



Report of the
**CASINO CONTROL
AUTHORITY**

for the year ended
30 June 2003

*Presented to the House of Representatives pursuant
to section 44A of the Public Finance Act 1989 and
section 17 of the Casino Control Act 1990.*

THE MINISTER OF INTERNAL AFFAIRS

In accordance with section 17(1) of the Casino Control Act 1990, I present, on behalf of the members, the annual report on the proceedings and operations of the Casino Control Authority for the year ended 30 June 2003.

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

Janette Walker

CHAIRPERSON

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MEMBERS

Janette Helen Walker* (Chairperson) Solicitor Rotorua <i>Appointed as Chairperson, and resigned as a member, 24 February 2003. Term expiring 23 February 2006</i>	Judith Anne Collins (former Chairperson) Solicitor Auckland <i>Resigned 15 August 2002</i>
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Brian Thomas Brooks* Professor of Law Wellington <i>Term expiring 17 December 2003</i>	Peter John Dew Solicitor Auckland <i>Continued in office until 21 February 2003 after term expired 31 August 2002</i>
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Kenneth Mark Ford* Chief Executive Auckland <i>Appointed 24 February 2003 for a term expiring 23 February 2006</i>	Cynthia Alcyion Kiro Senior Lecturer Auckland <i>Resigned 31 August 2003</i>
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Mary Manson Lythe* Training Manager Auckland <i>Term expiring 10 December 2003</i>	Alison Diana Timms* Independent Consultant Wellington <i>Appointed 24 February 2003 for a term expiring 23 February 2006</i>
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*Members as at 24 October 2003

AUDITOR

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

INTERNAL AUDITOR

Staples Rodway

BANKERS

WestpacTrust

AUTHORITY COMMITTEES

(Membership as at 30 June 2003)

Audit Committee

Mark Ford (Chairperson)
Cindy Kiro
Jan Walker

Remuneration Committee

Jan Walker (Chairperson)
Brian Brooks

Research Committee

Mary Lythe (Chairperson)
Cindy Kiro
Alison Timms

AUTHORITY STAFF

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CHAIRPERSON'S REPORT

I am pleased to be able to present to you my first report as Chairperson but also acknowledge that this is the Authority's penultimate report.

The most significant event for the Authority this year has been the decision by the Government to abolish the Authority and to pass most of its functions to the Department of Internal Affairs and to a Gambling Commission. The Gambling Act was passed in September 2003.

Clearly, a decision such as this does impact on the long term planning of the Authority. Some proposed initiatives that were intended to make the regulatory environment for casinos more efficient and effective have been stalled while the Authority waited to see what the Responsible Gambling Bill would include when it finally became law. Similarly, some research that the Authority was intending to conduct has not proceeded because of the uncertainty as to the duration of the Authority.

The Authority sought independent advice on the risks associated with its pending disestablishment, and has implemented systems to monitor those risks closely.

I am pleased to report that, as has been the experience in previous years, compliance levels by the casinos in New Zealand have been at a high level. The Authority attributes this to the regulatory environment made possible by the provisions of the Casino Control Act, the regulatory environment developed by the Authority, and the strong compliance ethic maintained by each of the casinos.

In the Authority's last report the Acting Chairperson acknowledged the contribution of Judith Collins, the former Chairperson of the Authority, who resigned on her election as a member of Parliament.

This year Peter Dew completed his term with the Authority. Peter had been a member of the Authority since 1996 and participated in a number of premises licence applications.

Cindy Kiro resigned from the Authority in August 2003 upon her appointment as the Commissioner for Children.

I wish to record the Authority's thanks for the contributions of these members.



Janette Walker
CHAIRPERSON

31 October 2003

CHIEF EXECUTIVE'S REPORT

INTRODUCTION

The Casino Control Authority was established by the Casino Control Act 1990. The functions of the Authority are to:

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

In carrying out these functions the Authority is mindful of the object of the Act, which is:

“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).

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.”

CASINO PREMISES LICENCES

The Authority has granted premises licences to permit the establishment of the following casinos:

Premises Licensee	Licence Granted	Commenced Operation
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

Premises licences have a term of 25 years and, under the Casino Control Act 1990, may be renewed for up to two further periods of 15 years each.

Since 1997 there has been a moratorium on applications for, and the grant of, further casino premises licences. This became permanent on 19 September 2003 following the enactment of the Gambling Act 2003. The Gambling Act will however provide for the renewal of casino premises licences (to be renamed casino venue licences), although the statutory criteria and processes associated with applications for renewal will differ from those applying under the Casino Control Act.

CASINO OPERATORS

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

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

There are no applications for operator's licences before the Authority at present.

