

Financial Statements of the Government of the Cook Islands

for the year ended 30 June 2014



Contents

Statement of responsibility	3
Independent audit report	6
Fiscal overview	7 - 12
Schedule of Government entities	13
Statement of comprehensive revenue and expenses	14
Statement of financial position	15
Statement of changes in equity	16
Statement of cash flows	17 - 18
Statement of comparison of budget and actuals	19 - 20
Statement of segments	21
Statement of borrowings	22 - 25
Statement of commitments	26
Statement of contingent liabilities	27
Statement of accounting policies	28 - 35
Notes to the financial statements	36 - 49



Statement of responsibility

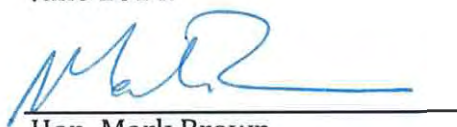
In terms of Section 30 of the Ministry of Finance and Economic Management Act 1995/96, the Minister of Finance and the Financial Secretary are responsible for the preparation of the Cook Islands Government's financial statements and the judgments made in the process of producing those statements.

It is the responsibility of the Minister of Finance and the Financial Secretary to ensure consistency with the requirements of the Ministry of Finance and Economic Management Act 1995/96 and the integrity of the disclosures.

The current Financial Secretary, Garth Henderson, was not responsible for Cook Islands Government's financial statements for the 30 June 2014 financial year.

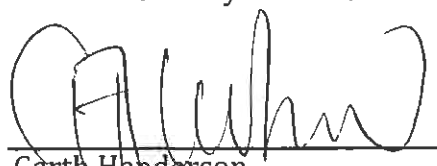
We have taken steps to satisfy ourselves that the financial statements fairly reflect the financial position, performance and cash flows of the Cook Islands Government for the year ended 30 June 2014 and are consistent with the requirements of the Ministry of Finance and Economic Management Act 1995/96.

In our opinion, subject to the qualifications included within the Independent Auditors Report, these financial statements fairly reflect the financial position, performance and cash flows of the Cook Islands Government for the year ended 30 June 2014.



Hon. Mark Brown
Minister of Finance

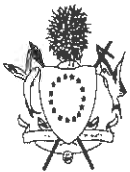
28 September 2018



Garth Henderson
Financial Secretary

28 September 2018





INDEPENDENT AUDITOR'S REPORT

TO THE FINANCIAL SECRETARY AND THE COOK ISLANDS GOVERNMENT

Report on the Cook Islands Government's Financial Statements

We have audited the accompanying financial statements of the Cook Islands Government on pages 14 to 49. The financial statements comprise of the statement of financial position as at 30 June 2014, statement of comprehensive revenue and expenses, statement of changes in equity, statement of comparison of budgets and actuals, statement of segments, statement of borrowings, statement of commitments, statement of contingent liabilities, the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Financial Secretary's Responsibility for the Financial Statements

The Financial Secretary is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (IPSAS), and for such internal control as the Financial Secretary determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

We are the appointed auditor of Cook Islands Government under Article 71(1) of the Cook Islands Constitution

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted in accordance with International Standards of Supreme Audit Institutions (ISSAI). These standards require that we comply with the ethical requirements as required under ISSAI 200 and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Other than in our capacity as auditor, we have no relationship with or interests in the Cook Islands Government.



Basis for Qualified Opinion

1. Property, plant and equipment, Infrastructure assets and Depreciation expense

Due to the lack of effective internal controls and insufficient reliable financial records, we were unable to confirm, or verify by alternate means, the valuation, existence and completeness of property plant and equipment and infrastructure assets reported by the Cook Islands Government at \$128.1m and \$102.9m respectively. Any misstatement of these carrying values will have a consequential effect on the related depreciation expense of \$10.9m.

2. Inventory

Due to the lack of effective internal controls and insufficient reliable inventory records held by Infrastructure Cook Islands, Ministry of Health and Cook Islands Pearl Authority, we were unable to verify the valuation and existence of inventory with a carrying value of \$1.9m out of total recorded inventory of \$8.4m.

3. Tax receivables

Due to the lack of relevant and reliable supporting documents, we were unable to confirm the completeness and valuation for tax receivables of \$18.2m.

4. Lease commitments

The Cooks Islands Government Property Corporation, a subsidiary of the Crown, has incomplete records relating to its future commitments on its land leases. Consequently, the Government of the Cook Islands disclosure of lease commitments is incomplete. This is a departure from *IPSAS 13 Leases*, which requires full disclosure of all current and non-current lease commitments.

5. Other expenses

We were unable to obtain reliable supporting documents to verify the validity of \$12.5m in Crown consolidation adjustments that were recorded in the other expenses general ledger. We were consequently unable to confirm the occurrence and accuracy of the final reported other expenses balance for the year of \$57.1m.

6. Creditors, accruals and provisions

Due to the lack of relevant and reliable supporting documents to verify creditors and accruals held by Infrastructure Cook Islands and Ministry of Police totalling \$3.8m, we were unable to confirm the value of the reported creditors, accruals and provisions balance of \$13.1m.

7. Borrowing

The current valuation method for borrowings is to recognise the loan at 'historical cost' at inception date and amortised cost thereafter. However, the current and effective accounting standard, *IPSAS 29: Financial instruments – recognition and measurement*, requires initial recognition at 'fair value', then amortised cost thereafter. Due to the differences in valuation methods applied and the reluctance of Management to comply with IPSAS 29, current and non-current borrowings of \$3.0m and \$84.7m respectively is qualified for non-compliance.

Qualified Opinion

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects the financial position of the Cook Islands Government as at 30 June 2014 and its financial performance and cash flows for the year then ended in accordance with International Public Sector Accounting Standards.

Our audit was completed on 28 September 2018 and our opinion is expressed as at that date.



Allen Parker
Director of Audit
Cook Islands Audit Office
Rarotonga, Cook Islands



Fiscal overview

Introduction

These financial statements contain the audited results for the year ended 30 June 2014. The financial statements use the full consolidation method to incorporate the Crown's financial interest in public enterprises and other authorities or the state owned enterprises (SOEs) on a line by line basis.

The following tables and commentary should be read in conjunction with the financial statements on pages 14 to 49.

Financial performance

Table 1 reflects the audited results of the Crown consolidated financial performance of the Cook Islands Government (including SOEs) for the year ended 30 June 2014 with prior year comparatives.

Table 1: Statement of Financial Performance Crown.

	Crown 2014 \$000	Crown 2013 \$000
Revenue		
Taxation revenue	99,826	96,077
Other sovereign revenue	9,004	8,277
Sales of goods and services	39,257	37,179
Aid (Development Partners) revenue	33,459	31,115
Other revenue earned through operations	6,113	6,021
Total Revenue	187,659	178,669
Expenses		
Personnel expense	56,028	53,914
Welfare and grants	14,348	12,231
Depreciation and amortisation	10,893	12,374
Finance costs	4,609	2,445
Changes in provision for doubtful debts	578	228
Audit Fees	430	283
Aid (Development Partners) expenses	31,233	29,684
Other operating expenses	40,748	50,947
Other gains/ (losses) in minority interests	8,221	(281)
Total Expenses	167,088	161,825
Total Comprehensive Revenue and Expenses	20,571	16,844

The Crown showed higher overall revenue from \$178.7 million in 2013 to \$187.7 million in 2014. This was attributed to greater taxes and levy collections parallel to increased trading activity revenue for the Crown.

There was an increase in total expenditure for the Crown of \$167.1 million in 2014 compared to \$161.8 million in 2013. Increased expenditure in personnel and welfare payments contributed to this rise in 2014.

The Crown reported a net surplus of \$20.6 million in 2014, an increase from 2013 having reported \$16.8 million. Greater economic activities contributed to the overall performance of the Crown.

Fiscal overview (continued)

Actual compared to budget

The budgetary information disclosed in the following pages relates to the Appropriation Bill and only covers ministries and entities funded by the Crown (and does not cover SOEs).

The term "Budget" and "Appropriation" is used interchangeably throughout this report and means the budget approved through the Appropriation Bill

Table 2: Statement of Financial Performance Actual vs Budget 2014.

	Budget	Actual	Variance	
	2014 \$000	2014 \$000	\$000	%
Operating Revenue				
Taxation revenue	98,960	99,826	866	1%
Trading revenue	5,718	7,566	1,848	32%
Other revenue	14,291	12,353	(1,938)	-14%
Total operating revenue	118,969	119,745	776	1%
Operating Expenditure				
Personnel expenditure	44,903	45,816	913	2%
Operating expenditure	15,262	23,615	8,353	55%
Depreciation expenditure	8,957	3,504	(5,453)	-61%
Payments on behalf of the Crown	42,937	42,001	(936)	-2%
Other Operating expenses	6,596	5,949	(647)	-10%
Total operating expenses	118,655	120,885	2,230	2%
Fiscal Operating Surplus/ (Shortfall)	314	(1,140)	(1,454)	-463%

A fiscal operating shortfall was reported from appropriated activities of \$1.1 million at 30 June 2014. This represented a decrease of \$1.5 million on the 2013/14 appropriation.

Overall, revenue was \$119.7 million (1 per cent) higher than the 2013/14 appropriation, which was offset by operating expenditure that was higher by \$2.2 million (2 per cent).

Revenue

Taxation and levies revenue collection was generally in line with the budget for 2014.

Provision of goods and services (trading revenue) was above budget in 2014 by \$1.8 million (32 per cent) as a result of higher trading activities income from Ministries and Agencies.

Other revenue was below budget by \$1.9 million (14 per cent) due to less revenue collected from fees and licences and interest earned from Crown bank accounts than expected.

Expenses

The increase of \$2.2 million (2 per cent) recorded on actual expenditure compared to the appropriation was mainly attributable to the overspend on operating expenses, personnel and welfare payments in addition to increased finance costs, provision for doubtful debts and audit fees totalling \$8.3 million.

Fiscal overview (continued)

Actual compared to prior year

The table below reports on comparatives covering ministries and entities funded by the Crown (and not including SOEs).

Table 3: Statement of Financial Performance 2014 compared to Prior Year.

	Actual 2014 \$000	Actual 2013 \$000	Variance	
			\$000	%
Revenue				
Taxation revenue	99,826	96,077	3,749	4%
Other sovereign revenue	9,004	8,277	727	9%
Sales of goods and services	39,257	37,179	2,078	6%
Aid (Development Partners) revenue	33,459	31,115	2,344	8%
Other revenue earned through operations	6,113	6,021	92	2%
Total Revenue	187,659	178,669	8,990	5%
Expenses				
Personnel expense	56,028	53,914	2,114	4%
Welfare and grants	14,348	12,231	2,117	17%
Depreciation and amortisation	10,893	12,374	(1,481)	-12%
Finance costs	4,609	2,445	2,164	89%
Changes in provision for doubtful debts	578	228	350	154%
Audit Fees	430	283	147	52%
Aid (Development Partners) expenses	31,233	29,684	1,549	5%
Other operating expenses	40,748	51,764	(11,016)	-21%
Other gains/ (losses) in minority interests	8,221	(281)	8,502	-3026%
Provision for legal settlement TOA	0	(817)	817	-100%
Total Expenses	167,088	161,825	5,264	3%
Total Comprehensive Revenue and Expenses	20,571	16,844	3,727	22%

Total revenue for 2014 was higher on previous year by \$8.9 million, from \$178.7 million to \$187.7 million, due to increased taxes revenue and other revenue attributed from greater economic activities in the 2013/14 period.

Expenditure increased from \$161.8 million to \$167.1 million. This was due mainly to increase in personnel payments, welfare benefits and gains in minority interests.

Fiscal overview (continued)

Financial position

Table 4: Statement of Financial Position for the Crown for the year end 30 June 2014.

