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**ANNUAL REPORT OF**  
**THE GOVERNMENT OF THE COOK ISLANDS**  
FOR THE YEAR ENDED 30 JUNE 2011

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# PARLIAMENT OF THE COOK ISLANDS

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## PARLIAMENT PAPER NO. 152

Rarotonga.

Honourable Speaker,

As required under Article 71(2) of the Constitution of the Cook Islands, and pursuant to Section 26(2) of the Ministry of Finance and Economic Management Act 1995-96, I have the honour to present the Audited Financial Statements of the Government of the Cook Islands for the year ended 30 June 2011.

I have the honour to be,

Ma'am

Your obedient servant

A large, stylized handwritten signature in black ink, appearing to read 'Richard Neves'.

Richard Neves  
**Financial Secretary**

22 September 2014

The HON. MARK BROWN, Minister of Finance

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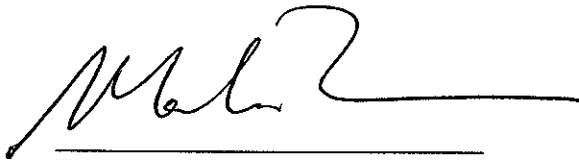
# STATEMENT OF RESPONSIBILITY

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 Crown'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.

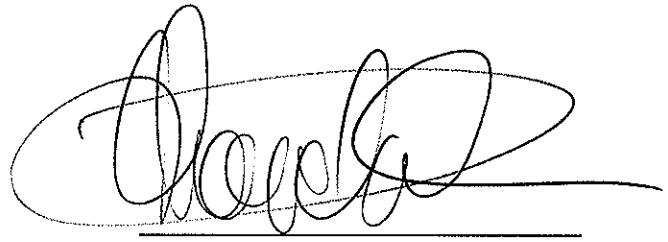
We have taken steps to satisfy ourselves that the financial statements fairly reflect the financial position, operations and cash flows of the Crown for the year ended 30 June 2011 and are consistent with the requirements of the Ministry of Finance and Economic Management Act 1995/96.

In our opinion, subject to the qualifications included within the Report of the Cook Islands Audit Office, these financial statements fairly reflect the financial position, operations and cash flows of the Crown for the year ended 30 June 2011.



**Hon. Mark Brown**  
**Minister of Finance**

**15 September 2014**



**Richard Neves**  
**Financial Secretary**

**15 September 2014**



# OVERVIEW

## Introduction

These financial statements contain the audited results for the year ended 30 June 2011.

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.

As the Appropriation Bill only covers ministries and entities funded by the Crown (and does not cover SOEs), there is not a comparative budget that can be included in these financial statements. However, the budgetary information that we have disclosed in the following pages is prepared on an accrual basis and is consistent to the Statement of Fiscal Responsibility included in the Supplementary Budget of 2010/11.

## Financial Performance

The table below contains the audited results for the year ended 30 June 2011 and is compared against the budget and prior year audited actual results. The first column 'Crown' is the fully consolidated Government of the Cook Islands (including SOEs) and the second 'Approp' represents only the Ministries and entities funded through the budget appropriation (excluding SOEs).

The following tables and this commentary should be read in conjunction with the financial statements on pages 13 to 62.

*Table 1 Statement of Financial Performance*

Budget Approp 2011 \$000		Actual			
		Crown 2011 \$000	Approp 2011 \$000	Crown 2010 \$000	Approp 2010 \$000
	<b>Revenue and Expenses from Crown Funded Activities</b>				
	<i>Revenue</i>				
84,223	Taxation & levies	92,395	90,251	90,827	89,575
5,155	Provision of goods and services	36,287	6,520	36,084	7,344
13,849	Other	10,741	11,839	9,366	11,983
<u>103,227</u>		<u>139,423</u>	<u>108,610</u>	<u>136,277</u>	<u>108,902</u>
	<i>Expenses (by functional classification)</i>				
12,360	Welfare and Grants	12,305	12,305	12,268	12,267
43,265	Wages, Salaries, and Employee Benefits	52,320	44,480	50,397	43,232
2,950	Depreciation and Amortisation Expenses	12,042	4,716	10,318	4,647
879	Finance Cost	2,638	905	3,431	831
-	Doubtful Debts	493	220	7,004	6,254
-	Net(Gain)/Loss on Foreign Exchange	(11,176)	-	(6,355)	-
-	Audit Fees	232	13	289	-
1,620	Private School Funding	1,620	1,620	1,620	1,620
3,450	Air NZ Subsidy	4,486	4,486	1,912	1,912
37,695	Other Operating Expenses	59,398	31,262	50,630	30,064
<u>102,219</u>		<u>134,358</u>	<u>100,007</u>	<u>131,514</u>	<u>100,827</u>
<u>1,008</u>	<b>Net Surplus from Crown Funded Activities</b>	<u>5,064</u>	<u>8,603</u>	<u>4,763</u>	<u>8,075</u>

## **Actual Appropriation Compared to Budget Appropriation**

A net surplus from Crown funded activities of \$8.6 million at 30 June 2011 showed an increase of \$7.5 million on the 2010/11 budgeted appropriation.

Overall, revenue was \$5.4 million higher than the 2010/11 budget estimates while operating expenditure was lower by \$2.2 million.

### ***Revenue***

Taxation and levies revenue was higher than budget by \$6.0 million. This was mainly attributed to the higher than anticipated tax revenues, in particular VAT and income tax.

VAT is a broad based consumption tax levied on all goods and services in the economy and is a fair indication of economic activity. Income tax are the taxes charged on the earnings of companies and individuals. The increase above the estimate budget in both tax types is an indication of increased commercial and economic activity resulting from higher visitor numbers.

The other major increases in revenue were:

- Trading revenue generated by ministries and agencies through the provision of goods and services of \$1.4 million; and
- Other Crown revenues such as fishing licences, motor vehicle registration and numismatic revenue.

### ***Expenses***

The decrease of \$2.2 million of actual expenditure to the final appropriation was attributable to the following:

- lower than expected welfare payments of \$0.06 million as a result of fewer recipients – particularly old age and destitute benefits. These payments are required under legislation; and
- lower depreciation as a result of lower than estimated asset transfers of completed projects from agencies.

## Actual Appropriation Compared to Prior Year Expenditure

### Revenue

Total Crown revenue of \$108.6 million was performed consistently to previous year (2010). The slight increase in taxation and levies of \$0.676 million was offset against the slight decrease in revenue earned from the provision of goods and services of \$0.824 million.