Of the licensees, four are currently operating casinos in New Zealand: Aspinall (NZ) Limited (Dunedin Casino), Christchurch Casinos Limited (Christchurch Casino, for which it also holds the premises licence), Otago Casinos Limited (Wharf Casino, Queenstown, for which it also holds the premises licence), and Sky City Casino Management Limited (SKYCITY Auckland, SKYCITY Queenstown, and (since 19 September 2002) SKYCITY Hamilton).

Apart from Harrah's New Zealand Inc, which operated SKYCITY Auckland from 1996 until 1998, the remaining licensed operators have never operated casinos in New Zealand. Operator's licences are of indefinite duration unless surrendered or cancelled pursuant to the Casino Control Act. However, they can only be used in conjunction with a premises licence. This will continue to be the case under the regulatory regime to be established under the Gambling Act.

CASINOS

General

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

**Approved Gaming Positions in Casinos
(as at 30 June 2003)**

Casino	No. of Gaming Tables	No. of Gaming Machines
Christchurch Casino	35	506
SKYCITY Auckland	98*	1,417*
Dunedin Casino	12	180
Wharf Casino, Queenstown	6	74
SKYCITY Queenstown	12	86
SKYCITY Hamilton	23	339

*Will increase to 110 tables and 1647 machines upon completion of current renovations

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

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

When the relevant provisions of the Gambling Act come into force, such directions will be deemed 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 a number of incidents involving alleged breaches of rules of games or approved procedures by the casino operators. These are detailed more fully in the section of this report dealing with compliance. No formal applications have been made to the Authority for disciplinary action against any of the licensees.

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. In addition, most casinos contribute on a voluntary basis to the Problem

Gambling Committee, a body recognised by the Gaming and Lotteries Amendment Act (No. 2) 1996 as a funder of problem gambling counselling services in New Zealand. In the year to 30 June 2003 casinos contributed \$1,137,921 to the committee's funds (12.4% of the total).

SKYCITY Hamilton

SKYCITY Hamilton Casino began operating (initially as Sky Riverside) on 19 September 2002 in Hamilton. The period leading up to the opening of any casino is a busy one, and the Authority met more frequently than normal in advance of the casino opening to consider applications for the approvals needed for the casino to open. Those matters included:

- Approval of plans, specifications and layouts relating to the casino, including the closed-circuit television surveillance system, security systems and the facilities to be provided for the use of the Government inspectorate
- Designation of the gaming areas of the casino
- Procedures for the testing and approval of gaming machines and other gaming equipment
- Approval of the casino agreement between the premises licensee (Riverside Casino Limited) and operator (Sky City Casino Management Limited), and the attachment of further conditions to their licences
- Approval of associated persons of the two licensees associated with the casino
- Approval of gaming chips
- The issue of directions to the operator, Sky City Casino Management Limited, under section 70 of the Casino Control Act, and approval of the casino's internal control system pursuant to those directions
- An application for approval for Riverside Casino Limited to charge its premises licence as part of the security for financing arrangements, and for approval of the charge holder
- Approval of training courses for casino staff; and
- Approval of a problem gambling management plan, providing for the funding of educational and treatment services for problem gambling in the Waikato region.

Following the opening of the casino the Authority dealt with various matters contemplated in the conditions attached to the relevant licences. The initial responsible gambling programme for the casino, which is required under the terms of the premises licence, was approved in

December 2002. The deed establishing the independent community trust was approved in May 2003. The casino applied to increase the number of gaming positions, from 300 to 339 machines and 20 to 23 tables, which had been provided for in the premises licence.

In addition, the operator was granted an exemption from the requirement to offer table games between the casino's opening time of 9.00am, and 11.00am, while the casino was operating.

The Government inspectorate moved to part-time coverage of the casino within three months of its opening due to the acceptable compliance levels that had been achieved.

Following the opening of the casino the Authority established a community monitoring group. The overall purpose of the group is to provide the Casino Control Authority with feedback regarding the social and economic impact of SKYCITY Hamilton Casino on the residents of Hamilton. To this end the following specific functions are a part of the terms of reference:

- To provide advice to the Authority on community concerns relating to the advertising and marketing of SKYCITY Hamilton Casino
- To provide advice to the Authority on any community concerns relating to those aspects of the operation of SKYCITY Hamilton Casino that in the group's opinion bring about unduly negative social impacts
- To monitor the number of referrals for problem gambling to services and the ability of treatment agencies to provide assistance
- To monitor the impact of the casino on central city activity, in particular safety at night
- To provide advice to the Authority on any trends relating to the economic impact of SKYCITY Hamilton Casino in Hamilton; and
- To provide advice to the Authority on such matters as the Authority may request.