	Crown 2014 \$000	Crown 2013 \$000	Variance	
			\$000	%
Assets				
Current assets				
Cash and cash equivalents	35,717	21,358	14,359	67%
Term deposits	46,765	58,634	(11,869)	-20%
Trust accounts	8,716	10,104	(1,388)	-14%
Inventory	8,381	7,760	621	8%
Debtors and other receivables	32,892	28,733	4,159	14%
Banking portfolio investments	799	656	143	22%
Total current assets	133,270	127,245	6,025	5%
Non-current assets				
Investments in shares and associate	6,059	5,583	476	9%
Banking portfolio investments	42,676	37,991	4,685	12%
Plant, property and equipment	128,140	117,264	10,876	9%
Intangible assets	327	452	(125)	-28%
Infrastructural assets	102,929	102,672	257	0%
Total non-current assets	280,131	263,962	16,169	6%
Total assets	413,401	391,207	22,194	6%
Liabilities				
Current liabilities				
Creditors and other payables	17,037	29,354	(12,317)	-42%
Employee entitlements	6,541	1,454	5,087	350%
Trustee liabilities	15,577	16,899	(1,322)	-8%
Banking customer deposits	26,178	23,213	2,965	13%
Current borrowings	3,001	3,909	(908)	-23%
Customer bonds	782	733	49	7%
Provision for TOA legal settlement	1,109	1,294	(185)	-14%
Total current liabilities	70,225	76,856	(6,631)	-9%
Non-current liabilities				
Employee entitlements	-	94	(94)	-100%
Banking customer deposits	1,894	1,216	678	56%
Members of Parliament pension liability	1,582	1,582	-	0%
Non-current borrowings	84,734	76,047	8,687	11%
Provision for TOA legal settlement	2,310	3,327	(1,017)	-31%
Total non-current liabilities	90,520	82,266	8,254	10%
Total liabilities	160,745	159,122	1,623	1%
Net assets	252,656	232,085	20,571	9%
Equity				
Capital contributions and retained earnings	252,656	232,085	20,571	9%
Total equity	252,656	232,085	20,571	9%

Cash and equivalents

Cash and equivalents increased by \$14.4 million over the previous year. There was positive cash flow from operating activities of \$7.7 million and financing activities of \$13.3 million however this was offset by the net cash outflows from investing activities of \$6.6 million.

All components of the movements in cash are detailed in the Statement of Cash Flows.

Fiscal overview (continued)

Loan repayment fund

In April 2014, the Parliament of the Cook Islands passed the Cook Islands Loan Repayment Fund Act (LRF Act) 2014 formally creating a Loan Repayment Fund (LRF). The aim of the LRF is to quarantine funds previously accumulated for loan repayments and to prevent them from being utilised for anything outside of debt servicing requirements. The significant increase in the Loan repayment fund 2014 \$16,210,000 (2013: \$1,152, 000) was a result of the adherence to the Loan Repayment Fund Act (LRF Act) 2014.

Trust accounts

Trust accounts decreased from \$10.1 million in 2013 to \$8.7 million in 2014.

Inventory

Stock of inventory increased from \$7.8 million to \$8.4 million in 2013/14. This increase is due to the increase in the volumes and value of diesel and fuel that is held for sale in the provision of electricity on Rarotonga and the outer islands.

Debtors and receivables

The debtors and receivables increased from \$28.7 million to \$32.9 million. This was mainly a result of the recognition of tax accruals on a subsequent receipt basis from \$14.7 million to \$18.2 million in 2013/14.

Investments in shares and associate

Included in investments are the Crown's small shareholding in the Asia Development Bank and the Pacific Forum Line. Also included in investments are shares in associates which represents the Crown's 40 per cent stake in Bluesky Cook Islands Ltd (formerly Telecom Cook Islands Ltd)

The Crown showed an increase in investments for 2014 of \$6.1 million from \$5.6 million in 2013 as greater returns from its holdings due to increased economic developments.

Banking investment portfolio

These are in relation to all loans provided by the Bank of the Cook Islands. The loan portfolio primarily comprises of housing, pearl, tourism and business development loans. Interest rates of 8.99% -16.50% (2013: of 9.5% -16.50%) are applicable on consumer loans.

Creditors and payables

The Crown shows a reduction in creditors and payables of \$12.3 million, from \$29.3 million in 2012/13 to \$17.0 million in 2013/14. This was driven by the settlement of outstanding sundry trade creditors by the Crown (including SOEs) of \$2.0 million and reduction in Provision for TOA legal settlement liabilities of \$1.2 million in addition to a prior year amendments to liabilities relating to Ports Authority advances totalling \$4.0 million.

Fiscal overview (continued)

Borrowings

Overall Crown debt increased from \$80.0 million in 2013 to \$87.7 million in 2014. This was largely due to the drawdown of the Ports Authority Loan during the period for \$21.7 million. Offsetting this were \$7.6 million of debt repayment during the year to various lenders followed by an unrealised foreign exchange gain of \$6.2 million. These movements are detailed in the Statement of Borrowings on pages 22-25.

Crown balance

The Crown Balance (referred to as Net Worth) has increased by \$20.6 million from \$232.1 million to \$252.7 million in 2013/14. This was predominantly a result of an increased asset balances of \$22.2 million, which was evidenced from a net surplus performance of \$20.6 million, however offset by the increase in liability of \$1.6 million on prior year attributed mainly to the increase in Crown Borrowing.

Schedule of Government entities

These financial statements are for the Government of the Cook Islands as defined in the Ministry of Finance and Economic Management Act 1995/96. This comprises of the following segments;

Crown parent + Crown entities (45) + State owned enterprises (13) = Cook Islands Government

Below is the listing of each individual entity that has been consolidated to prepare the financial statements of the whole of the Cook Islands Government:

Crown entities (45)

Ministries (12)

- 1 Infrastructure Cook Islands
- 2 Ministry of Agriculture
- 3 Ministry of Cultural Development
- 4 Ministry of Education
- 5 Ministry of Finance and Economic Management
- 6 Ministry of Foreign Affairs & Immigration
- 7 Ministry of Health
- 8 Ministry of Internal Affairs and Social Services
- 9 Ministry of Justice
- 10 Ministry of Marine Resources
- 11 Ministry of Police
- 12 Ministry of Transport

Island administrations (11)

- 13 Atiu Island Administration
- 14 Aitutaki Island Administration
- 15 Aitutaki Power Supply
- 16 Mangaia Island Administration
- 17 Manihiki Island Administration
- 18 Mauke Island Administration
- 19 Mitiaro Island Administration
- 20 Palmerston Island Administration
- 21 Penrhyn Island Administration
- 22 Pukapuka Nassau Island Administration
- 23 Rakahanga Island Administration

Crown agencies and offices (15)

- 24 Business Trade and Investment Board
- 25 Cook Islands Pearl Authority
- 26 Cook Islands Tourism and Marketing Corporation
- 27 Cook Islands Seabed Mineral Authority
- 28 Crown Law Office
- 29 Development Coordination Division
- 30 Financial Services Development Authority
- 31 Financial Supervisory Commission
- 32 Head of State
- 33 National Environment Service
- 34 Office of the Public Expenditure Review Committee and Audit
- 35 Office of the Public Service Commissioner
- 36 Office of the Ombudsman
- 37 Office of the Prime Minister
- 38 Parliament of the Cook Islands

Ministerial support (7)

- 39 Prime Minister's Support Office
- 40 Office of the Deputy Prime Minister
- 41 Office of the Leader of Opposition
- 42 Minister M.Brown's Support Office
- 43 Minister T.Heather's Support Office
- 44 Minister N.Glassie's Support Office
- 45 Minister T.Bishop's Support Office

State owned enterprises (13)

- 1 Cook Islands Investment Corporation

Subsidiaries of Cook Islands Investment Corporation (CIIC)

- 2 Ports Authority
- 3 Te Aponga Uira O Tumu Te Varovaro
- 4 Airport Authority
- 5 Cook Islands Broadcasting Corporation
- 6 CIIC Seabed Resources Limited
- 7 Cook Islands Government Property Corporation

Subsidiaries of Cook Islands Government Property Corporation

- 8 Banana Court Co Limited
- 9 Cook Islands Property Corporation
- 10 Bank of the Cook Islands Limited
- 11 Suwarrow Development Corporation
- 12 Development Finance limited
- 13 Cook Islands Telecommunication Holdings Limited



Statement of Comprehensive Revenue and Expenses
For the year ended 30 June 2014

In New Zealand Dollars

	Note	2014 \$000	2013 \$000
Revenue			
Taxation revenue	1	99,826	96,077
Other sovereign revenue	2	9,004	8,277
Total sovereign revenue		108,830	104,354
Sales of goods and services	3	39,257	37,179
Interest revenue		3,349	3,151
Rental revenue		2,764	2,870
Aid revenue	8	33,459	31,115
Total revenue earned through operations		78,829	74,315
Total revenue (excluding gains and minority interest)		187,659	178,669
Expenses			
Personnel expense	4	56,028	53,913
Welfare payments	5	14,348	12,231
Audit Fees		430	283
Changes in provision for doubtful debts	11	578	228
Depreciation and amortisation	14,15 & 16	10,893	12,374
Finance costs	6	4,609	2,445
Provision for legal settlement	23	92	(103)
Aid expenses	8	31,233	29,684
Other expenses	7	57,098	50,489
Total expenses (excluding losses)		175,309	161,544
Other gains / (losses) and minority interest			
Gain / (loss) on disposal of assets		6	508
Impairment loss		(43)	(2,940)
Unrealised foreign exchange gain / (loss)		7,222	(1,262)
Realised foreign exchange gain / (loss)		(282)	1,847
Share of profit of associate	12	1,318	1,566
Total other gains / (losses) and minority interest		8,221	(281)
Net surplus		20,571	16,844
Other comprehensive revenue and expense			
Other comprehensive revenue and expense		-	-
Total other comprehensive revenue and expense		-	-
Total comprehensive revenue and expenses for the year		20,571	16,844

The accompanying notes (including accounting policies) are an integral part of these financial statements



Statement of Financial Position

As at 30 June 2014

In New Zealand Dollars

	Note	2014 \$000	2013 \$000
Assets			
Current assets			
Cash and cash equivalents	9	35,717	21,358
Term deposits	9	46,765	58,634
Trust accounts	20	8,716	10,104
Inventory	10	8,381	7,760
Debtors and other receivables	11	32,892	28,733
Banking portfolio investments	13	799	656
Total current assets		133,270	127,245
Non-current assets			
Investments in shares and associate	12	6,059	5,583
Banking portfolio investments	13	42,676	37,991
Plant, property and equipment	14	128,140	117,264
Intangible assets	16	327	452
Infrastructural assets	15	102,929	102,672
Total non-current assets		280,131	263,962
Total assets		413,401	391,207
Liabilities			
Current liabilities			
Creditors and other payables	18	17,037	29,354
Employee entitlements	19	6,541	1,454
Trustee liabilities	20	15,577	16,899
Banking customer deposits	21	26,178	23,213
Current borrowings	Borrowings	3,001	3,909
Customer bonds		782	733
Provision for legal settlement	23	1,109	1,294
Total current liabilities		70,225	76,856
Non-current liabilities			
Employee entitlements	19	-	94
Banking customer deposits	21	1,894	1,216
Members of Parliament pension liability	22	1,582	1,582
Non-current borrowings	Borrowings	84,734	76,047
Provision for legal settlement	23	2,310	3,327
Total non-current liabilities		90,520	82,266
Total liabilities		160,745	159,122
Net assets		252,656	232,085
Equity			
Capital contributions and retained earnings		252,656	232,085
Total equity		252,656	232,085

The accompanying notes (including accounting policies) are an integral part of these financial statements



**Statement of Changes in Equity
For the Year Ended 30 June 2014**

In New Zealand Dollars

	General reserves \$000	Taxpayers funds \$000	Total equity \$000
Net worth at 30 June 2012	1,956	213,285	215,241
Net surplus / (deficit) for the year	-	16,844	16,844
Total comprehensive revenue and expenses	-	16,844	16,844
Net worth at 30 June 2013	1,956	230,129	232,085
Net surplus / (deficit) for the year	-	20,571	20,571
Total comprehensive revenue and expenses	-	20,571	20,571
Net worth at 30 June 2014	1,956	250,700	252,656

The accompanying notes (including accounting policies) are an integral part of these financial statements.