Table 2 Expenses by Output Type

Budget Approp 2011 \$000		Actual			
		Crown 2011 \$000	Approp 2011 \$000	Crown 2010 \$000	Approp 2010 \$000
	<b>Welfare Benefits, Grants and Transfer Payments</b>				
7,784	Old age benefits	7,760	7,760	7,919	7,919
2,707	Child benefits	2,873	2,873	3,001	3,001
836	Destitute and infirm benefits	764	764	746	746
240	Parliamentary superannuation benefits	246	246	276	276
-	Student Grants	-	-	154	154
793	Other Grants	662	662	172	172
<u>12,360</u>		<u>12,305</u>	<u>12,305</u>	<u>12,268</u>	<u>12,268</u>
	<b>Personnel</b>				
43,265	Salaries and wages	52,320	44,480	48,974	42,056
-	Employee superannuation subsidy	-	-	1,423	1,176
<u>43,265</u>		<u>52,320</u>	<u>44,480</u>	<u>50,397</u>	<u>43,232</u>
	<b>Depreciation and Amortisation</b>				
2,950	Depreciation on Infrastructure Assets	4,923	2,896	5,300	1,923
3,192	Depreciation on Property, Plant and Equipment	7,075	1,776	4,987	2,693
-	Amortisation on Intangible Assets	44	44	31	31
<u>6,142</u>		<u>12,042</u>	<u>4,716</u>	<u>10,318</u>	<u>4,647</u>
	<b>Finance Costs</b>				
879	Interest Expense on Foreign and Domestic Loans	2,638	905	3,431	831
<u>879</u>		<u>2,638</u>	<u>905</u>	<u>3,431</u>	<u>831</u>
39,573	Other Operating Expenditure	55,053	31,262	55,100	39,849
<u>102,219</u>	<b>Total Expenses by Output Type</b>	<u>134,358</u>	<u>100,007</u>	<u>131,514</u>	<u>100,827</u>

*n/b - these expense categories were not separately classified within the 2010/11 budget.*

Expenditure on Appropriation funded activities decreased from \$100.8 million to \$100.0 million on the previous year. Transfer payments to beneficiaries, personnel payments, depreciation and finance costs remained relatively constant to the previous year.

The major contributor to the decrease in other operating expenditure of \$8.6 million relates to the decrease in doubtful debts from \$6.3 million in 2009/10 to \$0.2 million in 2010/11. This relates to doubtful debts against tax receivables and has decreased as a result of calculating tax receivables on a subsequent receipt bases. All tax revenue received in the years subsequent to 30 June 2011 has been disclosed as tax receivables at year end.

## Financial Position

Table 3 Statement of Financial Position

	Crown 2011 \$000	Crown 2010 Restated \$000
<b>Assets</b>		
<i>Current assets</i>		
Cash and Term deposits	78,633	77,475
Trust accounts	14,597	8,468
Inventory	6,933	4,396
Debtors and receivables	28,230	20,208
Investments	1,351	5,194
Other Assets	-	-
	<u>129,744</u>	<u>115,740</u>
<i>Non-current assets</i>		
Investments	4,882	4,917
Banking investment portfolio	29,125	23,220
Fixed and infrastructural assets	192,153	197,412
Term Deposits	-	-
	<u>226,159</u>	<u>225,548</u>
<b>Total Assets</b>	<u>355,903</u>	<u>341,289</u>
<b>Liabilities</b>		
<i>Current liabilities</i>		
Creditors and payables	18,065	12,829
Employee entitlements	1,501	1,520
Trustee liabilities	15,305	9,134
Current portion of Banking customer deposits	20,467	22,523
Current portion of Borrowings	3,281	3,120
Customer bonds	677	615
Provision for legal settlement –Current	1,149	1,065
	<u>60,445</u>	<u>50,806</u>
<i>Non-current liabilities</i>		
Banking customer deposits	3,967	1,193
Employee entitlements	159	88
Members of Parliament pension liability	1,599	1,599
Borrowings	67,717	74,786
Provision for legal settlement –Term	6,381	4,407
	<u>79,823</u>	<u>82,073</u>
<b>Total Liabilities</b>	<u>140,268</u>	<u>132,879</u>
<b>Crown Balance</b>	<u>215,635</u>	<u>208,410</u>

### Cash and Term Deposits

Cash and term deposits (excluding trust accounts) increased by \$1.2 million over the previous year, predominately due to an improved operating result. There was positive cash flow from operating activities of \$14.6 million and financing activities of \$5.0 million however this was offset by the net cash outflows from investing activities \$18.5 million. The Crown repaid \$8.5 million to various lenders during the year.

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



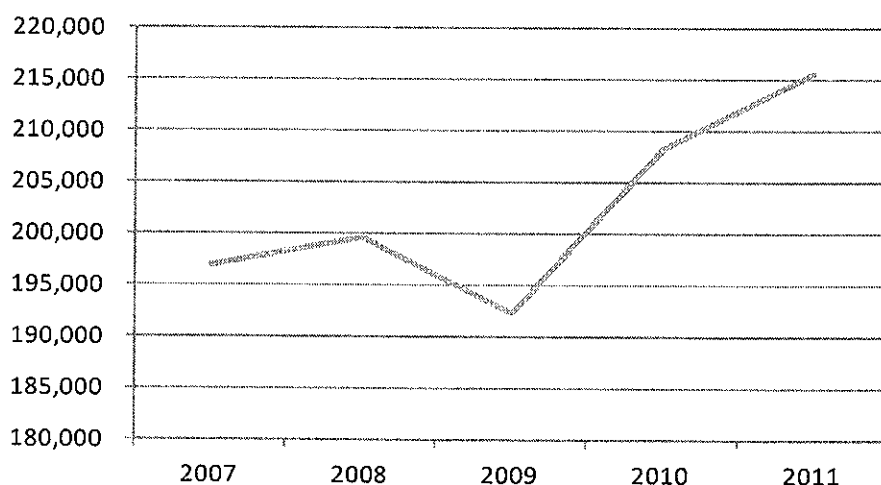
### Crown Balance

The Crown equity balance (sometimes referred to as Net Worth) has increased from \$208.4 million to \$215.6 million.

*Table 4 Schedule of Crown Equity*

	Actual 2006/07	Actual 2007/08	Actual 2008/09	Actual 2009/10 Restated	Actual 2010/11
Property, Plant & Equipment	159,832	158,276	181,432	197,411	192,152
Financial Assets	93,029	104,059	101,716	114,357	123,706
Other Assets	31,121	28,350	29,511	29,520	40,045
<b>Total Assets</b>	<b>283,982</b>	<b>290,685</b>	<b>312,659</b>	<b>341,228</b>	<b>355,903</b>
Borrowings	46,247	48,760	68,127	77,910	70,998
Other Liabilities	40,751	42,194	52,252	54,969	69,270
<b>Total Liabilities</b>	<b>86,998</b>	<b>90,954</b>	<b>120,379</b>	<b>132,879</b>	<b>140,268</b>
<b>Crown Equity</b>	<b>196,984</b>	<b>199,731</b>	<b>192,280</b>	<b>208,409</b>	<b>215,635</b>

*Chart 2 Crown Equity Balance Years 2007-2011*



### Inventory

Inventory balances increased from \$4.4 million to \$6.9 million in 2010/11. This increase is due to the increase in the volumes and value of diesel and fuel that is held for use in the provision of electricity on Rarotonga and the outer islands.

### Debtors and Receivables

The debtors and receivables balances increased by \$8 million to \$28.2 million. This was due to a the recognition of tax accruals on a subsequent receipt basis. This was offset with an increase in accounts receivable of \$2.0 million.