The membership of the monitoring group was selected after extensive consultation within the Hamilton community and comprises:

- Chief Executive, Hamilton City Council
- Representative of non-governmental welfare agencies operating in Hamilton (Social Services Waikato)
- Representative of Hamilton churches
- Representative of Hamilton Police
- Representative of Hamilton Chamber of Commerce

- Representative of Ministry of Social Development (Hamilton)
- Representative of Tainui; and
- Representative of problem gambling treatment providers.

The General Manager of SKYCITY Hamilton will be invited to meetings of the community monitoring group, but will not have voting rights.

It is expected that the role of the group will evolve as it gains a greater understanding of the impact that the casino has within the Hamilton region.

SKYCITY Queenstown

In August 2003 Queenstown Casinos Limited, the premises licensee of the casino, applied to vary one of the conditions of the licence. The effect of the proposed variation would have been to reduce the amount of the minimum contribution that Queenstown Casinos Limited was obliged to make to the independent community trust to be established by it, which was then set at \$100,00 per annum. The Authority resolved that the nature of the application was such that it should be publicly notified, and that public submissions on it should be invited. A number of requests for status as a party to the application were received, as well as numerous submissions from members of the public. The application was set down for a public hearing in Queenstown in February 2003, but before the hearing began the application was withdrawn.

During the course of the year under review Queenstown Casinos Limited also submitted for approval a deed of trust establishing the Sky Alpine Queenstown Community Trust, as required by the conditions of its premises licence. After some discussion the deed was approved, in a varied form, in January 2003, and the trust then began to operate.

The operator of the casino submitted for approval a revised responsible gambling programme for the year, as required by its and the premises licence. This was approved in May 2003. It contained some changes from the programme previously approved by the Authority, but continued to be based on the principle that the casino's advertising and marketing activities should not be targeted at residents of Queenstown and the surrounding district. The same principle underlies the programme in place at Wharf Casino in Queenstown.

SKYCITY Auckland

During the course of the year Sky City Auckland Limited applied for two variations to the conditions of its premises licence, both of which were allowed.

The first related to the condition that was varied in 2001 in order to allow the casino to move its conference facilities from the casino premises

into a new building across the road, and to expand the gaming facilities into the area that was currently occupied by the conference facilities. Sky City Auckland Limited sought a further variation to enable it to begin work on the construction of the expanded gaming area before the completion of the new conference centre, so that both would open at approximately the same time. The variation also took into account delays in the work programme.

The second application was to amend the condition laying down requirements for the hard count room in the casino, where gaming revenue consisting of coin is counted. This was brought about by changes in the casino's cashiering procedures, which rendered aspects of the previous requirements unnecessary.

A revised responsible gambling programme for the casino was approved in December 2002.

Sky City Auckland Limited also applied for approval to amend its financing arrangements. These are secured in part by a charge over the casino premises licence, which requires the Authority's approval under section 47 of the Casino Control Act. The changes were approved in February 2003.

Dunedin Casino

Aspinall (NZ) Limited, the operator of the casino, applied to vary the conditions of its operator's licence, to exempt it from the obligation to have at least two table games open for play at all times while the casino was operating. This was in response to a perceived increase in customer demand for machine gaming at a time of the day when there was no apparent demand for table gaming. The application was successful and, under the varied condition, the casino may operate without table games from the time of opening until noon on any given day.

Aspinall also applied for an amendment to the approved responsible gambling programme for the casino relating to "time out" periods for patrons. The Authority approved the amendment.

Dunedin Casinos Limited, the premises licensee, requested and gained approval in principle to alter the layout of the casino premises and expand the gaming area of the casino so that it could develop a VIP gaming area. The approval was subject to various other more specific approvals being obtained.

RULES OF GAMES

All of the casinos continue to conduct games under a single set of rules. In May 2003 rules were gazetted to permit the introduction of electronic

versions of the game of roulette. The Authority also worked on the development of rules for the game of bingo during the year under review, these being gazetted eventually in August 2003. In addition rules have been gazetted for electronic machine gaming, keno, the racing game, tournaments, promotions and the following table games: blackjack, roulette, mini baccarat, midi baccarat, baccarat, tai-sai, money wheel, Caribbean stud poker, craps, pai gow, poker, and pontoon. Not all of the casinos offer all of the permitted games.

During the course of the year the Authority adopted the Australia/New Zealand Gaming Machine National Standards version 6.0 (together with New Zealand Casino Appendix Version 2.0) 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 there were amendments to the Rules for Electronic Gaming Machines in casinos.

The Authority regularly reviews the rules of games in consultation with the casino operators and inspectorate. During the year the rules of pai gow were reviewed comprehensively, to address difficulties that were being experienced with the operation of the game, and changes were made to the roulette rules in order to allow for further wagering options.