Statement of Cash Flows
For the Year Ended 30 June 2014

In New Zealand Dollars

Note	2014 \$000	2013 \$000
Cash Flows From Operating Activities		
Cash was provided from:		
Taxation receipts	95,359	94,691
Other sovereign receipts	11,942	7,864
Sales of goods and services	38,279	39,604
Net Aid Receipt	2,206	2,664
Cash receipts from associates	2,489	1,395
Total cash provided from operations	150,275	146,217
Cash was disbursed to:		
Social welfare benefits and education grant payments	14,348	12,516
Parliamentary superannuation payments	-	591
Personnel payments	49,602	53,632
Banking portfolio investment payments	4,828	5,657
Supplier payments	73,816	45,225
Total cash disbursed to operations	142,594	117,621
Net cash flows from operations	7,681	28,596
Cash Flows From Investing Activities		
Cash was provided from:		
Sale of property, plant and equipment	103,960	100,296
Gain on investments	11,827	756
Interest received from investments	3,349	3,151
Total cash provided from investing activities	119,136	104,203
Cash was disbursed to:		
Purchase of property, plant and equipment	96,824	125,904
Purchase of infrastructure	28,971	-
Total cash disbursed to investing activities	125,795	125,904
Net cash flows from investing activities	(6,659)	(21,701)
Cash Flows From Financing Activities		
Cash was provided from:		
Drawdown of borrowings	14,719	-
Client deposit accounts held	3,643	384
Customs bonds received	49	19
Total cash provided from financing activities	18,411	403
Cash was disbursed to:		
Loan repayments (foreign-sourced borrowings)	5,073	4,929
Total cash disbursed to financing activities	5,073	4,929
Net cash flows from financing activities	13,338	(4,526)
Net movement in cash	14,360	2,369
Opening cash balance	21,358	18,989
Closing cash and cash equivalents balance	35,717	21,358

The accompanying notes (including accounting policies) are an integral part of these financial statements



Statement of Cash Flows (continued)
For the Year Ended 30 June 2014

In New Zealand Dollars

Note	2014 \$000	2013 \$000
Reconciliation between the Operating Balance and the Net Cash Flows from Operations		
Comprehensive revenue and expenses for the year	20,571	16,844
Add / (less) non cash items		
Depreciation and amortisation	10,893	12,374
Change in provision for doubtful debts	578	164
Impairment on property, plant and equipment	43	2,940
Unrealised foreign exchange movement	(7,222)	(666)
Prior year adjustment	(2,330)	4,197
Total non cash items	1,962	19,009
Add / (less) movements in working capital		
(increase) / decrease in taxes receivable	(5,078)	(1,966)
(increase) / decrease in accounts receivable	(400)	3,007
(increase) / decrease in dividend receivable	(275)	(171)
(increase) / decrease in interest receivable	(20)	(18)
(increase) / decrease in prepayments	1,614	(1,816)
(increase) / decrease in inventory	(621)	61
(increase) / decrease in other current assets	1,388	(4,761)
increase / (decrease) in amounts due to employees	6,426	(281)
increase / (decrease) in interest accrued	(464)	(464)
increase / (decrease) in tax refund liability	611	416
increase / (decrease) in customer deposits	3,692	(405)
increase / (decrease) in banking portfolio investments	(4,828)	(5,657)
increase / (decrease) in creditors	(15,219)	5,813

The accompanying notes (including accounting policies) are an integral part of these financial statements.



**Statement of Comparison of Budget and Actuals
Crown Parent and Crown Entities (Excluding State Owned Enterprises)
For the year ended 30 June 2014**

In New Zealand Dollars

	2014 Original Budget \$000	2014 Final Budget \$000	2014 Actual Spend \$000	2014 Variance \$000	2014 Variance %
Operating revenue					
Taxation revenue	99,653	98,960	99,826	866	1%
Other Crown revenue	9,092	9,513	9,004	(509)	-6%
Trading revenue	5,452	5,718	7,566	1,848	24%
Interest on loans to subsidiaries	335	335	-	(335)	0%
Dividends	2,561	2,631	-	(2,631)	0%
Interest on balances	1,812	1,812	3,349	1,537	46%
Total operating revenue	118,905	118,969	119,745	776	1%
Operating expenditure					
Personnel expenditure	45,039	44,903	45,816	(913)	-2%
Operating expenditure	14,666	15,262	23,615	(8,353)	-35%
Depreciation expenditure	3,887	3,887	2,878	1,009	35%
Payments on behalf of the Crown	43,229	42,937	42,001	936	2%
Airport Authority	1,998	2,048	2,048	-	0%
Bank of the Cook Islands	181	181	146	35	24%
Ports Authority - infrastructure	1,110	-	-	-	0%
Te Aponga Uira	350	350	249	101	41%
Debt servicing interest	1,429	1,437	1,706	(269)	-16%
Asset management	1,800	1,800	1,800	-	0%
Crown infrastructure depreciation	5,070	5,070	626	4,444	710%
Transfer to emergency response trust fund	-	35	-	35	0%
Disaster and contingency operating expenses	100	745	-	745	0%
Total Operating Expenses	118,859	118,655	120,885	(2,230)	-2%
Fiscal Operating Surplus/(Shortfall)	46	314	(1,140)	(1,454)	128%

The original budget was approved by legislative action on 5 June 2013 and a supplementary appropriation was approved on 4 April 2014.

The budget and the accounting bases differ. The financial statements for the whole of Government are prepared on the accrual basis using a classification based on nature of expenses in the Statement of Comprehensive Revenue and Expenses. The financial statements are consolidated statements that include all controlled entities; Crown parent, Crown entities and State owned enterprises. The financial statements differ from the budget which deals only with the general Government sector which excludes state owned enterprises and certain other non-market Government entities. The funding to state owned enterprises in the budget relates to Government's social contribution to these entities.

The accompanying notes (including accounting policies) are an integral part of these financial statements

Statement of Comparison of Budget and Actuals (continued)
Crown Parent and Crown Entities (Excluding State Owned Enterprises)
For the year ended 30 June 2014

In New Zealand Dollars

	2014 Original Net Operating Appropriation Budget \$000	2014 Final Net Operating Appropriation Budget \$000	2014 Actual Net Operating Appropriation Spend \$000	2014 Variance \$000	2014 Original Trading Revenue Budget \$000	2014 Final Trading Revenue Budget \$000	2014 Actual Trading Revenue Spend \$000	2014 Variance Trading Revenue \$000
Agriculture	775	745	745	-	141	141	80	(61)
Audit (PERCA)	847	797	797	-	179	179	235	56
Crown Law	645	645	645	-	-	-	-	-
Cultural Development	672	672	672	-	175	175	149	(26)
Business Trade Investment Board	600	590	590	-	102	102	14	(88)
Education	10,962	11,259	11,170	89	-	-	-	-
Environment (Tu'anga Taparoporo)	956	956	956	-	35	35	23	(12)
Finance and Economic Management	2,811	2,803	2,828	(25)	504	504	809	305
Financial Services Development Authority	422	422	422	-	-	-	-	-
Foreign Affairs and Immigration	1,767	1,795	1,795	-	8	20	14	(6)
Head of State	234	234	234	-	-	-	-	-
Health	10,375	10,375	10,375	-	400	400	557	157
Internal Affairs	1,078	1,078	1,078	-	6	6	10	4
Justice	1,509	1,509	1,509	-	468	468	572	104
Marine Resources	1,441	1,426	1,426	-	15	15	25	10
Ombudsman	270	270	270	-	-	-	-	-
Parliamentary Services	572	572	572	-	8	8	6	(2)
Pearl Authority	466	466	466	-	-	-	166	166
Police	3,519	3,519	3,519	-	69	69	60	(9)
Prime Ministers Office	1,171	1,161	1,161	-	-	-	-	-
Public Service Commission	501	493	493	-	-	-	-	-
Transport	631	631	631	-	36	36	36	-
Tourism Corporation	4,151	4,151	4,151	-	-	254	253	(1)
Infrastructure and Planning	1,760	1,760	1,740	20	246	246	324	78
Aitutaki	1,525	1,525	1,525	-	48	48	76	28
Aitutaki Power Supply	310	310	310	-	1,901	1,901	1,945	44
Atiu	964	964	964	-	224	224	205	(19)
Mangaia	1,212	1,212	1,212	-	301	301	352	51
Manihiki	729	729	729	-	136	136	130	(6)
Mauke	788	788	788	-	114	114	157	43
Mitiaro	525	525	525	-	59	59	67	8
Palmerston	328	328	328	-	21	21	23	2
Penrhyn	511	511	511	-	84	83	150	67
Pukapuka-Nassau	913	913	913	-	74	74	65	(9)
Rakahanga	416	416	416	-	99	99	55	(44)
Prime Minister's Support Office	425	425	425	-	-	-	-	-
Deputy Prime Minister's Office	223	223	223	-	-	-	-	-
Minister 1	276	276	276	-	-	-	-	-
Minister 2	193	193	193	-	-	-	-	-
Minister 3	193	193	193	-	-	-	-	-
Minister 4	193	193	193	-	-	-	-	-
Office of the Leader of the Opposition	205	205	205	-	-	-	-	-
Other	76	76	-	-	-	-	-	-
Total	58,140	58,334	58,174	84	5,453	5,718	6,558	840



Statement of Segments
For the year ended 30 June 2014

In New Zealand Dollars

	2014 Crown Parent \$000	2013	2014 Crown Entities \$000	2013	2014 State Owned Enterprises	2013	2014 Inter-Segment Elimination	2013	2014 Whole of Government	2013
Revenue										
Taxation revenue	99,628	98,233	-	-	-	-	198	(2,156)	99,826	96,077
Sales of goods and services & rental income	243	17	7,828	7,222	34,948	34,008	(803)	(1,198)	42,216	40,049
Revenue from Crown funding	-	-	58,186	58,989	5,897	4,124	(64,083)	(63,113)	-	-
Interest revenue and dividends	5,336	4,112	38	31	1,166	1,067	(3,191)	(2,060)	3,349	3,150
Other revenue	48,384	25,909	9,926	13,390	3,927	4,546	(2,695)	(1,554)	59,542	42,291
Total revenue	153,591	128,271	75,978	79,632	45,938	43,745	(70,574)	(70,080)	204,933	181,567
Expenses										
Transfer payments and subsidies	70,035	66,273	-	-	-	-	(70,035)	(64,384)	-	1,889
Personnel expenses	1,121	1,108	45,816	44,390	9,091	8,417	-	-	56,028	53,915
Welfare and grants	623	13,118	-	-	-	-	-	-	623	13,118
Interest expenses	1,706	967	8	18	3,610	1,478	(707)	-	4,617	2,463
Depreciation expenses	626	2,209	2,878	2,740	7,389	7,425	-	-	10,893	12,374
Other operating expenses	73,945	46,571	23,593	28,797	24,190	24,864	(9,527)	(19,268)	112,201	80,964
Total expenses	148,056	130,246	72,295	75,946	44,280	42,184	(80,269)	(83,652)	184,362	164,723
Operating balance	5,535	(1,976)	3,683	3,686	1,658	1,561	9,695	13,572	20,571	16,844
Assets										
Cash and equivalents	63,478	62,373	12,230	12,157	44,702	36,349	(28,404)	(20,783)	92,006	90,096
Debtors and other receivables	26,277	22,274	3,350	4,490	8,023	5,760	(4,758)	(3,791)	32,892	28,733
Property, plant and equipment	20,247	12,694	43,651	36,659	167,497	176,502	(6,741)	(11,597)	224,654	214,258
Other assets	54,450	47,300	32,063	27,931	63,123	56,741	(85,787)	(73,852)	63,849	58,120
Total assets	164,452	144,641	91,294	81,237	283,345	275,352	(125,690)	(110,022)	413,401	391,207
Liabilities										
Creditors and other payables	16,092	14,548	8,794	8,004	8,786	4,840	(5,333)	7,630	28,339	35,022
Borrowings	87,738	76,396	-	-	24,017	26,763	(24,017)	(23,205)	87,738	79,954
Banking customer deposits	-	-	-	-	38,850	34,123	(10,777)	(9,694)	28,073	24,429
Other liabilities	43,028	41,146	43,656	38,861	25,677	24,302	(95,766)	(84,591)	16,595	19,718
Total liabilities	146,858	132,090	52,450	46,865	97,330	90,028	(135,893)	(109,860)	160,745	159,122
Net Worth	17,594	12,550	38,844	34,373	186,015	185,324	10,203	(162)	252,656	232,085