### **Investments**

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 Telecom Cook Islands Ltd held within Crown's 100 per cent owned subsidiary, Cook Islands Telecommunication Holdings Ltd.

### **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 9.5% -16.50% (2009: 14.50%-17.50%) are applicable on consumer loans.

### **Creditors and Payables**

The Crown shows an increase in creditors and payables of \$5.3 million from \$12.8 million in 2009/10 to \$18.1 million this year. This was driven by an increase in the trade creditors, accruals and provisions relating to the Ports Authority wharf upgrade.

### **Employee Entitlements**

This relates to provisions for annual leave, sick leave and long service leave bonuses. The sick leave provision relates to periods prior to 1996 and is only paid when the employee retires or leaves the Public Service.

### **Borrowings**

The Crown's borrowings decreased from \$77.9 million (including local domestic borrowings) to \$71.0 million as at 30 June 2011. Overall, debt of \$8.5million was repaid during the year to various lenders and in addition to this there was a unrealised foreign exchange gain of \$11.2 million. This was offset by draw downs for \$6.5 million of ADB loans and \$6.3 million of Westpac loans for the Airport Authority. These movements are detailed in the Statement of Borrowings pages 36-41.

### **Members of Parliament Pension Liability**

Legislation was passed by Parliament in 2003 to incorporate the Members of Parliament pension scheme into the Cook Islands National Superannuation Fund. This liability follows a three year actuarial valuation period. The 2007 valuation was reviewed by Melville Jessup Weaver Limited, a New Zealand firm of actuaries to \$1.6 million as at 30 June 2010. The next valuation is scheduled for 30 June 2013.

### **Development Partner Funding**

Funds received from various international development partners are treated as trustee liabilities until expended on approved projects, at which stage the funding is included within the Statement of Financial Performance as Crown income. Capital expenditure funded by development partners is accounted for as property, plant and equipment within the Statement of Financial Position with a corresponding increase in the aid revenue in the Statement of Financial Performance. Other expenditure funded by development partners is included within the Statement of Financial Performance.

The financial statement disclosures on page 24 reflect the aid income and expenditure administered by the Aid Management Division (AMD) of the Ministry of Finance and Economic Management (MFEM) in addition to those development partner funds managed directly by other Government agencies. There was a surplus of \$2.4 million for 2010/2011.





## AUDIT REPORT

### TO THE READERS OF THE FINANCIAL STATEMENTS OF THE COOK ISLANDS GOVERNMENT FOR THE YEAR ENDED 30 JUNE 2011

We have audited the financial statements on pages 13 to 62. The financial statements provide information about the past financial performance of the Cook Islands Government and its financial position as at 30 June 2011. This information is stated in accordance with the accounting policies set out on pages 14 to 23.

#### Responsibilities of the Cook Islands Government

Section 28(2) of the Ministry of Finance and Economic Management Act 1995-96 requires the Cook Islands Government to prepare financial statements in accordance with GAAP, as approved by the International Federation of Accountants, which fairly present the financial position, borrowings and commitments of the Cook Islands Government as at 30 June 2011, and the results of its operations and cash flows for the year ended 30 June 2011.

#### Auditor's Responsibilities

Section 28(4) of the Ministry of Finance and Economic Management Act 1995-96 requires the Cook Islands Audit Office to audit the financial statements presented by the Cook Islands Government. It is the responsibility of the Cook Islands Audit Office to express an independent opinion on the financial statements and report its opinion to you.

#### Basis of Opinion

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

- the significant estimates and judgments made by the Cook Islands Government in the preparation of the financial statements; and
- whether the accounting policies are appropriate to the Cook Islands Government's circumstances, consistently applied and adequately disclosed.

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

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



## **Basis for Qualified Opinion**

### **1. Tax Revenue and Tax Receivable**

We were unable to confirm the completeness of tax revenue accruals, and the related receivables reported. Tax revenue and tax receivables have been recognized based on 2011 tax receipts collected in 2011, 2012 and 2013. We were unable to establish total tax revenue for the year ended 2011 that is outstanding but not collected. Total tax revenue and tax receivable is reported at \$89.878m and \$17.590m respectively.

### **2. Inventory – scope limitation**

Due to insufficient financial records and internal controls we were unable to verify the existence, valuation and completeness of inventory to the value of \$1.578m held by two ministries (Ministry of Infrastructure and Planning and Ministry of Health). Total inventory is reported at \$6.933m.

### **3. Property, Plant and Equipment, Infrastructure assets, Accumulated Depreciation and Depreciation expense – scope limitation**

Due to a lack of appropriate internal controls and insufficient financial records, we were unable to confirm, or verify by alternate means, the valuation, existence and completeness of property plant and equipment (including capital work in progress) and infrastructure assets of three Ministries (Ministry of Health, Ministry of Infrastructure and Planning and Ministry of Marine Resources) amounting to \$7.079million.

Furthermore, included in total reported property, plant, equipment and infrastructure assets of \$120.154million and \$71.939million are amounts relating to State Owned Enterprises (SOE) of \$93.890million and \$52.961million respectively. This may not be a complete presentation of SOE assets and certain assets have been disclosed at nil value. We have been unable to verify the valuation and completeness of these assets by other means.

Any misstatement of these balances would have a consequential effect on the depreciation expense of \$12.045million charged to the statement of financial performance.

### **4. Borrowings Disclosure – non compliance with GAAP**

Total borrowings are reported at \$70.998million. *IPSAS 15 Financial Instruments: Disclosure and Presentation* requires for each class of financial asset and liability held by an enterprise, information about the financial asset and liabilities fair value should be disclosed. When it is not practicable within constraints of timeliness or cost to determine the fair value of a financial asset or financial liability with sufficient reliability, that fact should be disclosed together with information about the principal characteristics of the underlying financial instrument that are pertinent to its fair value. Such disclosures have not been made.

### **5. Lease Commitments – scope limitation**

The Cooks Islands Government Property Corporation has not fully disclosed future commitments on its land leases due to incomplete records. This is a departure from *IPSAS 13 Leases*, which requires full disclosure of all current and non current lease commitments.



Accordingly we were unable to confirm the accuracy and completeness of lease commitments.

Except as noted above, we have obtained all the information and explanations that we have required.

### **Qualified Opinion**

In our opinion, except for the matters noted above, the financial statements of the Cook Islands Government:

- Comply with International Public Sector Accounting Standards; and
- Fairly present in all material respects, the financial position, borrowings and commitments of the Cook Islands Government as at 30 June 2011 and its financial performance and cash flow for the year ended on that date.

Our audit was completed on 15 September 2014 and our qualified opinion is expressed as at that date.