RIGHTS OF ENTRY TO CASINOS

Section 67 of the Act deals with the right of casino licensees to exclude persons from casino premises. Since casinos began operating in New Zealand there has been a degree of uncertainty about the extent to which a casino licensee's right to exclude a person under section 67 is restricted. The judgments of the Court of Appeal in *Sky City Auckland Limited v Wu* [2002] 3 NZLR 621 helped to clarify the issue, along with earlier case law. In granting an appeal against the issue of an interim injunction against the appellant casino licensees, the Court held that a casino licensee is entitled to exclude members of the public from its casino premises without assigning a reason so long as it does not breach the Human Rights Act 1993 or any other relevant legislation. In *Jones v Sky City Auckland Limited* (CA 257/02, Court of Appeal, 29 July 2003) the Court of Appeal declined to reconsider, or distinguish, its decision in *Wu*.

OPERATING HOURS

Section 61 of the Casino Control Act, with regulation 15(2) of the Casino Control (Applications and Hours) Regulations 1991, restricts the hours during which a casino may be "operated". In effect no casino may 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, car parking, and conference and entertainment activities. Over the years since casinos began operating there has been uncertainty as to what services a casino may offer, other than gaming, to customers during those restricted hours of operation. The Bill that became the Gambling Act 2003 initially contained provisions on this question virtually identical to those in the Casino Control Act. The Authority made submissions on the Bill pointing out the difficulties that were being experienced with the application of those provisions. It is pleased to note that the Bill was amended and that the Gambling Act will clarify the position by prohibiting “casino gambling” during the relevant periods of time.

ASSOCIATED PERSONS

The Authority's prior approval is 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 the licensee's casino business.

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 opening of the Hamilton casino operation; others resulted from proposed changes to the ownership of Dunedin Casinos Limited, the premises licensee of Dunedin Casino. No application for approval was refused.

COMPLIANCE

The Authority receives 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 has been made to the Authority for disciplinary action against a casino licensee. The Authority is pleased to report that casino licensees are achieving acceptable levels of compliance.

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

Casino Compliance Measures
(Years ended 30 June 2003 and 2002)

	SKYCITY Auckland		Christchurch Casino		Dunedin Casino		Wharf Casino, Queenstown		SKYCITY Queenstown		SKYCITY Hamilton	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003*	2002
Patron Complaints ¹ :												
Made:	113	104	21	39	3	4	5	0	5	5	14	n/a
Upheld:	3	7	0	1	0	0	0	0	0	0	1	n/a
Cheating												
Incidents ²	59	66	11	5	2	4	1	0	1	2	3	n/a
Cheating												
Prosecutions ³	11	11	0	0	0	0	0	0	0	0	0	n/a
Section 91 Applications												
Made ⁴	0	0	0	0	0	0	0	0	0	0	0	n/a
Section 91 Applications												
Heard ⁴	0	0	0	0	0	0	0	0	0	0	0	n/a
COA's Cancelled/ Suspended ⁵												
	0	1	0	0	0	0	0	0	0	0	0	n/a
COA's Voluntarily Surrendered												
	6	4	0	0	0	0	0	0	0	0	0	n/a
Minors Removed ⁶												
	82	103	12	31	8	29	1	4	1	7	12	n/a
Self Bars ⁷ :												
Initiated:	521	454	15	85	23	6	15	13	15	13	15	n/a
Self-barred patrons removed:	274	323	4	105	4	3	1	1	1	1	4	n/a

- 1 Patrons may make complaints relating to the conduct of gaming in any casino to a Government casino inspector. Where, after investigation, the complaint is upheld the matter is reported to the Authority.
 - 2 Incidents of suspected cheating at games as detected by casino supervisors, casino surveillance or the Government inspectorate.
 - 3 Successful prosecution of cheating incidents.
 - 4 Application by Police or Government casino inspector for cancellation or suspension of a casino licence.
 - 5 Employee certificate of approval cancelled/suspended by the Secretary for Internal Affairs.
 - 6 Number of minors found on gaming floor and removed from premises.
 - 7 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.
- * For the period 19 September 2002, when the casino began operating, until 30 June 2003

n/a Not applicable

APPEALS

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

- Refuse to grant a certificate of approval, which allows the holder to be employed in a casino in certain capacities related to the conduct of gaming and ancillary activities; or
- Suspend or cancel a certificate of approval.

No appeals were received during the year.

SURVEILLANCE POLICY REVIEW

The Authority has developed a policy setting out its expectations for the performance of surveillance equipment. Issues arose during the course of the year as to the appropriateness of aspects of the policy. The Authority commissioned IPP Consulting Pty Limited, independent experts in risk management and technology, to review the policy and its operation at representative casino sites. The review, which was carried out with the involvement of the Government inspectorate and the casino operator, has resulted in recommendations for change which, at the end of the period covered by this report, were the subject of consultation with the inspectorate and operators.