The accompanying notes (including accounting policies) are an integral part of these financial statements



Statement of Borrowings
For the year ended 30 June 2014

In New Zealand Dollars

	Loan start date	Loan end date	Loan currency	Original loan amount	Interest rate	2014 \$000	2013 \$000
External borrowings							
Asian Development Bank							
<i>Loans guaranteed by New Zealand Government</i>							
1. First multi project loan - 461	Nov-80	Aug-20	USD	1,000	1.00%	604	766
2. First Cook Islands Development Bank project loan - 567	Jul-82	Apr-22	USD	1,500	1.00%	545	674
3. Second multi project loan - 849	Dec-87	Aug-27	SDR	2,150	1.00%	1,901	2,242
4. Outer Islands telecommunications project loan - 1031	Oct-90	Aug-30	SDR	2,578	1.00%	4,441	5,172
5. Second Cook Islands Development Bank loan - 1155	Mar-92	Dec-31	SDR	1,085	1.00%	1,115	1,294
Total loans guaranteed by New Zealand Government						8,606	10,148
<i>Unguaranteed loans</i>							
6. TCI Emergency Loan- 1171	Aug-92	Jun-32	SDR	349	1.00%	383	445
7. Pearl Loan (1994) - 1309	Dec-94	Aug-34	SDR	272	1.00%	421	474
8. Education development- 1317	Feb-95	Aug-34	SDR	1,852	1.00%	2,566	2,887
9. Third Cook Islands Development Bank loan- 1380	Jan-96	Sep-35	SDR	1,977	1.00%	2,124	2,388
10. Economic restructuring loan - 1466	Sep-96	Sep-36	SDR	3,430	1.00%	4,692	5,273
11. Cyclone Rehabilitation Project loan - 1588	Jan-97	Jan-38	SDR	583	1.00%	786	883
12. Waste Management loan - 1832	Dec-01	Jun-33	SDR	1,695	1.50%	2,205	2,548
13. Cyclone Emergency Assistance loan- 2174	Jan-05	Jan-45	SDR	1,895	1.00%	3,123	3,430
14. (SF) Avatiu Ports Development Loan - 2473	Sep-09	Nov-40	SDR	4,524	1.50%	7,951	7,740
15. (OCF) Avatiu Ports Development Project Loan - 2472	Sep-09	Nov-33	NZD	10,309	5.77%	9,975	10,058
16. (SF) Economic Recovery Support Program Loan - 2565	Jan-10	Oct-24	NZD	11,053	2.52%	10,551	12,310
17. (OCF) Avatiu Ports Development Project Loan- 2739	Dec-11	Nov-35	NZD	5,290	2.64%	5,322	-
18. (OCF) Avatiu Ports Development Project Loan- 2946	Dec-12	Oct-27	NZD	11,053	2.75%	7,250	-
Total unguaranteed loans						57,349	48,436
Total Asian Development Bank borrowings						65,955	58,584
Caisse Francaise de Development							
1. Northern Group Solarisation Project Loan	Jan-99	Sep-18	EUR	1,159	0.75%	256	338
2. Rarotonga Water Supply & Electrification Loan	Jan-99	Sep-18	EUR	10,270	1.75%	2,268	2,986
Total Caisse Francaise de Development borrowings						2,524	3,324
Export -Import Bank of China							
1. Indoor Sports Stadium & Upgrade of Existing Sports Facilities	Aug-08	Aug-28	RMB	74,100	1.80%	11,529	14,051
2. Rarotonga Water Ring Main Upgrade Loan	Dec-12	Dec-32	RMB	118,000	2.00%	7,727	-
Total Export -Import Bank of China borrowings						19,256	14,051
New Zealand Government							
1. NZ Government Superannuation Fund Loan	Jan-98	Jan-03	NZD	5,561	3.00%	-	439
Total New Zealand Government borrowings						-	439
Total external borrowings						87,735	76,398
Local borrowings							
Australia and New Zealand Banking Corporation							
1. Airport Authority Loan			NZD	8,100	5.99%	-	3,558
Total Australia and New Zealand Banking Corporation						-	3,558
Total local borrowings						-	3,558
Total borrowings						87,735	79,956

Total borrowings above include both the Cook Islands Government and state owned enterprise loans. This equates to the amount in the Statement of the Financial Position and represents the complete picture of whole of Government debt obligations to external parties.

For the purposes of reporting the Government's debt obligations to external parties, the amounts disclosed on the Statement of Financial Position and Statement of Borrowings are disclosed at amortised cost.

The accompanying notes (including accounting policies) are an integral part of these financial statements



Statement of Borrowings
For the year ended 30 June 2014

In New Zealand Dollars

	2015 \$000	2016 \$000	2017 \$000	2018 \$000	2019 to 2023 \$000	2024 and after \$000	Total \$000
Maturity profile as at 30 June 2014							
External borrowings							
Asian Development Bank	2,086	2,231	3,821	4,399	20,617	32,802	65,956
Caisse Francaise de Development	915	915	695	-	-	-	2,525
Export - Import Bank of China	-	795	795	795	3,975	12,894	19,254
Total external borrowings	3,001	3,941	5,311	5,194	24,592	45,696	87,735
Total borrowings	3,001	3,941	5,311	5,194	24,592	45,696	87,735

	2014 \$000	2015 \$000	2016 \$000	2017 \$000	2018 to 2022 \$000	2023 and after \$000	Total \$000
Maturity profile as at 30 June 2013							
External borrowings							
Asian Development Bank	2,047	2,086	2,231	3,821	19,361	29,035	58,581
Caisse Francaise de Development	915	915	915	578	-	-	3,323
New Zealand Government	439	-	-	-	-	-	439
Export - Import Bank of China	-	-	544	544	2,720	10,243	14,051
Total external borrowings	3,401	3,001	3,690	4,943	22,081	39,278	76,394
Local borrowings							
Australia and New Zealand Banking Corporation	508	540	1,180	1,334	-	-	3,562
Total local borrowings	508	540	1,180	1,334	-	-	3,562
Total borrowings	3,909	3,541	4,870	6,277	22,081	39,278	79,956

	1 July 2013 \$000	Additional loan \$000	Loan repayment \$000	Currency alignment \$000	30 June 2014 \$000	
Movements during the year ended 30 June 2014						
External borrowings						
Asian Development Bank		58,582	13,329	(2,160)	(3,793)	65,958
Caisse Francaise de Development		3,323	-	(560)	(242)	2,521
New Zealand Government		439	-	(439)	-	-
Export - Import Bank of China		14,051	8,351	(858)	(2,288)	19,256
Total external borrowings		76,395	21,680	(4,017)	(6,323)	87,735
Local borrowings						
Australia and New Zealand Banking Corporation		3,558	-	(3,558)	-	-
Total local borrowings		3,558	-	(3,558)	-	-
Total borrowings		79,953	21,680	(7,575)	(6,323)	87,735
New Zealand Government		1,359	-	(920)	-	439
Export - Import Bank of China		13,450	-	-	601	14,051
Total external borrowings		14,809	-	(920)	601	14,490
Local borrowings						
Australia and New Zealand Banking Corporation		5,891	-	(2,330)	-	3,561
Total local borrowings		5,891	-	(2,330)	-	3,561
Total borrowings		20,700	-	(3,250)	601	18,051

The accompanying notes (including accounting policies) are an integral part of these financial statements



**Statement of Borrowings
For the year ended 30 June 2014**

In New Zealand Dollars

	United States Dollar USD \$000	Euro EUR \$000	New Zealand Dollar NZD \$000	Chinese Yuan RMB \$000	Total \$000
Currency analysis as at 30 June 2014					
External borrowings					
Asian Development Bank	32,857	-	33,098	-	65,955
Caisse Francaise de Development	-	2,524	-	-	2,524
New Zealand Government	-	-	-	-	-
Export -Import Bank of China	-	-	-	19,256	19,256
Total external borrowings	32,857	2,524	33,098	19,256	87,735
Local borrowings					
Australia and New Zealand Banking Corporation	-	-	-	-	-
Total local borrowings	-	-	-	-	-
Total borrowings	32,857	2,524	33,098	19,256	87,735
External borrowings					
Asian Development Bank	58,582	-	-	-	58,582
Caisse Francaise de Development	-	3,323	-	-	3,323
New Zealand Government	-	-	439	-	439
Export -Import Bank of China	-	-	-	14,051	14,051
Total external borrowings	58,582	3,323	439	14,051	76,395
Local borrowings					
Australia and New Zealand Banking Corporation	-	-	3,561	-	3,561
Total local borrowings	-	-	3,561	-	3,561
Total borrowings	58,582	3,323	4,000	14,051	79,956

Many of the loans from the Asian Development Bank are denominated in Special Drawing Rights (SDR). There is no term structure to SDR interest rates, to discount future SDR cash flows at [the SDR interest rate is an overnight rate]. The Cooks Islands pays these loans at USD calculated using the SDR:USD spot rate. However, the SDR is based on a basket of 4 currencies (USD, EUR, JPY and GBP) whose weights change based on their strength relative to the USD. The EUR and USD comprise approximately 80% of the weighted value of an SDR. To simplify the valuation process, we have converted the SDR cash flows into EUR and USD based on their relative weights in the SDR basket at each reporting date. Each series of USD and EUR cash flows has then been discounted using a EUR or USD interest rate derived as above, then converted to NZD at spot rate.

The accompanying notes (including accounting policies) are an integral part of these financial statements



Statement of Borrowings
For the year ended 30 June 2014
In New Zealand Dollars

Fair value of borrowings

For the purposes of reporting the Cook Islands Government's borrowing obligations to external parties, the amounts disclosed in the Statement of Financial Position and the Statement of Borrowings are disclosed at amortised cost.

The table below shows the estimated fair value of borrowings. For disclosure purposes, borrowing values disclosed below are not the same as reported in the Statement of Financial Position and in the above segments of the Statement of Borrowings. Fair value has been calculated based on the net present value of the expected future cash flows, discounted at market interest rates.