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



# Schedule of Crown Entities

## Reporting Entity as at 30 June 2011

These financial statements are for the Crown as defined in the Ministry of Finance and Economic Management Act 1995/96. This comprises the following entities:

*Table 5 Schedule of Crown Entities*

<p><b>Ministries</b>            Agriculture            Cultural Development            Education            Finance and Economic Management            Foreign Affairs and Immigration            Health            Human Resource Development            Internal Affairs            Justice            Marine Resources            Infrastructure and Planning            Police            Prime Minister's Office            Public Service Commission            Tourism Corporation            Transport            Tu'anga Taporoporo (Environment)</p> <p><b>Island Administrations</b>            Aitutaki            Atiu            Mangaia            Manihiki            Mauke            Mitiaro            Palmerston            Penrhyn            Pukapuka/ Nassau            Rakahanga</p> <p><b>Offices of Parliament</b>            Office of Public Expenditure Review Committee and Audit (PERCA)</p> <p>Office of the Ombudsman</p> <p>Crown Law            Parliamentary Services</p>	<p><b>Corporations and Public Authorities</b>            Airport Authority            Bank of the Cook Islands            Cook Islands Government Property Corporation            Cook Islands Broadcasting Corporation            Cook Islands Investment Corporation            Ports Authority            Te Aponga Uira O Tumu-te-Varovaro            Cook Islands Pearl Authority</p> <p><b>Companies</b>            Cook Islands Telecommunication Holdings Limited            Cook Islands Telecommunication Assets Limited            The Rarotongan Hotel Company Limited            Cook Islands Property Corporation (NZ) Limited            Banana Court Company Limited            Suwarow Development Corporation Limited            Pacific Mini Games 2009 Ltd</p> <p><b>Other Entities</b>            Prime Minister's Support Office            Deputy Prime Minister's Office            Minister of Culture            Minister of Environment, Natural Heritage and Infrastructure            Minister of Foreign Affairs, Immigration, Youth &amp; Sports and Transport            Minister of Justice            Office of the Leader of the Opposition            Head of State            Financial Supervisory Commission            Business Trade Investment Board            Financial Intelligence Unit            Financial Services Development Authority            Aitutaki Power Supply</p>
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# STATEMENT OF ACCOUNTING POLICIES

## BASIS OF PREPARATION

### Reporting Entity

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

- Ministers of the Crown;
- Ministries;
- Island Administrations;
- Offices of Parliament; and
- Public Enterprises and Other Authorities

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).

### Reporting Period

The reporting period is the year ended 30 June 2011. These financial statements were authorised for issue on 15 September, 2014.

## 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 recent development of new standards at the IPSAS Board. These include:

List of IPSASs Issued		Effective for periods beginning on or after	Crown accounting period
IPSAS 25	Employee Benefits	January 1, 2011	2011-2012
IPSAS 27	Agriculture	April 1, 2011	2011-2012
IPSAS 28	Financial Instruments: Presentation	January 1, 2013	2013-2014
IPSAS 29	Financial Instruments: Recognition & measurement	January 1, 2013	2013-2014
IPSAS 30	Financial Instruments: Disclosures	January 1, 2013	2013-2014
IPSAS 31	Intangibles Assets	April 1, 2011	2011-2012

These new standards have been issued but are not effective for the Crown for the 2010/11 period.

### 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 consolidation.

Commitments and contingent liabilities of public enterprises and other authorities are reported in the Statements of Commitments and of Contingent Liabilities.

### 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.
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.
Departure Tax	When departure tax coupons are purchased.

### *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.

### *Gains*

Realised gains arising from sale of assets or from the early settlement of a liability are recognised in the Statement of Financial Performance 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 Financial Performance 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 Financial Performance.

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.

### *Depreciation*

Each part of an item of plant, property, and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately.

Depreciation of plant, property, and equipment is provided 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:

Office and computer equipment	3 – 4 years
Motor vehicles	5 years
Furniture and fittings	4 – 10 years
Plant and Equipment	5 - 15years
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.

### ***Disposals***

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 Financial Performance.

### ***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.

The cost of purchased infrastructure 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.

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.

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 Financial Performance.

### ***Intangible Assets***

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

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 Financial Performance.

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:

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.

### ***Receivables and Advances including Debtors and Other Receivables***

Receivables and advances are recorded at cost.

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 financial performance.

Tax receivables have been calculated on a subsequent receipt bases. All tax revenue received in the years subsequent to 30 June 2011 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. 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.

### **Liabilities**

#### *Borrowings*

Borrowing liabilities are accounted for at amortised cost on the Statement of Financial Position. Any changes are recognised in the Statement of Financial Performance. 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).

#### *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.

### *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 Financial Performance as revenue.

### **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.

### **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 the financial performance 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.





# Statement of Financial Performance

As at 30 June 2011

	Note	2011 \$000	2010 \$000
<b>Crown Revenue and Expenses</b>			
<b>REVENUE</b>			
<b>Operating revenue</b>			
Taxation	(1)	89,878	88,088
Fees, fines, penalties, and licenses	(2)	2,517	2,739
<b>Total operating revenue</b>		<b>92,395</b>	<b>90,827</b>
<b>Other Crown revenue</b>			
Investment income	(3)	5,486	4,707
Other Crown income	(4)	5,255	4,659
<b>Total other Crown revenue</b>		<b>10,741</b>	<b>9,366</b>
<b>Provision of goods and services</b>		<b>36,287</b>	<b>36,084</b>
<b>Total Crown revenue</b>		<b>139,423</b>	<b>136,277</b>
<b>EXPENSES</b>			
Personnel and employee benefits	(5)	52,319	50,397
Welfare and grants	(6)	12,305	12,268
Audit Fees		232	289
Impairment of Inventory or Plant, Property, and Equipment		695	370
Net (gain) / loss on foreign exchange		(11,176)	(6,355)
Litigation settlements		-	-
Provision for legal settlement TOA	(25)	2,787	803
Changes in provision for doubtful debts		493	7,004
Depreciation and amortisation	(7)	12,045	10,318
Finance costs	(8)	3,459	3,431
Other expenses	(9)	61,199	52,989
<b>Total Crown-funded operating expenses</b>		<b>134,358</b>	<b>131,514</b>
<b>Total Crown surplus / (deficit) before aid funded activities</b>		<b>5,064</b>	<b>4,763</b>
<b>Aid (Development Partner) Funded Activities</b>			
Aid (Development Partner) revenue	(10)	31,578	18,722
Aid (Development Partner) expenses	(10)	29,191	16,424
<b>Net surplus from aid funded activities</b>		<b>2,387</b>	<b>2,298</b>
<b>Total Crown surplus / (deficit)</b>		<b>7,452</b>	<b>7,061</b>