JUNKETS

Some casino operators have expressed to the Authority their interest in introducing junket programmes. Although the Casino Control Act 1990 provides for regulations to be made prescribing the terms and conditions under which casino licensees may enter into arrangements with junket organisers regarding junkets, no such regulations have been promulgated. However, agreements with junket organisers will typically require the approval of the Authority under section 73 of the Act. This relates to agreements between casino licensees and third parties (not necessarily junket operators) for the provision by the third party of things or services in return for reward based on amounts of money staked or lost in a casino. Application has been made to the Authority for approval of a number of agreements with junket operators under section 73 of the Act. After the conclusion of the year under review two agreements were approved, and a number more are currently the subject of application.

CASINO IMPACT RESEARCH

The Authority commissioned the University of Waikato to undertake research into the social and economic impacts of the establishment of the SKYCITY Hamilton, 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. It is expected that the follow-up study will be completed by April 2004. The research will be publicly available when it has been completed.

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.

Internet gaming, or (more broadly) gaming made available through the use of new technologies, also differs from traditional gaming in that it is very difficult to restrict individual access to it. This represents a significant challenge to jurisdictions.

The New Zealand approach to this matter has been to allow some form of provision by the New Zealand Lotteries Commission and the TAB, but to prevent other providers from using the medium. Such an approach will provide ongoing challenges to New Zealand regulators.

OVERSEAS JURISDICTIONS

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 will result 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 contribute to the following Australasian working parties, among others:

- Responsible Gambling Working Party

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

As well as working towards standardising regulatory requirements in Australasia the Authority has also been discussing with other international regulators a more global response to some regulatory requirements. Some tentative steps are being 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 first steps being 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 is, regularly invited to speak at various international forums. The Authority uses 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 develops excellent relationships with overseas jurisdictions, which, in turn, assists with inquiries made by those jurisdictions of the Authority. The Authority also, for its part, receives information that assists its own operational objectives. The Chief Executive is past chair of the International Association of Gaming Regulators. He is currently a member of the Association's management committee. The annual meeting of that organisation held in San Diego in September 2002 was attended by more than 120 regulators from more than 70 gaming jurisdictions world wide.

Authority members also travel to selected jurisdictions to develop the understanding and expertise that will assist them in making licensing and regulatory decisions on matters that come before the Authority.

FUNDING

Under the Casino Control Act most costs associated with licensing and regulating casinos are met by casino premises licence holders; costs associated with determining applications are met by prescribed application fees. Since the grant of the two initial casino premises licences, the majority of costs have been met by way of levies. The levies imposed during 2002/2003 totalled \$4,150,000 (exclusive of GST), made up as follows:

Sky City Auckland Limited (SKYCITY Auckland)	\$1,962,769
Christchurch Casinos Limited (Christchurch Casino)	\$807,434

Riverside Casino Limited (SKYCITY Hamilton)	\$580,312
Dunedin Casinos Limited (Dunedin Casino)	\$391,628
Queenstown Casinos Limited (SKYCITY Queenstown)	\$215,599
Otago Casinos Limited (Wharf Casino)	\$192,258

Each year the Authority recommends to the Ministers of Internal Affairs and Finance the amount of the levy to be imposed on each premises licensee, and the Ministers then determine the levy sums. In preparing its recommendation the Authority follows a process ensuring transparency for stakeholders, with its budget, as well as those of the Government inspectorate and the Police, being the subject of meetings and consultation.

The Authority and inspectorate have adopted a policy of refunding to the levy payers levies collected in excess of actual regulatory costs. For the 2002/2003 year refunds to casinos of \$141,163 in total reduced the total levy ultimately imposed. The amended total levy figure was distributed among the Authority (\$1,225,036), the Department of Internal Affairs (\$2,737,928) and the Police (\$45,850).

AUTHORITY MEETINGS

The Authority met 13 times during the year under review, on 2 occasions by telephone conference. In addition, some urgent matters were dealt with where appropriate by written resolution. Meetings were held on:

2002	2003
22 July (telephone conference)	3 February (Queenstown)
16 August (Queenstown)	20 February
4 September	21 March (Christchurch)
13 September (telephone conference)	2 May
19 September (Hamilton)	30 May
25 October	20 June
6 December	

The Authority aims to meet at least once each year in each of the centres where casinos are located other than Auckland, where it (the Authority) is based. This enables 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 casino operation.

FUTURE DIRECTIONS

The primary focus of the Authority in 2003/2004 will be the following activities:

- Preparing for the disestablishment of the Authority, and co-operating with the Department of Internal Affairs and the Gambling Commission to ensure a smooth transition of functions
- Ensuring that all of the existing casinos continue to operate within the provisions of the Casino Control Act and in accordance with their licence conditions. This means that the Authority will be required to continue to respond to changes in the businesses of the casino operations
- Continuing to work with other jurisdictions to make regulatory practice more effective and efficient.