	2014 Fair Value \$000	2013 Fair Value \$000
External borrowings		
Asian Development Bank		
1. First multi project loan - 461	515	646
2. First Cook Islands Development Bank project loan - 567	359	535
3. Second multi project loan - 849	1,420	1,539
4. Outer Islands telecommunications project loan - 1031	3,049	3,283
5. Second Cook Islands Development Bank loan - 1155	733	781
6. TCI Emergency Loan - 1171	123	265
7. Pearl Loan (1994) - 1309	253	264
8. Education development- 1317	1,544	1,611
9. Third Cook Islands Development Bank loan- 1380	1,227	1,278
10. Economic restructuring loan - 1466	2,619	2,724
11. Cyclone Rehabilitation Project loan - 1588	423	440
12. Waste Management loan - 1832	1,329	1,484
13. Cyclone Emergency Assistance loan- 2174	1,311	1,282
14. (SF) Avatiu Ports Development Loan - 2473	3,849	3,553
15. (OCF) Avatiu Ports Development Project Loan - 2472	10,323	7,478
16. (SF) Economic Recovery Support Program Loan - 2565	9,087	9,283
17. (OCF) Avatiu Ports Development Project Loan- 2739	3,568	-
18. (OCF) Avatiu Ports Development Project Loan- 2946	6,559	-
Total Asian Development Bank borrowings	48,291	36,446
Caisse Francaise de Development		
1. Northern Group Solarisation Project Loan	228	297
2. Rarotonga Water Supply & Electrification Loan	2,023	2,619
Total Caisse Francaise de Development borrowings	2,251	2,916
Export -Import Bank of China		
1. Indoor Sports Stadium Project, Repairs and Upgrade of Existing Sports Facilities	8,367	10,163
2. Rarotonga Water Ring Main Upgrade Loan	6,524	-
Total Export -Import Bank of China borrowings	14,891	10,163
New Zealand Government		
1. NZ Government Superannuation Fund Loan	-	439
Total New Zealand Government borrowings	-	439
Total external borrowings	65,433	49,964
Local borrowings		
Australia and New Zealand Banking Corporation		
1. Airport Authority Loan	2,409	3,561
Total Australia and New Zealand Banking Corporation	2,409	3,561
Local borrowings	2,409	3,561
Total borrowings	67,842	53,525

The accompanying notes (including accounting policies) are an integral part of these financial statements



Statement of Commitments

As at 30 June 2014

In New Zealand Dollars

	Note	2014 \$000	2013 \$000
Commitments by type			
Lease commitments		3,106	1,437
Capital expenditure		-	24,200
Undisbursed bank loan facilities (Bank of the Cook Islands)		2,959	1,575
Total quantifiable commitments		6,065	27,212
Lease commitments by term			
One year or less		149	100
From one to two years		149	100
From two to five years		446	232
Over five years		2,362	1,005
Total Lease Commitments		3,106	1,437

* The above listing of lease commitments excludes the commitments held by the Cook Islands Government Property Corporation.

Lease commitments

The Cook Islands Government has commitments relating to land leases held by the Cook Islands Government Property Corporation. These are long term, usually for a 20-30 year period with perpetual renewal rights. Due to the incomplete nature of the Corporation's records on its leases, it was not possible to calculate the future commitments in numerical terms.

Capital expenditure

On 25 February 2011 the Ports Authority signed a contract with McConnell Dowell Construction Ltd for the construction part of the Project. The cost is estimated to be about \$24.2 million and will be funded through the Asian Development Bank Loans.

There was no funds committed for future capital expenditure as at 30 June 2014.

Undisbursed bank loan facilities

Bank of the Cook Islands (BCI) has committed to lending a number of loans in the future that have not yet been drawn down.

The accompanying notes (including accounting policies) are an integral part of these financial statements

Statement of Contingent Liabilities

As at 30 June 2014

In New Zealand Dollars

	Note	2014 \$000	2013 \$000
Uncalled capital - Asian Development Bank		1,354	1,526
Legal proceedings		4,356	1,425
Total Quantifiable Contingent Liabilities		5,710	2,951

Uncalled capital

Asian Development Bank - Cook Islands Government Property Corporation owns 88 uncalled shares with a par value of US\$13,500 each. Using the USD rate of 0.8776, this equates to \$1,353,692 in NZD (2013: \$1,526,012 at 0.7785).

Legal Proceedings

A \$270,000 claim has been lodged in regards to negligence against Infrastructure Cook Islands and the keeping of records up to date.

A \$86,149 claim has been lodged in relation to medical negligence against the Ministry of Health

A \$4,000,000 claim for damages against the Attorney General during the case Operation Slush.

The accompanying notes (including accounting policies) are an integral part of these financial statements



Statement of accounting policies As at 30 June 2014

Basis of preparation

Reporting entity

These financial statements are for the Government of the Cook Islands (Crown). This consists of:

Crown parent + Crown entities (45) + State owned enterprises (13) = Cook Islands Government

A schedule of the entities included in these financial statements is detailed on page 13.

The primary objective of the Crown is to provide goods or services for the social benefit of all Cook Islands citizens and permanent residents living in the Cook Islands. The achievement of social responsibility is paramount to the making of a financial return.

Statement of compliance

These financial statements have been prepared in accordance with the Ministry of Finance and Economic Management (MFEM) Act 1995/96 and the International Public Sector Accounting Standards (IPSAS).

Measurement base

The financial statements have been prepared on the going concern assumption and the accounting policies have been applied consistently throughout the period except where stated elsewhere in this Statement of Accounting Policies.

These financial statements have been prepared using the historical cost method to report results, cash flows and the financial position of the Crown except certain assets are revalued. The financial statements have been prepared under the accrual basis of accounting and are presented in New Zealand dollars rounded to the nearest thousand dollars (\$000). The functional currency is New Zealand dollars.

Reporting period

The reporting period is the year ended 30 June 2014. These financial statements were authorised for issue on 30 June, 2018.

Significant accounting policies

The following accounting policies, which significantly affect the measurement of financial performance, financial position and cash flows have been applied.

Recent standards

Of significant relevance to the Crown is the current development of new standards at the IPSAS Board. No new standards have been issued for the 2013/14 period by the board.

Basis of consolidation

Ministries, public enterprises and other authorities (including state owned enterprises (SOEs)) comprising the reporting entity are consolidated by adding together like items of assets, liabilities, equity, revenues and expenses on a line by line basis.

The effect of all material inter-entity transactions and balances are eliminated on Commitments and contingent liabilities of public enterprises and other authorities are reported in the Statements of Commitments and of Contingent Liabilities.



Statement of accounting policies (continued)
As at 30 June 2014

Associate

The Crown's associate investment is accounted for in the group financial statements using the equity method. An associate is an entity over which the Crown has significant influence where the entity is neither a subsidiary nor an interest in a joint venture. Investment in an associate is initially recognised at cost and the carrying amount is increased or decreased to recognise the Crown's share of the surplus or deficit after the date of acquisition. When the Crown transacts with an associate, all surplus and deficits related to the Crown are eliminated. Distributions received from an associate reduce the carrying value of the investment in the Crown Financial Statements.

Revenue

Revenue is measured at fair value of the consideration received or receivable.

Revenue levied through the Crown's Sovereign power

Payment of tax does not of itself entitle a taxpayer to an equivalent value of services or benefits, such revenue is received through the exercise of the Crown's sovereign power. Revenue arising through taxes is recognised when the taxable event occurs and when the criteria for recognition of revenue is met.

Revenue Type	Revenue Recognition Point
Individual Income Tax	Income tax is earned when individuals earn taxable income.
Company Income Tax	When the corporate community earns taxable income.
Value Added Tax	When taxable sales are made.
Departure Tax	When departure tax coupons are purchased.
Customs levies	When goods liable to duty are assessed, except for Oil companies which are accounted for when the liability to the Crown is incurred.

Revenue earned through operations

Revenue from sales of goods or services is recognised when the product is sold or the services are provided to the customer.

Interest income

Interest income is earned on cash or cash equivalent assets. This is recognised in the period in which it is earned.

Fines

Fines are economic benefits or services potentially received by the Crown from an individual or other entity, as determined by a court or other law enforcement body, as consequence of the individual or other entity breaching the requirements of laws and regulations.

Investment income

Investment income is earned from the leasing or rental of Crown assets to third parties that is neither a Crown entity or a Crown related party. Investment income is recognised in the period in which it is earned.

Statement of accounting policies (continued)

As at 30 June 2014

Gains

Realised gains arising from sale of assets or from the early settlement of a liability are recognised in the Statement of Comprehensive Revenue and Expenses in the period in which the transaction is concluded.

Dividends

Dividends are recognised when the right to receive the payment has been established.

Aid (Development Partner) revenue

Revenue is recognised when donor funds are expensed on approved projects and upon receipt of aid donated assets.

Expenses

General

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

Welfare benefits

Welfare benefits are recognised in the period to which the payment of these benefits relates to.

Grants and subsidies

Where grants and subsidies are discretionary until payment, the expense is recognised when the payment is made. Otherwise, the expense is recognised when the specified criteria have been fulfilled and notice has been given to the Crown.

Losses

Realised losses arising from sales of assets or the early settlement of a liability are recognised in the Statement of Comprehensive Revenue and Expenses in the period in which the transaction is concluded.

Borrowing Costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

Foreign currencies

Transactions in foreign currencies are translated into New Zealand dollar (NZD) using the exchange rate on the date of the transaction. Foreign exchange gain and losses arising from these transactions are included in the Statement of Comprehensive Revenue and Expenses.

Any monetary assets and monetary liabilities held at year end are translated at the exchange rate at the balance sheet date.

Aid expenses

Expenses are recognised when incurred on approved projects and are reported in the financial period to which they relate.



Asset type	Useful life
Office and computer equipment	3 - 4 years
Motor vehicles	5 years
Furniture and fittings	4 - 10 years
Plant and equipment	5 - 15 years
Buildings and improvements	10 - 40 years
Coastal protection	25 years
Power distribution network	20 years
Road network	30 years
Water network	15 years
Airport runways	15 - 100 years
Harbour and ports structures	10 - 20 years
Waste management facilities	15 years
Plant and equipment Tools	4 - 5 years
Marine equipment	5 years
Leased land and leasehold improvements	Term of the lease
Specialised buildings and other buildings	15 years

Non-current assets

Plant, property and equipment

Plant, property and equipment is recorded at cost less accumulated depreciation.

The cost of purchased plant, property and equipment is the value of the consideration given to acquire the assets and the value of other directly attributable costs which have been incurred in bringing the assets to the location and condition necessary for their intended service.

The cost of assets constructed by the Crown includes the cost of all materials used in construction, direct labour on the project, financing costs that are directly attributable to the project and an appropriate proportion of variable and fixed overheads. Costs cease to be capitalised as soon as the asset is ready for productive use and do not include any inefficiency costs.

When an item of plant, property and equipment is disposed, the gain or loss (disposal proceeds less carrying value) associated with that item will be recognised in the Statement of Comprehensive Revenue and Expenses.

Impairment

If the estimated recoverable amount of an asset is less than its carrying amount, the asset is written down to its estimated recoverable amount and an impairment loss is recognised in the Statement of Comprehensive Revenue and Expenses.



Statement of accounting policies (continued)

As at 30 June 2014

Additions

The cost of an item of plant, property and equipment is recognised as an asset if, and only if, there will be future economic benefits evident and where these benefits will flow to the Crown and the cost of the item can be measured reliably.

Work in progress

Work in progress is recognised as cost less impairment and is not depreciated.

Infrastructure assets

Infrastructure assets are recorded at cost less accumulated depreciation.

Infrastructure assets are accounted for the same way as property, plant and equipment

Infrastructure assets include: road networks, water networks, power distribution networks, coastal protection systems, harbour and ports structures, waste management and airport assets. When an infrastructure asset is disposed of, the gain or loss (disposal proceeds less carrying value) associated with that item will be recognised in the Statement of Comprehensive Revenue and Expenses.

Intangible assets

Intangible assets are software acquisition costs and are recorded at cost less accumulated amortisation and accumulated impairment losses.

The cost of purchased intangible assets is the value of the consideration given to acquire the assets and the value of other directly attributable costs which have been incurred in bringing the assets to the location and condition necessary for their intended service. Intangible assets might include: databases, software purchased, or software developed.

When an intangible asset is disposed of, the gain or loss (disposal proceeds less carrying value) associated with that item will be recognised in the Statement of Comprehensive Revenue and Expenses.

Amortisation of intangible assets is on a straight line basis so as to allocate the cost of assets to their estimated residual value over their estimated useful lives. Typically, the estimated useful lives are:

Asset Type	Useful Life
Software, databases	3 - 5 years

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

Debtors and other receivables

After initial recognition, loans and receivables are measured at amortised cost less any provision for impairment. Gains and losses when assets are impaired or derecognised are recognised in the Statement of Comprehensive Revenue and Expenses.



Statement of accounting policies (continued)

As at 30 June 2014

Debtors and other receivables (continued)

Tax receivables have been calculated on a subsequent receipt bases. All tax revenue received in the years subsequent to 30 June 2014 has been disclosed as tax receivables at year end.