The accompanying notes are an integral part of these financial statement

## Statement of Changes in Net Assets / Equity

For the Year Ended 30 June 2011

	General Reserves	Revaluation Reserves	Accumulated Surpluses / (Deficits)	Total Net Assets / Equity
	\$000	\$000	\$000	\$000
<b>Balance at 30 June, 2010 brought forward</b>	1,958	-	206,452	208,410
Changes in accounting polices/ prior period errors **	-	-	-	-
<b>Restated Balance</b>	<b>1,958</b>	<b>-</b>	<b>206,452</b>	<b>208,410</b>
<b>Changes in net assets / equity for 2011:</b>				
Net surplus / (deficit) for the year	-	-	7,452	7,452
<b>Total recognised revenue and expense for the year</b>	<b>-</b>	<b>-</b>	<b>7,452</b>	<b>7,452</b>
Transfers to Trust Fund Reserve	-	-	-	-
Revaluation Reserves	-	(226)	-	(226)
<b>Balance as at 30 June, 2011 carried forward</b>	<b>1,958</b>	<b>(226)</b>	<b>213,904</b>	<b>215,635</b>
				Restated
<b>Balance as at 30 June, 2009</b>	1,539	-	190,739	192,278
Changes in accounting polices/ prior period errors **	-	-	9,071	9,071
<b>Restated Balance</b>	<b>1,539</b>	<b>-</b>	<b>199,810</b>	<b>201,349</b>
<b>Changes in net assets / equity for 2010:</b>				
Net surplus / (deficit) for the year	-	-	7,061	7,061
<b>Total recognised revenue and expense for the year</b>	<b>-</b>	<b>-</b>	<b>7,061</b>	<b>7,061</b>
Transfers to Trust Fund Reserve	419	-	(419)	-
<b>Balance as at 30 June, 2010 carried forward - Restated</b>	<b>1,958</b>	<b>-</b>	<b>206,452</b>	<b>208,410</b>

\*\* Prior year adjustments relating to fixed assets were made retrospectively. This took the form of \$6.249 million relating to the Multi-Sports Complex which was double counted in the financial statements of Cook Islands Government Property Corp and Crown Parent; and \$15.319 million relating to consolidation adjustments that were made incorrectly in the financial year 2009/10.

The accompanying notes are an integral part of these financial statement

# Statement of Financial Position

As at 30 June 2011

	Note	2011 \$000	2010 Restated \$000
<b>Assets</b>			
<b>Current assets</b>			
Cash	(11)	19,568	18,020
Term deposits	(11)	59,065	59,455
Trust accounts	(11)	14,597	8,468
Inventory	(12)	6,933	4,395
Debtors and other receivables	(13)	28,230	20,208
Current portion of banking portfolio investments	(15)	1,351	5,194
		<u>129,744</u>	<u>115,740</u>
<b>Non-current assets</b>			
Investments in shares and associate	(14)	4,882	4,917
Banking portfolio investments	(15)	29,125	23,220
Plant, property, and equipment	(16)	120,154	125,448
Intangible assets	(17)	59	106
Infrastructural assets	(18)	71,939	71,858
		<u>226,159</u>	<u>225,549</u>
<b>Total Assets</b>		<b>355,903</b>	<b>341,289</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Creditors and other payables	(20)	18,065	12,829
Employee entitlements	(21)	1,501	1,520
Trustee liabilities	(22)	15,305	9,134
Current portion of banking customer deposits	(23)	20,467	22,523
Current portion of borrowings		3,281	3,120
Customer bonds		677	615
Provision for legal settlement TOA-Current	(25)	1,149	1,065
		<u>60,445</u>	<u>50,806</u>
<b>Non-current liabilities</b>			
Non-current portion of banking customer deposits	(23)	3,967	1,193
Employee entitlements	(21)	159	88
Members of Parliament pension liability	(24)	1,599	1,599
Non-current portion of borrowings		67,717	74,786
Provision for legal settlement TOA-Term	(25)	6,381	4,407
		<u>79,823</u>	<u>82,073</u>
<b>Total Liabilities</b>		<b>140,268</b>	<b>132,879</b>
<b>Net Assets</b>		<b>215,635</b>	<b>208,410</b>
<b>Crown Balance</b>		<b>215,635</b>	<b>208,410</b>

The accompanying notes are an integral part of these financial statement

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# Statement of Cash Flows

For the Year Ended 30 June 2011

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	Note	2011	2010
		\$000	Restated \$000
<b>Cash Flows From Operating Activities</b>			
Cash was provided from:			
Taxation		83,937	82,439
Compulsory Fees, Fines and Levies		2,517	2,737
Provision of Goods and Services		33,893	33,717
Other Crown activities		4,987	6,749
Interest on advances and bank funds		(135)	-
Net Aid Receipt		2,387	2,298
Income from Associates		1,498	1,148
		<u>129,084</u>	<u>129,088</u>
Cash was applied to:			
Produce outputs			
- Social welfare benefits and education grants		12,060	12,169
- Parliamentary superannuation		246	526
- Personnel		52,172	48,755
- Employee superannuation subsidy		-	1,423
- Other supplier payments		55,652	54,141
		<u>120,130</u>	<u>117,013</u>
Realised foreign exchange gain/(loss)		(38)	(30)
Debt servicing		3,451	3,522
		<u>123,540</u>	<u>120,505</u>
<b>Net Cash Inflows / (Outflows) From Operating Activities</b>		<b>5,544</b>	<b>8,583</b>
<b>Cash Flows From Investing Activities</b>			
Cash was provided from:			
Proceeds from sale of fixed assets		18	21,861
Funds transferred into Reserve Trust Fund		(226)	-
Interest received from investments		4,249	3,013
		<u>4,041</u>	<u>24,874</u>
Cash was applied to:			
Purchase of fixed assets		11,416	39,459
Net increase in trustee accounts		(41)	1,033
Net Increase in Banking Portfolio Investments		2,062	(2,739)
		<u>13,437</u>	<u>37,753</u>
<b>Net Cash Inflows/(Outflows) From Investing Activities</b>		<b>(9,396)</b>	<b>(12,869)</b>

The accompanying notes are an integral part of these financial statements

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## Statement of Cash Flows (continued)

For the Year Ended 30 June 2011

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	Note	2011	2010
		\$000	Restated \$000
<b>Cash Flows From Financing Activities</b>			
Cash was provided from:			
Drawdown of loans		12,766	18,694
Inflow to client deposit accounts		718	1,694
Customs bonds received		62	49
		<u>13,546</u>	<u>20,437</u>
Cash was applied to:			
Loan repayments			
- Locally-sourced debt		6,051	77
- Foreign-sourced debt		2,485	2,513
		<u>8,536</u>	<u>2,590</u>
<b>Net Cash Inflows/(Outflows) From Financing Activities</b>		<b>5,010</b>	<b>17,847</b>
Net increase in cash held		1,159	13,561
Add opening cash and deposits		77,475	63,914
<b>Closing Cash and Deposits</b>		<b>78,634</b>	<b>77,475</b>

### Cash and Deposits Comprise

Cash	(11)	19,568	18,020
Short term deposits	(11)	59,065	59,455
<b>Closing Cash and Deposits</b>		<b>78,634</b>	<b>77,475</b>

The accompanying notes are an integral part of these financial statements

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## Statement of Cash Flows (continued)