Trevor Garrett

CHIEF EXECUTIVE

31 October 2003

GOVERNANCE AND ACCOUNTABILITY STATEMENT

ROLE OF THE AUTHORITY

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

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

Committee	Meets
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 include 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 26 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 4360:1999 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.

CASINO CONTROL AUTHORITY

STATEMENT OF RESPONSIBILITY FOR THE YEAR ENDED 30 JUNE 2003

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.

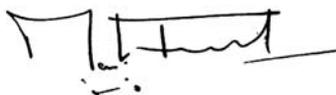
In the opinion of the members of the Casino Control Authority the annual Financial Statements for the year ended 30 June 2003, fairly reflect the financial position and operations of the Casino Control Authority.



Chairperson

Janette Walker

24 October 2003



Chairman Audit Committee

Mark Ford

24 October 2003

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



Audit New Zealand

REPORT OF THE AUDITOR-GENERAL

TO THE READERS OF THE FINANCIAL STATEMENTS OF THE CASINO CONTROL AUTHORITY FOR THE YEAR ENDED 30 JUNE 2003

We have audited the financial statements on pages 30 to 43. The financial statements provide information about the past financial performance of the Casino Control Authority and its financial position as at 30 June 2003. This information is stated in accordance with the accounting policies set out on pages 30 to 33.

Responsibilities of the Authority

The Public Finance Act 1989 and the Casino Control Act 1990 require the Authority to prepare financial statements in accordance with generally accepted accounting practice in New Zealand that fairly reflect the financial position of the Casino Control Authority as at 30 June 2003 and the results of its operations and cash flows for the year ended on that date.

Auditor's Responsibilities

Section 15 of the Public Audit Act 2001 and section 43(1) of the Public Finance Act 1989 require the Auditor-General to audit the financial statements presented by the Authority. It is the responsibility of the Auditor-General to express an independent opinion on the financial statements and report that opinion to you.

The Auditor-General has appointed J R Smaill, of Audit New Zealand, to undertake the audit.

Basis of Opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgements made by the Authority in the preparation of the financial statements; and
- whether the accounting policies are appropriate to the Casino Control Authority's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with the Auditing Standards published by the Auditor-General, which incorporate the Auditing Standards issued by the Institute of Chartered Accountants of New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Other than in our capacity as auditor acting on behalf of the Auditor-General, we have no relationship with or interests in the Casino Control Authority .

Financial Statements Prepared on the Disestablishment Basis

The financial statements have been prepared on a disestablishment basis as outlined in the accounting policy on page 30. We consider the disestablishment basis of preparation to be appropriate because the Gambling Act 2003, which received Royal assent on 18 September 2003, provides in section 297 for the dissolution of the Casino Control Authority and for its assets and liabilities to vest in the Crown three months after this section comes into force. Section 297 is expected to come into force on a date yet to be appointed by the Governor-General by an Order in Council.

In forming our unqualified opinion, we have considered the adequacy of the disclosures made in these financial statements concerning the measurement system used for assets and liabilities. All assets and liabilities have been adjusted to account for any change in value to their expected net realisable value at the date of dissolution.

Unqualified Opinion

We have obtained all the information and explanations we have required.

In our opinion the financial statements of the Casino Control Authority on pages 30 to 43:

- comply with generally accepted accounting practice in New Zealand; and
- fairly reflect:
- the Casino Control Authority's financial position as at 30 June 2003; and
- the results of its operations and cash flows for the year ended on that date.

Our audit was completed on 24 October 2003 and our unqualified opinion is expressed as at that date.

A handwritten signature in black ink, appearing to read 'J R Smail'. The signature is written in a cursive style with a long horizontal stroke at the beginning.

J R Smail
Audit New Zealand
On behalf of the Auditor-General
Auckland, New Zealand

CASINO CONTROL AUTHORITY

STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2003

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:

Going Concern

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. Best estimates provided by Department of Internal Affairs officials indicate that section 297 will come into force on 31 March 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 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.

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, and 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.

CASINO CONTROL AUTHORITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2003

	Note	Actual 2003 \$000	Budget 2003 \$000	Actual 2002 \$000
Levies on casinos		4,009	4,149	3,638
Income from licence application activities		24	-	-
Other revenue		25	-	21
Interest income		86	57	67
Total operating revenue		<u>4,144</u>	<u>4,206</u>	<u>3,726</u>
Cost of services	1	4,044	4,206	3,977
Net surplus / (deficit) for the period		<u>100</u>	<u>0</u>	<u>(251)</u>