Inventories

Inventories held for distribution or consumption in the provision of services that are not supplied on a commercial basis are measured at cost. Where inventories are acquired at no cost or for nominal consideration, the cost is the current replacement cost at the date of acquisition.

Inventories held for use in the production of goods and services on a commercial basis are valued at the lower of cost and net realisable value.

Investments

Investments in associates are accounted for in the consolidated financial statements using the equity method. That is, investments in associates are initially recognised at cost and the carrying amount is increased or decreased to recognise the Crown's share of the surplus or deficit of the associate after the day of acquisition.

Banking portfolio investments

Loans are valued at net realisable value after provisions. Applicable security is obtained depending on the size and nature of loans. Non-performing loans are reviewed monthly on a case by case basis.

Provision for doubtful debts

Provision is made for taxation debt where recovery is considered doubtful.

Provision is made for banking portfolio Investments (specific loans) where recovery is considered doubtful or they have become non-performing. The accounting policy relating to measuring the impairment of loans and advances requires the Bank to assess impairment at least at each reporting date. The credit provisions raised represent management's best estimate of the losses incurred in the loan portfolio at balance date based on their experienced judgement and in accordance with the Financial Supervisory Commission's (FSC) guidelines. The use of such judgements and reasonable estimates is considered by management to be an essential part of the process and does not impact on reliability. Management regularly reviews and adjusts the estimates and methodologies as improved analysis becomes available. Changes in these assumptions and methodologies could have a direct impact on the level of provision and impairment. There is no general provision against banking portfolio Investments.

All bad debts are written off against specific provisions in the period in which they become classified as irrecoverable.

Aid (Development Partner) assets

Donor funds are deposited into bank accounts until expensed on approved assets. Where an asset is acquired at no cost, or is donated for use by the Crown or other Crown entity, it is recognised at fair value as at the date of acquisition.



Statement of accounting policies (continued)

As at 30 June 2014

Liabilities

Borrowings

Borrowing liabilities are accounted for at amortised cost on the Statement of Financial Position. Any changes are recognised in the Statement of Comprehensive Revenue and Expenses. Borrowings or the proportion of borrowings expected to be settled within 12 months of balance date are disclosed as current liabilities in the statement of the financial position. All other borrowings are disclosed as non-current liabilities.

Pension liabilities

Pension liabilities, in respect of the contributory service of current and past Members of Parliament, are recorded at the latest (30 June 1997) actuarial value of the Crown's liability for pension payments. There are no pension liabilities accruing to the Crown as a result of Government employees' membership of the Government Superannuation Fund (New Zealand).

Aid liabilities

Funds received from various donors are treated as liabilities until expensed on approved projects at which stage the funding is included within the Statement of Comprehensive Revenue and Expenses. as revenue.

Employee entitlements

These include annual leave earned but not yet taken at balance date and long service (bonus) leave. Long service bonus is paid out on the completion of three years continuous service within the Government. The bonus is equivalent to a fortnight pay of the employee and is provided for on a pro-rata basis in the statements of financial position. Annual leave and long service leave are expected to be settled within 12 months of balance date, are classified as current liability. All other employee entitlements are classified as a non-current liability.

Other liabilities

All other liabilities are recorded at the estimated obligation to pay. No liability for ongoing welfare payments has been recognised because no legal entitlement is considered to exist beyond the end of the current financial year until a new Appropriation Act is passed and is provided for on a pro-rata basis in the statement of financial position. Annual leave and long service leave to be settled within 12 months of the balance date, are classified as current liability. All other employee entitlements are classified as a non-current liability.

Cash flow

A cash flow statement identifies the sources of cash inflow, the items on which cash was utilised and the cash balance at the reporting date. Included in the cash flow statement are financing activities which are activities that result in the change of size and composition of the contributed capital and borrowings of the Crown.

Investing activities are the acquisition and disposal of long term assets and other investments. Operating activities identify how much the Crown received from its actual operations.

Cash flow information allows users to ascertain how the Crown raised the cash it required to fund its activities and the manner in which that cash was utilised.

The direct cash flow method has been applied.



Statement of accounting policies (continued)

As at 30 June 2014

Leases

Finance leases transfer, to the Crown as lessee, substantially all the risks and rewards incidental to the ownership of an asset. The obligations under such leases are capitalised at the present value of minimum lease payments. The capitalised values are amortised over the period in which the Crown expects to receive benefits from their use.

Operating leases, where the lessors substantially retain the risks and rewards of ownership, are recognised in a systematic manner over the term of the lease. Operating leases are recognised as an expense in the Statement of Comprehensive Revenue and Expenses, in the periods in which they are incurred.

The cost of leasehold improvements is capitalised and amortised over the lesser of the leasehold improvements useful life or the original lease term.

Commitments

The Statement of Commitments discloses those operating and capital commitments arising from non-cancellable contractual or statutory obligations. Interest commitments on debts and commitments relating to employment contracts are not included.

Contingent liabilities

Contingent liabilities are recorded when a possible obligation has arisen from an event in the past and which the existence will only be confirmed through the occurrence or non-occurrence of future events. Such liabilities will be disclosed if they are deemed to materially affect the reading of the presented financial statements.

Changes in accounting policies

There have been no changes to the accounting policies. All policies have been applied on a consistent basis with the prior year.



Notes to the Financial Statements
As at 30 June 2014

	2014 \$000	2013 \$000
Note 1: Taxation revenue		
Direct taxation		
Individual income tax	22,034	21,618
Company income tax	12,491	13,832
Withholding tax	939	2,122
Total direct taxation	35,464	37,572
Indirect taxation		
Value added tax	42,029	37,038
Customs levies	14,325	15,459
Departure tax	8,008	6,008
Total indirect taxation	64,362	58,505
Total taxation revenue	99,826	96,077
Note 2: Other sovereign revenue		
Fees, fines, penalties and licenses		
Registration fees	1,282	1,153
Road transport licensing	1,313	1,335
Court fines	50	77
Other fees, fines and levies	53	33
Total fees, fines, penalties and licenses	2,698	2,598
Other Crown revenue		
Currency and numismatic revenue	274	400
Fisheries licenses	5,503	4,877
Tattslotto income	142	163
Other	387	239
Total other Crown revenue	6,306	5,679
Total other sovereign revenue	9,004	8,277
Note 3: Sales of goods and services		
Crown parent		
Sales of goods	243	17
Total Crown parent sales of goods	243	17
Crown entities		
Sales of goods	166	161
Rendering of services	7,400	6,823
Total Crown entities sales of goods and services	7,566	6,984
State owned enterprises		
Airport landing fees	3,997	3,940
Electricity sales	17,959	18,069
Fees and interest on banking portfolio assets	6,347	5,455
Port services	2,515	2,379
Other	630	335
Total State owned enterprises sales of goods and services	31,448	30,178
Total sales of goods and services	39,257	37,179

A further breakdown of individual Crown entities sales of goods and services can be found in the Statement of Comparison of Budget and Actuals.

Notes to the Financial Statements (continued)
As at 30 June 2014

	2014	2013
	\$000	\$000
Note 4: Personnel expense		
Gross salaries and wages	53,850	52,542
Head of Ministries salaries	1,121	1,108
Increase / (decrease) in leave provisions	360	201
Increase / (decrease) in long-service Bonus Accruals	-	(8)
Increase / (decrease) in payroll accrual	697	70
Total personnel expenses	56,028	53,913
Note 5: Welfare payments		
Old age benefits	9,982	8,365
Child benefits	2,650	2,537
Destitute and infirm benefits	683	705
Special assistance benefits	95	544
Power subsidies	76	80
Other	862	-
Total welfare payments	14,348	12,231
Note 6: Finance costs		
Interest expenses on foreign-sourced loans	1,706	967
Interest expenses on domestic loans	2,903	1,478
Total finance costs	4,609	2,445
Note 7: Other expenses		
Private school funding	1,983	1,716
Tertiary training institutions	760	439
Air New Zealand underwrite	11,102	9,554
Tourism marketing	2,000	2,000
Medical and hospital expenses	2,150	915
Fuel and oil	12,318	13,267
Communications	836	873
Repairs and maintenance	6,742	6,985
Office supplies and consumables	674	1,056
Professional services	1,430	1,351
Travel	998	1,480
Civil list expense	2,350	2,434
Advertising and marketing	2,658	1,413
Insurance	1,087	1,024
National superannuation fund	298	313
Community cleaning program (Vaka maintenance)	398	449
International subscriptions	574	515
Rentals and operating lease costs	1,487	92
Other expenses	7,253	4,612
Total other expenses	57,098	50,489



Notes to the Financial Statements (continued)
For the Year Ended 30 June 2014

	2014	2013
	\$000	\$000
Note 8: Aid funded activities		
Aid revenue		
New Zealand Aid	25,357	23,820
European Union Assistance	1,929	91
United Nations Aid Assistance	1,179	1,369
Other Aid Assistance	4,994	5,835
Total Aid revenue	33,459	31,115
Aid expenses		
Public sector reform	1,538	810
Private sector development	795	253
Human Resource development	4,293	4,150
Outer Islands development	10,722	1,760
Tourism development	5,870	7,538
Health development	1,632	2,400
Water and sanitation	1,398	2,294
Environmental protection	220	441
Education development	3,031	2,875
Other Aid expenses	1,734	7,163
Total Aid expenses	31,233	29,684
Aid capital expenses		
Aid funded property, plant and equipment	2,226	1,431
Total Aid capital expenses	2,226	1,431
Total Aid expenditure	33,459	31,115

Funds received from various development partners are treated as trustee liabilities until expended on approved projects at which stage the funding is included within the Statement of Comprehensive Revenue and Expenses.

Development partner expenditure of a capital nature is accounted for as plant, property, and equipment within the Statement of Financial Position. Other expenditure funded through aid is included within the Statement of Comprehensive Revenue and Expenses.

In many cases, the various development partners expend the aid funding direct with suppliers of goods and services. The treatment of this spending within the financial statements is consistent with funding received and expended by the Crown.



Notes to the Financial Statements (continued)
For the Year Ended 30 June 2014

	2014 \$000	2013 \$000
Note 9: Cash and cash equivalents		
Cash at Bank		
Crown entities and state owned enterprises	27,926	14,648
Total crown entities cash at bank	27,926	14,648
Crown parent		
Australia and New Zealand Banking Group Limited	3,126	1,218
Westpac Banking Corporation	4,176	4,757
Taxation Imprest accounts	417	355
Other bank accounts	72	380
Total Crown parent cash at bank	7,791	6,710
Total cash at bank	35,717	21,358
Term deposits		
Loan repayment fund term deposits	16,210	1,152
Crown parent term deposits	321	34,040
Crown entities and state owned enterprises	30,234	23,442
Total term deposits	46,765	58,634

In April 2014, the Parliament of the Cook Islands passed the Cook Islands Loan Repayment Fund Act (LRF Act) 2014 formally creating a Loan Repayment Fund (LRF). The aim of the LRF is to quarantine funds previously accumulated for loan repayments and to prevent them from being utilised for anything outside of debt servicing requirements. The significant increase in the Loan repayment fund 2014 \$16,210,000 (2013: \$1,152,000) was a result of the adherence to the Loan Repayment Fund Act (LRF Act) 2014.

Note 10: Inventory		
Inventory held of use		
Electricity - diesel and oil	1,741	1,863
Infrastructure - bitumen and spare parts	932	844
Health - pharmaceuticals and hospital Supplies	607	463
Education - school and stationery supplies	88	74
Total inventory held for use	3,368	3,244
Inventory held for sale		
Electricity - diesel and oil	4,361	3,796
Numismatic - coin stocks	190	229
Culture - DVDs and publications	102	97
Pearl - pearls and pearl artifacts	439	384
Parliamentary services - printed legislation	9	10
Total inventory held for sale	5,101	4,516
Provision for obsolete stock	(88)	-
Total Inventory	8,381	7,760

Total inventory does not include numismatic stock comprising of collectors coins and notes no longer in circulation. The notes (\$50, \$20, \$10 and \$3) were expensed in prior years when they were produced and the sample collectors coins were received from various minting companies in return for them using the 'Government of the Cook Islands' name on these coins. Whilst the collectors coins and notes have a face value, they have no value to the Crown as the notes are no longer in circulation and the coins are not held for resale.