For the Year Ended 30 June 2011

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	Note	2011	2010
		\$000	Restated \$000
<b>Reconciliation of Crown Overall Operating Balance to Cash Flows From Operations</b>			
Crown Overall Operating Balance		7,452	7,061
		<u>7,452</u>	<u>7,061</u>
Add / (less) non cash items			
- Depreciation		12,045	10,318
- Change in Provision for doubtful debts		(8,709)	-
- Impairment on PPE		695	370
- Unrealised Foreign Exchange Movement		(11,176)	(3,164)
- Other		6,994	-
		<u>(152)</u>	<u>7,524</u>
Add / (less) movements in working capital			
- (increase) / decrease in taxes receivable		2,734	1,468
- (increase) / decrease in accounts receivable		(1,901)	(2,662)
- (increase) / decrease in dividend receivable		260	(390)
- (increase) / decrease in interest receivable		(135)	-
- (increase) / decrease in prepayments		(268)	2,091
- (increase) / decrease in inventory		(2,538)	(369)
- increase / (decrease) in amounts due to employees		(147)	218
- increase / (decrease) in interest accrued		(9)	(91)
- increase / (decrease) in tax refund liability		36	(113)
- increase / (decrease) in customer deposits		-	(427)
- increase / (decrease) in creditors		5,100	1,367
- increase / (decrease) in investments in shares and associates		(34)	(5)
- increase / (decrease) in provision for legal settlement TOA		2,058	(762)
- increase / (decrease) in foreign borrowings		(6,908)	(6,325)
		<u>(1,756)</u>	<u>(6,002)</u>
<b>Net Cash Inflows/(Outflows) from Operating Activities</b>		<b>5,544</b>	<b>8,583</b>

The accompanying notes are an integral part of these financial statements

# Statement of Comparison of Budget and Actuals

For the year ended 30 June 2011

	2010/11 Budget Original	2010/11 Budget Final	2010/11 Crown Actual
	\$000	\$000	\$000
<b>Operating Revenue</b>			
Taxation Revenue	83,893	84,223	90,251
Other Crown Revenue	6,970	7,576	7,495
Trading Revenue	5,148	5,155	5,064
Interest on Loans to Subsidiaries	134	134	28
Dividends	3,613	3,622	2,672
Interest on Balances	2,050	2,518	3,100
<b>Total Operating Revenue</b>	<b>101,808</b>	<b>103,227</b>	<b>108,610</b>
<b>Operating Expenditure</b>			
Ministry Outputs	64,298	64,095	63,265
Personnel	43,559	43,265	42,078
Operating	17,547	17,638	18,432
Depreciation	3,192	3,192	2,754
Payments on Behalf of the Crown (for Operating Expenses)	28,433	29,654	29,567
Airport Authority	2,048	2,048	2,048
Bank of the Cook Islands	181	181	303
Te Aponga Uira	512	512	181
Debt Servicing Interest	886	879	873
Building Maintenance	1,800	1,800	1,800
Crown Infrastructure Depreciation	2,950	2,950	1,943
Disaster/ Contingency Operating Expenses	100	100	28
<b>Total Operating Expenses</b>	<b>101,208</b>	<b>102,219</b>	<b>100,007</b>
<b>Fiscal Operating Surplus/(Shortfall)</b>	<b>600</b>	<b>1,008</b>	<b>8,603</b>

The budget is approved on a cash basis by functional classification. The approved budget covers the fiscal period 1 July 2010 to 30 June 2011 and includes all entities within the general government sector. The general government sector includes all entities identified as government departments (Ministries, Island Administrations, Offices of Parliament and Other Entities) in the Schedule of Crown Entities on page 13.

The original budget was approved by legislative action on 29 July 2010 and a supplementary appropriation was approved on 15 April 2011. The Appropriation Amendment Bill amended the 30 June 2011 budget from \$157 million to \$144 million. A significant change in this appropriation relates to the deferment of the Asian Development Bank Economic Recovery Support Program Loan Tranche 2 of \$9.5 million to 2011/12.

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## **Statement of Comparison of Budget and Actuals (continued)**

**For the year ended 30 June 2011**

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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 financial performance. The financial statements are consolidated statements that include all controlled entities, including State Owned Enterprises for the fiscal period 1 July 2010 to 30 June 2011. 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 comparison of budget to actual on page 32 relates to those entities that are listed on Schedule 1(a) and 1(b) of the supplementary budget issued on 15 April 2011. The actual expenditure/ trading revenue of those entities have been taken from the audited financial statements of those respective entities at 30 June 2011.



# Statement of Comparison of Budget and Actuals (continued)

For the year ended 30 June 2011

	2010/11 Net Appropriation	2010/11 Net Appropriation	2010/11 Net Expenditure	2010/11 Trading Revenue
	Budget Original	Budget Final	Actual	Actual
	\$000	\$000	\$000	\$000
Agriculture	967	973	963	85
Audit (PERCA)	998	998	1,067	9
Crown Law	645	638	626	0
Cultural Development	1,075	1,070	869	133
Business Trade Investment Board	707	688	731	-
Education	10,119	10,129	10,032	40
Environment (Tu'anga Taparoporo)	1,036	1,036	1,018	12
Finance and Economic Management	3,047	3,047	3,220	611
Financial Intelligent Unit	318	318	321	-
Financial Services Development Authority	443	428	465	-
Foreign Affairs and Immigration	1,583	1,583	1,580	2
Head of State	215	215	197	-
Health	11,020	10,867	10,946	452
Human Resource Development	381	378	350	-
Internal Affairs	1,253	1,253	1,185	8
Justice	1,778	1,774	1,782	420
Marine Resources	1,437	1,413	1,377	30
Ombudsman	247	244	232	-
Parliamentary Services	554	542	559	7
Pearl Authority	480	472	553	-
Police	3,941	3,941	3,792	83
Prime Ministers Office	1,026	999	965	-
Public Service Commission	452	447	443	-
Transport	444	438	440	-
Tourism Corporation	4,592	4,492	4,695	-
Infrastructure and Planning	2,880	2,880	2,724	184
Aitutaki	1,584	1,584	1,511	13
Aitutaki Power Supply	2,075	2,075	2,100	1,895
Atiu	1,186	1,186	1,138	247
Mangaia	1,497	1,497	1,370	302
Manihiki	822	822	937	154
Mauke	921	921	834	143
Mitiaro	595	595	591	64
Palmerston	328	328	321	22
Penrhyn	626	626	548	65
Pukapuka-Nassau	918	918	777	49
Rakahanga	486	486	424	35
Prime Minister's Support Office	335	396	354	-
Deputy Prime Minister's Office	310	319	194	-
Minister 1	195	204	232	-
Minister 2	195	208	194	-
Minister 3	195	222	219	-
Minister 4	195	218	166	-
Office of the Leader of the Opposition	195	229	221	-
<b>Appropriation</b>	<b>64,298</b>	<b>64,095</b>	<b>63,265</b>	<b>5,064</b>