STATEMENT OF MOVEMENTS IN EQUITY FOR THE YEAR ENDED 30 JUNE 2003

	Note	Actual 2003 \$000	Budget 2003 \$000	Actual 2002 \$000
Public equity as at 1 July		704	704	955
Net surplus/ (deficit)		100	0	(251)
Total recognised revenues and expenses for the period		<u>100</u>	<u>0</u>	<u>(251)</u>
Public equity as at 30 June		<u>804</u>	<u>704</u>	<u>704</u>

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

CASINO CONTROL AUTHORITY

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2003

	Note	Actual 2003 \$000	Budget 2003 \$000	Actual 2002 \$000
PUBLIC EQUITY				
General funds				
TOTAL PUBLIC EQUITY		804	704	704
Represented by:				
ASSETS				
Current assets				
Cash and bank		360	62	281
Receivables and prepayments	2	84	45	210
Short-term deposits	3	900	1,100	700
Fixed assets	4	68	-	122
Total current assets		1,412	1,207	1,313
Non-current assets				
Fixed assets	4	-	84	-
Total non-current assets	-	84	-	-
Total assets		1,412	1,291	1,313
LIABILITIES				
Current liabilities				
Payables	5	311	501	283
Employee entitlements	6	257	86	224
Other provisions	7	40	-	102
Total current liabilities		608	587	609
Non-current liabilities				
Term liabilities		-	-	-
Total non-current liabilities		-	-	-
Total liabilities		608	587	609
NET ASSETS		804	704	704

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

CASINO CONTROL AUTHORITY

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2003

	Note	Actual 2003 \$000	Budget 2003 \$000	Actual 2002 \$000
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash was provided from:				
Levies from casinos		4,008	4,150	3,283
Revenues from services provided		50	-	19
Interest received		86	55	65
Cash was applied to:				
Payments to employees		623	705	708
Payments to suppliers		3,129	3,149	2,901
Net Goods and Services Tax		113	116	44
Net cash flows from operating activities	8	279	235	(331)
CASH FLOWS FROM INVESTING ACTIVITIES				
Cash was provided from:				
Investments		4,000	3,000	3,415
Sales of fixed assets		2	-	1
Cash was applied to:				
Investments		4,200	3,200	3,410
Purchase of fixed assets		2	-	20
Net cash flows from investing activities		(200)	(200)	(13)
Net increase (decrease) in cash held		79	35	(345)
Plus opening cash		281	27	626
Closing cash balance		360	62	281
Cash and bank		360	62	281
Closing cash balance		360	62	281

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

CASINO CONTROL AUTHORITY

STATEMENT OF COMMITMENTS AS AT 30 JUNE 2003

	2003	2002
	\$000	\$000
Non-cancellable operating lease commitments payable		
Not later than one year	151	144
Later than one year and not later than two years	-	-
Later than two years and not later than five years	-	-
Later than five years	-	-
Other non-cancellable contracts		
1. At balance date 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 are 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 are as follows:		
Not later than one year	12	21
Later than one year and not later than two years	-	-
Later than two years and not later than five years	-	-
Later than five years	-	-
Total commitments	<u>208</u>	<u>165</u>

STATEMENT OF CONTINGENT LIABILITIES AS AT 30 JUNE 2003

The Casino Control Authority had no contingent liabilities at year end (2002 – nil).

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

CASINO CONTROL AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003

NOTE 1: OPERATING SURPLUS/(DEFICIT)

	2003	2002
	\$000	\$000
The net surplus is after charging for:		
Fees paid to auditors:		
• external audit	10	10
Members' fees	71	111
Depreciation:		
• Office equipment	5	8
• Furniture and fittings	29	29
• Motor vehicles	12	12
• Computer equipment	44	60
Total depreciation for the year	<u>90</u>	<u>117</u>
Impairment loss:		
• Office equipment	(2)	2
• Furniture and fittings	(8)	8
• Motor vehicles	(5)	5
• Computer equipment	(22)	23
Total impairment loss	<u>(37)</u>	<u>38</u>
Department of Internal Affairs Inspectorate	2,738	2,194
Disestablishment Costs:		
• Ongoing lease commitment – premises	(51)	91
• Ongoing service commitment – computers	(11)	11
• Redundancy commitment – staff expenses	19	151

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

NOTE 2: RECEIVABLES AND PREPAYMENTS

	2003	2002
	\$000	\$000
Amounts receivable other than trade debtors	84	210
Total	<u>84</u>	<u>210</u>

CASINO CONTROL AUTHORITY

NOTE 3: INVESTMENTS

	2003	2002
	\$000	\$000
Current		
Short-term deposits (Westpac Bank)	900	700
Interest rates	5.49% – 5.50%	5.65% – 5.85%

Repricing maturities

	Less than 6 mths	6–12 mths	1–5 years	greater than 5 years	Total
2003					
Short-term deposits	900	-	-	-	900
2002					
Short-term deposits	700	-	-	-	700

NOTE 4: FIXED ASSETS

	Cost	Accumulated Depreciation	Impairment	Net Book Value
	\$000	\$000	\$000	\$000
2003				
Office equipment	63	61	-	2
Motor vehicles	61	32	1	28
Furniture and fittings	186	176	-	10
Computer equipment	194	165	1	28
Total	<u>504</u>	<u>434</u>	<u>2</u>	<u>68</u>
2002				
Office equipment	63	56	2	5
Motor vehicles	61	20	5	36
Furniture and fittings	186	148	8	30
Computer equipment	204	130	23	51
Total	<u>514</u>	<u>354</u>	<u>38</u>	<u>122</u>

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. Such dissolution date is expected to be 30 June 2004.