Notes to the Financial Statements (continued)
For the Year Ended 30 June 2014

	2014 \$000	2013 \$000
Note 11: Debtors and other receivables		
Taxes receivable	18,188	14,726
Accounts receivable	11,257	10,838
Prepayments	1,624	3,238
Interest receivable	358	338
Accrued revenue	1,562	1,582
Dividends receivable	1,129	854
Total debtors and other receivables (gross)	34,118	31,576
Provision for doubtful debts	(1,226)	(2,843)
Total debtors and other receivables (net)	32,892	28,733

Movements in the provision for uncollectibility of accounts receivables are as follows:

Balance at 1 July	(2,843)	(2,679)
Additional provisions made during the year	(578)	(228)
Receivables written off during the year	2,195	64
Provisions reversed during the year	-	-
Balance at 30 June	(1,226)	(2,843)

Note 12: Investments in shares and associates

Investment in shares		
Asian Development Bank	33	161
Total investments in shares	33	161
Share of net assets of associate		
Carrying amount at beginning of year	5,422	4,883
Equity accounted earnings of associate	1,318	1,566
Dividends from associate	(714)	(1,027)
Total share of net assets of associate	6,026	5,422
Total investments in shares and associate	6,059	5,583

Associates are those entities in which the Crown has substantial shareholding and in whose commercial and financial policy decisions it participates but does not have any controlling interest.

At 30 June 2014 investment in associate comprises:	Percentage Interest	Balance Date
Bluesky Cook Islands Limited	40%	30 June

Bluesky Cook Islands Limited is incorporated in the Cook Islands and provides telecommunication services to the Cook Islands. Refer to Note 28 - Subsequent events for further information.

Note 13: Banking portfolio investments (held by Bank of the Cook Islands)

Current banking portfolio investments		
Current banking portfolio investments	862	704
Provision for bad and doubtful loans	(63)	(48)
Net current banking Portfolio Investments	799	656
Non-current banking portfolio investments		
Non-current banking portfolio investments	46,061	40,758
Provision for bad and doubtful loans	(3,385)	(2,767)
Net non-current banking portfolio investments	42,676	37,991
Total banking portfolio investments	43,475	38,647

The loans portfolio primarily comprises of housing, pearl, tourism and business development loans. Housing loans attract interest rates of 4.54% to 15.99% (2013: 6.4% to 16.25%) whereas 8.60% to 12.75% (2013: 8.85% to 13.00%) applies to developmental (including business) loans. Interest rates of 8.99% to 16.50% (2013: 9.5% to 16.50%) are applicable on consumer loans.

Notes to the Financial Statements (continued)
For the Year Ended 30 June 2014

Note 14: Property, plant, and equipment
Breakdown of property, plant and equipment and further information
Movement for each class of property, plant and equipment are as follows:

	Computer Equipment \$000	Furniture & Fittings \$000	Motor Vehicles \$000	Plant & Equipment \$000	Buildings \$000	Land \$000	Work in Progress \$000	Unexplained Movements \$000	Total \$000
Cost									
Balance as at 1 July 2012	6,538	2,616	10,261	47,380	77,687	12,151	34,396	-	191,029
Additions	1,089	389	1,264	4,652	2,271	926	8,391	-	18,982
Disposals	288	205	555	11,832	(1,317)	-	23,142	-	34,705
Balance as at 30 June 2013	7,339	2,800	10,970	40,200	81,275	13,077	19,645	-	175,306
Accumulated depreciation and impairment losses									
Balance as at 1 July 2012	5,252	1,842	7,923	21,062	18,994	71	244	-	55,388
Depreciation	616	164	804	2,036	2,463	14	234	-	6,331
Accumulated depreciation on disposals	200	32	517	3,017	391	-	(480)	-	3,677
Impairment losses	-	-	-	-	-	-	-	-	-
Balance as at 30 June 2013	5,668	1,974	8,210	20,081	21,066	-	958	-	58,042
Carrying amount									
As at 30 June 2013	1,671	826	2,760	20,119	60,209	13,077	18,687	-	117,264
Cost									
Balance as at 1 July 2013	7,339	2,800	10,970	40,200	81,275	13,077	19,645	-	175,306
Additions	419	323	754	1,603	2,531	290	28,199	-	34,119
Disposals	273	(284)	927	683	5,419	428	10,854	-	18,300
Unexplained movements	-	-	-	-	-	-	-	1,191	1,191
Balance as at 30 June 2014	7,485	3,407	10,797	41,120	78,387	12,939	36,990	1,191	192,316
Accumulated depreciation and impairment losses									
Balance as at 1 July 2013	5,668	1,974	8,210	20,081	21,066	-	958	85	58,042
Depreciation	460	187	776	1,316	2,701	14	188	-	5,642
Accumulated depreciation on disposals	(254)	106	(139)	(226)	(731)	-	-	-	(1,244)
Impairment losses	-	-	-	-	-	-	-	-	-
Unexplained movements	-	-	-	-	-	-	-	(752)	(752)
Balance as at 30 June 2014	6,382	2,055	9,125	21,623	24,498	14	1,146	(667)	64,176
Carrying amount									
As at 30 June 2014	1,103	1,352	1,672	19,497	53,889	12,925	35,844	1,858	128,140



**Notes to the Financial Statements (continued)
For the Year Ended 30 June 2014**

Note 15: Infrastructure assets

Breakdown of infrastructure assets and further information

Movement for each class of infrastructure assets are as follows:

	Roading \$000	Power Network \$000	Harbour & Ports \$000	Airport \$000	Coastal Protection \$000	Water \$000	Waste Management \$000	Work in Progress \$000	Unexplained Movements \$000	Total \$000
Cost										
Balance as at 1 July 2012	19,514	10,760	6,428	46,746	929	13,471	5,484	10,184	-	113,516
Additions	5,148	2,395	27,102	5,043	-	1,536	2,709	304	-	44,237
Disposals	17,675	3,057	1,894	-	-	13,039	5,484	6,632	-	47,781
Balance as at 30 June 2013	6,987	10,098	31,636	51,789	929	1,968	2,709	3,856	-	109,972
Accumulated depreciation and impairment losses										
Balance as at 1 July 2012	14,221	1,125	799	9,266	510	11,376	2,133	-	-	39,430
Depreciation	1,451	1,510	634	1,578	37	520	266	-	-	5,996
Accumulated depreciation on disposal:	14,237	2,420	-	7,724	-	11,502	2,270	(27)	-	38,126
Impairment losses	-	-	-	-	-	-	-	-	-	-
Balance as at 30 June 2013	1,435	215	1,433	3,120	547	394	129	27	-	7,300
Carrying amount										
As at 30 June 2013	5,552	9,883	30,203	48,669	382	1,574	2,580	3,829	-	102,672
Cost										
Balance as at 1 July 2013	6,987	10,098	31,636	51,789	929	1,968	2,709	3,856	-	109,972
Additions	-	-	-	267	-	-	505	26	-	798
Disposals	1,835	-	-	-	-	-	-	-	-	1,835
Unexplained movements	-	-	-	-	-	-	-	-	723	723
Balance as at 30 June 2014	5,152	10,098	31,636	52,056	929	1,968	3,214	3,882	723	109,658
Accumulated depreciation and impairment losses										
Balance as at 1 July 2013	1,435	215	1,433	3,120	547	394	129	27	-	7,300
Depreciation	472	-	16	1,592	37	78	161	79	2,676	5,111
Accumulated depreciation on disposal:	(122)	-	-	-	-	-	-	(8)	-	(130)
Impairment losses	-	-	-	-	-	-	-	-	-	-
Unexplained movements	-	-	-	-	-	-	-	-	(5,812)	(5,812)
Balance as at 30 June 2014	2,029	215	1,449	4,712	584	472	290	114	(3,136)	6,729
Carrying amount										
As at 30 June 2014	3,123	9,883	30,187	47,344	345	1,496	2,924	3,768	3,859	102,929



Notes to the Financial Statements (continued)
For the Year Ended 30 June 2014

Note 16: Intangible assets
Breakdown of intangible assets and further information
 Movement for each class of intangible assets are as follows:

	Purchased Software \$000	Developed Software \$000	Naming Rights \$000	Unexplained Movements \$000	Total \$000
Cost					
Balance as at 1 July 2012	521	249	-	-	770
Additions	33	-	109	-	142
Disposals	53	-	-	-	53
Balance as at 30 June 2013	501	249	109	-	859
Accumulated amortisation and impairment losses					
Balance as at 1 July 2012	171	235	-	-	406
Amortisation expense	37	10	-	-	47
Accumulated amortisation on disposals	46	-	-	-	46
Impairment losses	-	-	-	-	-
Balance as at 30 June 2013	162	245	-	-	407
Carrying amount					
As at 30 June 2013		339	4	109	452
Cost					
Balance as at 1 July 2013	501	249	109	-	859
Additions	15	-	-	-	15
Disposals	-	-	-	-	-
Unexplained Movements	-	-	-	-	-
Balance as at 30 June 2014	516	249	109	-	874
Accumulated amortisation and impairment losses					
Balance as at 1 July 2013	162	245	-	-	407
Amortisation expense	136	4	-	-	140
Accumulated amortisation on disposals	-	-	-	-	-
Impairment losses	-	-	-	-	-
Unexplained movements	-	-	-	-	-
Balance as at 30 June 2014	298	249	-	-	547
Carrying amount					
As at 30 June 2014	218	-	109	-	327



Notes to the Financial Statements (continued)
For the Year Ended 30 June 2014

Note 17: Related parties

Related party relationships are a normal feature of commerce. Therefore, the Government will transact with related parties as a matter of course.

Related parties of the Government include:

- * Ministers of the Crown, who are key management personnel because they have authority and responsibility for planning, directing and controlling the activities of the Government, directly or indirectly
- * Ministers' spouses, children and dependants who are close family members of key management personnel, and
- * Private-sector entities owned or jointly controlled by Ministers, their spouses, children and dependants.

The key management personnel are members of the senior management group. Key management personnel have authority and responsibility for planning, directing and controlling activities of the Government, directly and indirectly. Key management personnel in Government are the cabinet ministers.

The aggregate remuneration of members of the senior management group and the number of individuals determined on a full time equivalent basis receiving remuneration within this category are

	2014 \$000	2013 \$000
Aggregate remuneration	540	540
Number of persons	6	6

Given the range of Government activities these related parties transact with the government sector in the same capacity as ordinary citizens. Such transactions include the payment of taxes and user charges (such as purchase of electricity), and the receipt of entitlements and services (such as access to education). These transactions have not been separately disclosed in this note.

Other transactions with these related parties can include the employment of Minister's spouses, children and dependants by a Government entity, including ministerial offices, departments, Crown entities and State-owned enterprises, receipt of grants from, or the purchase or sale of goods and services to, a Government entity by Ministers, their spouses, children and dependants, or private-sector entities they own or jointly control. These transactions have not been separately disclosed in this note, unless they have taken place within a Minister's portfolio.