## Statement of Segments

As at 30 June 2011

	Crown Parent		Crown Entities		Stated Owned Enterprises		Inter-Segment Eliminations		Total Government	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Revenue</b>										
Taxation revenue	90,251	89,717	-	-	-	-	(373)	(1,629)	89,879	88,088
Revenue from Crown funding	-	-	61,314	60,517	4,119	6,096	(65,433)	(66,613)	-	-
Sales of goods and services	10	397	6,527	6,977	31,079	29,978	(1,330)	(1,268)	36,288	36,084
Interest revenue and dividends	5,800	4,577	63	58	1,130	923	(2,745)	(2,393)	4,249	3,165
Other revenue	29,862	20,432	7,974	6,317	3,851	3,444	(1,099)	(2,530)	40,586	27,662
<b>Total Revenue</b>	<b>125,923</b>	<b>115,123</b>	<b>75,878</b>	<b>73,869</b>	<b>40,179</b>	<b>40,441</b>	<b>(70,979)</b>	<b>(74,433)</b>	<b>171,001</b>	<b>154,999</b>
<b>Expenses</b>										
Transfer payments and subsidies	65,232	65,691	-	-	-	-	(65,232)	(65,691)	-	-
Personnel expenses	19	56	44,460	43,175	7,840	7,166	-	-	52,320	50,397
Welfare and grants	12,314	12,268	-	-	-	-	-	-	12,314	12,268
Interest expenses	905	831	25	-	1,806	1,730	(73)	(65)	2,663	2,496
Depreciation expenses	1,943	1,939	2,773	2,709	7,326	5,670	-	-	12,042	10,318
Other operating expenses	42,963	32,455	26,001	25,282	21,510	23,656	(6,265)	(8,934)	84,210	72,459
<b>Total Expenses</b>	<b>123,376</b>	<b>113,240</b>	<b>73,260</b>	<b>71,166</b>	<b>38,483</b>	<b>38,222</b>	<b>(71,570)</b>	<b>(74,690)</b>	<b>163,550</b>	<b>147,938</b>
<b>Operating Balance</b>	<b>2,547</b>	<b>1,883</b>	<b>2,618</b>	<b>2,703</b>	<b>1,696</b>	<b>2,219</b>	<b>592</b>	<b>257</b>	<b>7,452</b>	<b>7,061</b>
<b>Assets</b>										
Cash and equivalents	62,781	59,355	11,100	9,730	29,313	26,600	(9,963)	(9,742)	93,231	85,943
Debtors and other receivables	24,449	17,571	2,974	2,383	4,989	4,651	(4,182)	(4,397)	28,230	20,208
Property, plant and equipment	15,310	46,878	23,740	24,090	147,538	142,015	5,564	(15,572)	192,152	197,412
Other assets	29,624	16,340	20,412	16,035	45,689	43,382	(53,435)	(38,031)	42,291	37,726
<b>Total Assets</b>	<b>132,163</b>	<b>140,144</b>	<b>58,226</b>	<b>52,238</b>	<b>227,529</b>	<b>216,648</b>	<b>(62,015)</b>	<b>(67,742)</b>	<b>355,903</b>	<b>341,289</b>
<b>Liabilities</b>										
Creditors and other payables	6,209	5,962	6,256	4,439	9,982	3,389	(1,919)	(961)	20,529	12,829
Borrowings	64,685	71,833	-	-	9,812	7,343	(3,500)	(1,270)	70,998	77,906
Banking customer deposits	-	-	-	-	28,932	28,669	(4,499)	(4,953)	24,434	23,716
Other liabilities	37,507	25,596	29,356	25,920	16,984	18,282	(59,539)	(51,370)	24,308	18,428
<b>Total Liabilities</b>	<b>108,401</b>	<b>103,391</b>	<b>35,612</b>	<b>30,359</b>	<b>65,712</b>	<b>57,683</b>	<b>(69,456)</b>	<b>(58,554)</b>	<b>140,268</b>	<b>132,879</b>
<b>Net Worth</b>	<b>23,762</b>	<b>36,753</b>	<b>22,614</b>	<b>21,879</b>	<b>161,817</b>	<b>158,965</b>	<b>7,441</b>	<b>(9,188)</b>	<b>215,635</b>	<b>208,410</b>

The accompanying notes are an integral part of these financial statements



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## Statement of Commitments

As at 30 June 2011

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	2011	2010
	\$000	\$000
<b>By Type</b>		
Lease commitments (excluding CIG Property Corporation)	1,287	1,389
Undisbursed bank loan facilities (Bank of the Cook Islands)	1,396	700
Capital Expenditure-Crown Parent	-	721
Capital Expenditure	22,200	9,996
<b>Total Quantifiable Commitments</b>	<b>24,883</b>	<b>12,806</b>
<b>Lease Commitments by Term</b>		
One year or less	57	57
From one to two years	55	57
From two to five years	165	171
Over five years	23,210	10,693
<b>Total Lease Commitments (excluding CIG Property Corporation)</b>	<b>23,487</b>	<b>10,978</b>

### Lease Commitments

The Crown 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.

### Undisbursed Bank Loan Facilities

Bank of the Cook Islands (BCI) has committed to lending a number of loans in the future that has not yet been drawn down. As at 30 June 2011, these undrawn loans totaled \$1,395,584 (2010: \$1,506,526).

### Capital and Operating 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 \$22.2 million and will be funded through the Asian Development Bank Loans.

There was no funds committed for future capital expenditure as at 30 June 2011 (2010: \$0)

There are no other financial or contractual commitments at balance date (2010: \$0)

The accompanying notes are an integral part of these financial statements

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## Statement of Contingent Liabilities

As at 30 June 2011

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	2011	2010
	\$000	\$000
Uncalled Capital - Asian Development Bank	1,436	1,715
Legal proceedings	15,985	16,078
<b>Total Quantifiable Contingent Liabilities</b>	<b>17,421</b>	<b>17,793</b>

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### Uncalled Capital

Asian Development Bank – Cook Islands Property Corporation owns 88 uncalled shares with a par value of US\$13,500 each. Using the USD rate of 0.8275, this equates to \$1,435,650 in NZD (2010: \$1,714,503 at 0.6929).

### Legal Proceedings

A \$14,500,000 claim has been lodged against Crown relating to its shipping policies.

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

A \$105,000 claim is lodged in regards to a failure of ensuring work conditions are adequate in protecting employees.

A \$134,149 claim has been lodged in relation to medical negligence against the Ministry of Health.

A \$976,250 claim has been lodged against the Ministry of Police for human rights.