NOTE 5: PAYABLES AND ACCRUALS

	2003	2002
	\$000	\$000
Trade creditors	286	249
Accrued expenses	25	34
Total payables and accruals	<u>311</u>	<u>283</u>

CASINO CONTROL AUTHORITY

NOTE 6: EMPLOYEE ENTITLEMENTS

	2003	2002
	\$000	\$000
Annual leave	48	38
Long service leave	38	35
Redundancy commitments	171	151
Total	<u>257</u>	<u>224</u>
Current	<u>257</u>	<u>224</u>
Non-current	<u>-</u>	<u>-</u>

NOTE 7: PROVISIONS

	2003	2002
	\$000	\$000
Provision for Disestablishment Costs		
Opening balance	102	-
Additional provisions made during the year	-	102
Adjustments to provisions during the year	(62)	-
Charged against provision for the year	-	-
Closing balance	<u>40</u>	<u>102</u>

A provision for costs expected to be incurred due to the disestablishment of the Authority has been created. Best estimates have been made for the 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.

CASINO CONTROL AUTHORITY

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

	2003	2002
	\$000	\$000
Net surplus from operations	100	(251)
<i>Add (less) non-cash items:</i>		
Depreciation and impairment	53	149
Increase in employee entitlements	33	177
Increase/(decrease) in provisions	(62)	102
Total non-cash items	<u>24</u>	<u>428</u>
<i>Add (less) movements in working capital items:</i>		
(Increase)/Decrease in receivables	126	(61)
Increase/(Decrease) in payables	28	(446)
Working capital movements – net	<u>154</u>	<u>(507)</u>
<i>Add (less) items classified as investing activities:</i>		
Net loss (gain) on sale of assets	1	(1)
Total investing activity items		
Net cash flow from operating activities	<u>279</u>	<u>(331)</u>

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 \$2,737,928 (2002: \$2,194,085)

Police Department \$45,850 (2002: \$18,932)

At year end the amounts due to be paid were:

Department of Internal Affairs \$259,796 (2002: \$218,991)

There were no other related party transactions.

CASINO CONTROL AUTHORITY

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 2003 (2002 nil). The interest rates on the Authority's investments are shown in Note 3.

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

CASINO CONTROL AUTHORITY

NOTE 11: EMPLOYEES' REMUNERATION

	Number of Employees	
	2003	2002
Total Remuneration and Benefits		
210,000 to 220,000	1	-
190,000 to 200,000	-	1
150,000 to 160,000	1	-
130,000 to 140,000	-	1
110,000 to 120,000	1	-

The Chief Executive's remuneration and benefits is in the \$210,000 – \$220,000 band (2001: \$190,000 – \$200,000 band).

NOTE 12: MEMBERS REMUNERATION AND MEETING ATTENDANCE

Member	Fees		Authority Meetings		Audit Committee Meetings		Research Committee Meetings		Committee Meetings	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
	\$000	\$000								
J Walker	26	13	13/13	13/15	3/3	3/3	-	2/2	2/2	-
P Dew	7	8	7/9	15/15	2/2	3/3	-	-	1/1	2/2
C Kiro	8	12	12/13	9/12	1/1	-	-	2/2	-	-
M Lythe	11	13	13/13	15/15	-	-	-	2/2	-	-
B Brooks	13	16	13/13	11/15	-	-	-	2/2	3/3	2/2
A Timms	3	-	2/4	-	-	-	-	-	-	-
M Ford	2	-	3/4	-	1/1	-	-	-	-	-
P Cooney	-	1	-	2/3	-	-	-	-	-	-
J Collins	-	48	0/2	14/15	-	3/3	-	-	-	2/2

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 18th of September 2003 the Gambling Act 2003 received the Royal assent. Section 297 of the Act is to come into force on a date (as yet undetermined) to be appointed by the Governor-General by Order in Council. Section 297 provides that the Authority will be dissolved three months after this section comes into force. The Authority has, based on best estimates provided by Department of Internal Affairs officials, assumed a date of 31 March 2004 for section 297 to come into force. The Authority is therefore likely to be dissolved on 30 June 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.