	2014 \$000	2013 \$000
Note 18: Creditors and other payables		
Creditors, accruals and provisions	13,075	26,953
Payroll accruals	2,869	1,436
Interest accrued	-	464
Taxation refunds payable	1,031	420
Other creditors and payables	62	81
Total creditors and other payables	17,037	29,354

Notes to the Financial Statements (continued)
For the Year Ended 30 June 2014

	2014 \$000	2013 \$000
Note 19: Employee entitlements		
Current employee entitlements		
Provision for annual leave	6,513	1,345
Provision for sick leave	-	102
Provision for long service bonus	28	7
Total current employee entitlements	6,541	1,454
Non-current employee entitlements		
Provision for long service bonus	-	94
Total non-current employee entitlements	-	94
Total Employee Entitlements	6,541	1,548
Note 20: Trustee liabilities		
1 Aid funding liabilities	9,414	10,207
2 Land trust liability	3,422	3,425
3 Workers compensation liability	1,457	1,370
4 Law trust liability	286	286
5 Customs bond trust liability	132	132
6 Insurance trust liability	35	35
7 Other trust liabilities	791	1,404
8 Immigration trust liability	40	40
Total trustee liabilities	15,577	16,899
Trust Accounts		
1 Aid trust accounts	3,595	4,210
2 Land trust account	1,407	1,356
3 Workers compensation account	1,457	1,370
4 Law trust account	286	286
5 Customs bond account	132	132
6 Insurance deposits account	37	35
7 Other Trust Fund	1,802	2,715
Total trust accounts	8,716	10,104

Land trust liability

The land trust liability is held by the Ministry of Justice for the administration of a land trust account where payments are received from lessees and are paid to the land owners. Unclaimed deposits are held by the Crown.

Workers compensation liability

The workers compensation liability is an accumulation of all historical levies received from employers less compensation payments to employees for accident or death under the Cook Islands Workers Compensation Ordinance 1964.

Law trust liability

This is reparation funds paid as ordered by the court and is held until such time the case is heard in court and court ruling is delivered.

Customs bond trust liability

Deposits held as a bond on imported equipment that is imported for a project and that will be returned after the project is completed. The bond is paid out once the equipment is returned.

Immigration trust liability

These are bonds paid by foreign employees or employers of foreign employees as a security for these foreign workers. If any problem arises with regards to these workers, this money can be used to pay for outward travel arrangement for the employees. The amount is calculated and is equivalent to a one way outward travel ticket to the employees country of origin at the time of deposit. The bond is paid out when the employee leaves.

Notes to the Financial Statements (continued)
For the Year Ended 30 June 2014

	2014 \$000	2013 \$000
Note 21: Banking customer deposits (held by the Bank of the Cook Islands)		
Current customer deposits less than 12 months	26,178	23,213
Customer deposits between 12 to 24 months	1,894	1,216
Total banking customer deposits	28,072	24,429

Banking customer deposits are held by the Bank of the Cook Islands yielding interest rates between 1.40% and 4.76% (2013: 1.40% and 4.76%), and are unsecured.

There are no specific assets to match the superannuation benefit liability. The liability is funded from the Crown's general monetary assets.

Note 22: Members of Parliament Pension Liability (continue)

The Cook Islands Government Superannuation Scheme for Members of Parliament provided under the Legislative Assembly Members' Superannuation Act 1976 was most recently assessed in January 2014 by Melville Jessup Weaver Limited, a firm of actuaries from New Zealand, as at 30 June 2013. This resulted in a revaluation of the liability by \$0.544 million, increasing it from \$1.039 million to \$1.583 million. The liability relates to past and current contributions made by members and employer contributions.

There was a substantial change in the superannuation benefits payable to Members and former Members of Parliament MP's by the passing of new legislation in 2003, the Members of Parliament Superannuation Act 2003. All eligible current MPs were transferred to the Cook Islands National Superannuation Scheme and agreement was reached for a defined list of former MPs (retirees) and MPs widows to receive a pension from Government.

This list of former MP's and MP's widows, which currently comprises 20 retirees (2013: 20), will each receive a pension for the rest of their lives. This pension was reduced by the 2003 Legislation and is a maximum of \$10,000 per annum.

There are no specific assets to match the superannuation benefit liability. The liability is funded from the Crown's general monetary assets.

	2014 \$000	2013 \$000
Balance at 1 July	1,582	1,221
Payments during the year	-	(183)
Valuation adjustment	-	544
Balance at June	1,582	1,582

Note 23: Provision for legal settlement
Apex Agencies Limited (Toa Petroleum)

In the 2008/09 financial year, Government proposed to restructure the Cook Islands fuel market by purchasing a fuel farm (Toa) and outsourcing its management. The proposal would result in the bulk purchase of fuel for the Cook Islands by one entity (Government) which would then be available to retailers. The motivation for this was to reduce the cost of fuel to the consumers.

As a result of this proposal, Triad Pacific Petroleum Ltd (Triad) took legal action to halt the proceedings of the purchase. Government withdrew from the agreement to purchase and as a result of not fulfilling the purchase agreement, a settlement was negotiated to avoid litigation. This was finalised as a \$1.75 million pay out from the Crown to Toa and also an undertaking that the Crown will provide revenue to Toa to enable them to make an annual EBITDA (earnings before interest, taxes, depreciation and amortisation) profit of \$1.2 million for the following 8 years.

**Notes to the Financial Statements (continued)
For the Year Ended 30 June 2014**

Note 23: Provision for legal settlement (continued)

The settlement payment of \$1.75 million was paid in the 2008/09 financial year and the beginning of the EBITDA support was appropriated in that same financial year. A provision has been recorded for the 2013/14 financial year.

	2014 \$000	2013 \$000
Provision for legal settlement		
Balance at 1 July	6,070	6,173
Add: Increase/ (decrease) in provision estimate	92	(103)
Balance at June	6,162	6,070
Current provision for legal settlement	1,109	1,294
Non-current provision for legal settlement	2,310	3,327
Balance at June	3,419	4,621

The Crown has recognised a provision for the Apex Agencies Ltd (Toa Petroleum) EBITDA guarantee to the value of \$3,418,555 (2013: \$4,621,485). This reflects the present value of future obligations according to key assumptions around future expected EBITDA results and a discount rate based on a cost of capital rate of 15%.

Note 24: Statement of specific fiscal risks (foreign currencies)

The principles of responsible fiscal management as detailed in Part III, Section 23 of the Ministry of Finance and Economic Management (MFEM) Act 1995-96 are to:

- a) managing total Crown debt at prudent levels so as to provide a buffer against factors that may impact adversely on the level of total Crown debt in the future, by ensuring that, unless such levels have been achieved, the total operating expenses of the Crown in each financial year are less than its total operating revenues in the same financial year; and
- b) achieving and maintaining levels of Crown net worth that provide a buffer against factors that may impact adversely on the Crown's net worth in the future; and
- c) managing prudently the fiscal risks facing the Crown; and
- d) pursuing policies that are consistent with a reasonable degree of predictability about the level and stability of tax rates for future years.

Ongoing risks to the Crown debt liability is the value of the NZD against major trading currencies. This has been mitigated by the set up of the Loan Repayment Fund Act 2014 legislated to quarantine funds aimed at covering debts and a buffer for exchange rate shocks.

	2014 \$000	2013 \$000
Euros	0.6432	0.5973
United States dollars	0.8776	0.7785
Chinese Yuan	5.4574	4.7867

* Exchange rates obtained from the Reserve Bank of New Zealand as at 30 June.

Notes to the Financial Statements (continued) For the Year Ended 30 June 2014

Note 25: Subsequent events

Telecom Cook Islands Limited

On 23rd February 2015 Spark New Zealand sold their 60% interest in Telecom Cook Islands Limited to Teleraro Ltd, Bluesky's Cook Islands subsidiary. There is no change in the groups 40% share held by Cook Islands Telecommunications Holdings Ltd. The investee is now trading as Bluesky.

Te Mato Vai – Rarotonga water upgrade

The Cook Islands Government embarked on a multimillion dollar upgrade of the water supply system on Rarotonga, with the goal of “delivering potable water, reliably, to all properties connected to the existing water supply network”, originally by 2015. In order to achieve its target, the Cook Islands Government formed “Te Mato Vai” – the Cook Islands Water Partnership with the Governments of the People’s Republic of China and New Zealand. Funding for the Water Supply Upgrade has been provided through a combination of Cook Islands budget funding, a Chinese Government loan and grant assistance from New Zealand Government.

The project is divided into two stages – Stage 1 being the replacement of the ring main; Stage 2 being the refurbishment of intakes and provision of storage, filtration and trunk mains. To date, the ring main pipeline construction works, carried out by the China Civil Engineering Construction Corporation (CCECC) is completed initiating the 12 months defect liability period. Any defects in the construction works discovered during this period will be remedied by CCECC.

Between August and December 2016, a number of meetings were held with landowners of the 10 water intakes identified for Stage 2, seeking cooperation and consent for access by contractors to perform site surveys and complete final designs. Subject to the agreement of landowners, implementation of Stage 2 is expected to start in 2017/18 and completed in two years.

The Loan Repayment Fund

In April 2014, the Parliament of the Cook Islands passed the Cook Islands Loan Repayment Fund Act (LRF Act) 2014 formally creating a Loan Repayment Fund (LRF). The aim of the LRF is to quarantine funds previously accumulated for loan repayments and to prevent them from being utilised for anything outside of debt servicing requirements. The LRF Act also ensures a framework for the prudential management of all sovereign public debt and ensures the timely allocation of money from the Budget for debt servicing.

Since its enactment, the LRF has become the official means by which the Cook Islands Government (Crown) manages its debt portfolio and a balance of \$16.21 million at 30 June 2014.

Apex -Profit Guarantee Final Payment

The Apex Profit Guarantee is a court ordered payment for a profit guarantee to Apex Agencies Limited in accordance with the terms of the TOA settlement agreement. The agreement requires Government amongst other things to guarantee making up the balance if TOA's profit falls below \$1.2 million per annum. A provision of \$3.42 million was reported at 30 June 2014 (note 26). The Government has made the last and final payment in December 2017.



Notes to the Financial Statements (continued) For the Year Ended 30 June 2014

Note 25: Subsequent events (continued)

Tereora College Redevelopment Project - Stage 1

Stage 1 of Tereora College Redevelopment commenced in October 2016. The construction contract, which was awarded to Landholdings Ltd. Redevelopment of Tereora College responds to demands for modern and flexible infrastructure that will support innovative learning. The redevelopment plan comprises of three stages; Stage 1 is the Technologies, Student Research and Administration centres, Stage 2 is the Academic Centre and Stage 3 is the Performing Arts Centre.

Demolition and civil works associated with stage 1 is funded by the Cook Islands Government. In 2016/17 five buildings and the BCI hardcourts were demolished to make way for the new buildings. In 2017/18 the last building will be demolished, the new access road to the school will be constructed together with additional paving and parking. Request for Tenders for this work will be issued in July/August 2017. Estimated total cost of \$12 million has been marked for this project.

Apii Nikao Rebuild

Apii Nikao School caught fire and destroyed school building and property in 2013.

The rebuild project comprises of three (3) classroom blocks covering approximately 5,200m². The buildings will feature flexible learning spaces which include large learning areas for each grade and break-out spaces for individual or smaller group learning.

These flexible spaces support innovative learning principles promoted in New Zealand schools. Apii Nikao introduced the innovative learning system when Nikao Maori and Avatea schools merged in early 2015. Water tanks, solar panels for power generation, and a pillared-concrete fencing system will be installed to make the school more resilient to climate change and to reduce its carbon footprint.

China Civil Engineering Construction Corporation was awarded the construction contract in April 2017. Mobilisation of their management and staff started soon after to allow work to start without further delays. Construction commenced in May 2017.

Additional civil works associated with the rebuild project will be implemented by the Cook Islands Government. This includes access road and drainage improvements.

Tax Amnesty

The Government granted a Tax Amnesty period from 1 August 2017 to December 31. This was later extended to 31 March 2018. The aim was to address the large amount of tax debt owed by taxpayers and reported in the Crown Statement of Financial Position.

The Tax Amnesty is a limited-time opportunity for all taxpayers to clear their outstanding tax or come clean about evaded tax.

There are three ways to benefit from the Tax Amnesty;

1. A remission or write off of all additional tax owed.
2. A write off of any turnover tax still owing
3. A waiver from prosecution for any disclosure of evaded income and a 20% penalty only will be charged.

During the duration of the Amnesty, Government has experienced an increase in Tax revenue collected meaning that Taxpayers are making use of this opportunity. A total of \$22,622,630 was written off as at 30 June 2018.

