Dunedin
June 1997	Queenstown Casinos Limited applies for premises licence for site in Queenstown
August 1997	Sky City Casino Management Limited applies for operator's licence Sky City's Sky Tower opens
September 1997	Riverside Casino Limited applies for premises licence in Hamilton
16 October 1997	Moratorium on any further premises licences, applying to applications received from this date
December 1997-March 1998	Hearing of application by Dunedin Casinos Limited for premises licence
March 1998	Otago Casinos Limited granted leave to amend proposed site to Steamer Wharf complex, Queenstown
May-December 1998	Hearing of applications by Queenstown Casinos Limited and Otago Casinos Limited for premises licences

7 May 1998	Operator's licence granted to Sky City Casino Management Limited
29 May 1998	Interim decision on application by Dunedin Casinos Limited for premises licence
June 1998	Sky City Casino Management Limited replaces Harrah's New Zealand Inc. as operator of Sky City Casino
October 1998	Christchurch Casinos Limited applies for operator's licence
22 December 1998	Premises licence granted to Dunedin Casinos Limited
February-August 1999	Hearing of application by Riverside Casino Limited for premises licence
April 1999	Otago Casinos Limited applies for operator's licence
15 June 1999	Premises licences granted to Otago Casinos Limited and Queenstown Casinos Limited
18 June 1999	Operator's licence granted to Christchurch Casinos Limited
9 September 1999	Operator's licence granted to Otago Casinos Limited
10 September 1999	Wharf Casino opens in Steamer Wharf complex, Queenstown
6 October 1999	Dunedin Casino opens in Southern Cross Hotel complex, Dunedin
4 November 1999	Christchurch Casinos Limited replaces Aspinall (NZ) Limited as operator of Christchurch Casino
3 December 1999	Premises licence granted to Riverside Casino Limited
May 2000	High Court sets aside grant of premises licence to Riverside Casino Limited in judicial review proceedings
December 2000	Court of Appeal sets aside High Court judgment in judicial review proceedings relating to grant of premises licence to Riverside Casino Limited and restores grant of licence
7 December 2000	Sky Alpine Queenstown Casino opens in Beach Street, Queenstown
February 2002	Responsible Gambling Bill introduced to House of Representatives
19 September 2002	Sky Riverside Casino opens in Victoria Street, Hamilton
18 September 2003	Gambling Act 2003 received Royal assent
1 July 2004	Repeal of Casino Control Act 1990
30 September 2004	Authority members' terms expire
1 October 2004	Dissolution of Authority

## **AUTHORITY MEMBERS AND STAFF**

### **CHAIRPERSONS**

Ronald (Jock) MacGregor Irvine (1990-1999)  
 Judith Anne Collins (1999-2002)  
 Janette Helen Walker (2003-2004)

### **MEMBERS**

Hon Trevor Albert de Cleene	(1990-1997)
Hon George Frederick Gair	(1990-1991)
Kenneth James Scott	(1990-1997)
Dinah Alison Williams	(1990-1996)
Bernard Wallace Lawrence	(1990-1995)
Michael Earnest Christopher Cox	(1991-2000)
Peter John Dew	(1996-2003)
Annabel Margaret Young	(1996-1997)
Douglas Bruce Martin	(1997-2000)
Sharon Lee Opai	(1997-2000)
Paul Hoskins Cooney	(1998-2001)
Mary Manson Lythe	(2000-2004)
Janette Helen Walker	(2000-2003)
Brian Thomas Brooks	(2000-2003)
Cynthia Alcyion Kiro	(2001-2003)
Kenneth Mark Ford	(2003-2004)
Alison Diana Timms	(2003-2004)
Brian Ross Davies	(2003-2004)
Rangi Marehua Wills	(2003-2004)

### **STAFF**

Trevor Garrett	Chief Executive	(1991-2004)
Kristina Muller	Legal Counsel	(1992-2004)
Claire Donaldson	Secretary/Receptionist	(1992)
Shona White	Executive PA	(1992-2004)
Ron Harrex	Gaming Executive	(1992-1994)
Brian Young	Manager, Gaming Regulation	(1993-1997)
Michele Whiteside/Elsmore	Manager, Finance & Risk Assessment	(1994-1996)
Chris McKinnon	Accountant	(1995-1998)
Andrew Beetlestone	Manager, Finance & Risk Assessment	(1996-1998)
Phil O'Connell	Manager, Casino Operations	(1997-2002)
Alistair Spence	Manager, Financial Compliance	(1998-2001)
Andrea Wylie	Legal Associate	(1998-2002)
Tony Goddard	Manager, Finance	(1998-2004)
Lois Eyles	Secretary/Receptionist	(1998-1999)
Ingrid Rebeiro	Secretary/Receptionist	(1999-2004)