The accompanying notes are an integral part of these financial statements

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## Statement of Borrowings

As at 30 June 2011

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	Note	2011 \$000	2010 \$000
<b>External Debt</b>			
Asian Development Bank		45,587	49,603
Caisse Francaise de Developpement		4,740	5,402
NZ Government Superannuation Fund		1,783	2,548
Export -Import Bank of China		12,575	14,280
<b>Total External Debt</b>		<b>64,685</b>	<b>71,833</b>
<b>Local Debt</b>			
Westpac Banking Corporation		6,313	6,073
<b>Total Local Debt</b>		<b>6,313</b>	<b>6,073</b>
<b>Total Borrowings</b>		<b>70,998</b>	<b>77,906</b>

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The accompanying notes are an integral part of these financial statements

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## Statement of Borrowings (continued)

As at 30 June 2011

	2011	2010
	\$000	\$000
The terms of the component loans of external debts are:		
<b>Asian Development Bank</b>		
Economic restructuring loan (1996) - 1466	5,511	6,215
First multi project loan (1980) - 461	970	1,182
Second multi project loan (1987) - 849	2,549	2,981
First Cook Islands Development Bank project loan (1982) - 567	823	990
Second Cook Islands Development Bank loan (1992) - 1155	1,415	1,599
Third Cook Islands Development Bank loan (1996) - 1380	2,498	2,817
Outer Islands telecommunications project loan (1990) - 1031	5,758	6,595
Education development (1994) - 1317	3,024	3,411
Waste Management loan (2001 - 2005) - 1832	2,801	3,229
Cyclone Rehabilitation Project loan (1997) - 1588	922	1,038
Cyclone Emergency Assistance loan (2006) - 2174	3,427	3,779
TCI Emergency Loan (1992) - 1171	479	541
Pearl Loan (1994) - 1309	496	560
(SF) Avatiu Ports Development Loan (2009) - 2473	1,587	218
(OCF) Avatiu Ports Development Project Loan (2009) - 2472	1,243	16
(SF) Economic Recovery Support Program Loan (2010) - 2565	12,085	14,432
	<u>45,587</u>	<u>49,603</u>
<ul style="list-style-type: none"> <li>- Repayable over 40 years from date of initial drawdown (year of initial drawdown beside each loan)</li> <li>- All loans have an interest rate of 1%</li> <li>- Loans totalling \$17.5 million up to and including 1992 are secured by New Zealand Government guarantee, loans issued after this date are unsecured</li> </ul>		
<b>Caisse Francaise de Developement</b>		
Northern Group Solarisation Project Loan (1999)	481	548
Rarotonga Water Supply & Electrification Loan (1999)	4,259	4,854
	<u>4,740</u>	<u>5,402</u>
<ul style="list-style-type: none"> <li>- Repayable over 12 years from date of initial drawdown</li> <li>- All Loans have an interest rate of 0.75% and 1.75% respectively</li> </ul>		
<b>Export-Import Bank of China</b>		
Indoor Sports Stadium Project, Repairs and Upgrade of Existing Sports Facilities,	12,575	14,280
	<u>12,575</u>	<u>14,280</u>
<ul style="list-style-type: none"> <li>- Repayable over 20 years from date of initial drawdown</li> <li>- Loans have an interest rate of 2%, Management Fee of 1% and a Commitment Fee of 0.75%</li> </ul>		

The accompanying notes are an integral part of these financial statement



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## Statement of Borrowings (continued)

As at 30 June 2011

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	2011	2010
	\$000	Restated \$000

The terms of the component loans of external debts are:

	2011	2010
<b>NZ Government Superannuation Fund</b>		
- Repayable over 15 years from 1998	1,783	2,548
- Interest rate of 3%		
- Unsecured		

	2011	2010
<b>Westpac Banking Corporation Loans</b>	6,313	6,073

The term portion of the bank loans relate to the Airport Authority's bank loans which have a 10 year term and a variable interest rate applicable at 10.65% per annum (2010: 10.65%) per annum. The loans are secured by debenture over the Authority's assets and by way of mortgage over it's land leases and income.

### Registered charge

The Westpac bank holds a registered charge of \$268,946 and bill of sale over the equipment purchased by the Crown, namely the Sand Pump and Barge.

The accompanying notes are an integral part of these financial statements

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## Statement of Borrowings (continued)

As at 30 June 2011

### Maturity Profile as at 30 June 2011

	2011/12	2012/13	2013/14	2014/15	2015/16 - 2019/20	2020/21 and after	Total book value
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>External Debt</b>							
Asian Development Bank	1,058	1,591	2,094	2,133	12,906	25,805	45,587
Caisse Francaise de Developpement	915	915	915	915	1,080	-	4,740
NZ Government Superannuation Fund	854	929	-	-	-	-	1,783
EXIM Bank China Concessional Loan	-	-	-	544	2,719	9,312	12,575
<b>Total External Debt</b>	<b>2,827</b>	<b>3,435</b>	<b>3,009</b>	<b>3,592</b>	<b>16,705</b>	<b>35,117</b>	<b>64,685</b>
<b>Local Debt</b>							
ANZ Banking Group Limited	454	481	585	2,341	2,452	-	6,313
<b>Total Local Debt</b>	<b>454</b>	<b>481</b>	<b>585</b>	<b>2,341</b>	<b>5,279</b>	<b>-</b>	<b>6,313</b>
<b>Total Borrowings</b>	<b>3,281</b>	<b>3,916</b>	<b>3,594</b>	<b>5,933</b>	<b>21,984</b>	<b>35,087</b>	<b>70,998</b>

### Maturity Profile as at 30 June 2010

	2010/11	2011/12	2012/13	2013/14	2014/15 - 2018/19	2019/20 and after	Total book value
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>External Debt</b>							
Asian Development Bank	1,120	1,221	1,855	2,457	13,851	29,099	49,603
Caisse Francaise de Developpement	915	915	915	915	1,742	-	5,402
NZ Government Superannuation Fund	765	854	929	-	-	-	2,548
EXIM Bank China Concessional Loan	-	-	-	-	5,400	8,880	14,280
<b>Total External Debt</b>	<b>2,800</b>	<b>2,990</b>	<b>3,698</b>	<b>3,372</b>	<b>20,993</b>	<b>37,979</b>	<b>71,833</b>
<b>Local Debt</b>							
Westpac Banking Corporation	320	338	439	1,012	3,964	-	6,073
	<b>320</b>	<b>338</b>	<b>439</b>	<b>1,012</b>	<b>3,964</b>	<b>-</b>	<b>6,073</b>
	<b>3,120</b>	<b>3,328</b>	<b>4,137</b>	<b>4,384</b>	<b>24,957</b>	<b>37,979</b>	<b>77,906</b>

The accompanying notes are an integral part of these financial statements





## Statement of Borrowings (continued)

As at 30 June 2011

### Movements during the year ended 30 June 2011

	As at 1 July 2010	Increases / additions	Decreases / repayments	Currency realignment	Other movements	As at 30 June 2011
	\$000	\$000	\$000	\$000	\$000	\$000
<b>External Debt</b>						
Asian Development Bank	49,603	6,475	(1,049)	(9,441)	-	45,588
Caisse Francaise de Developpement	5,402	-	(671)	9	-	4,740
NZ Government Superannuation Fund	2,548	-	(765)	-	-	1,783
EXIM Bank China Concessional Loan	14,280	-	-	(1,705)	-	12,575
<b>Total External Debt</b>	<b>71,833</b>	<b>6,475</b>	<b>(2,485)</b>	<b>(11,137)</b>	<b>-</b>	<b>64,686</b>
<b>Local Debt</b>						
ANZ Banking Group Limited	6,073	6,291	(6,051)	-	-	6,313
<b>Total Local Debt</b>	<b>6,073</b>	<b>6,291</b>	<b>(6,051)</b>	<b>-</b>	<b>-</b>	<b>6,313</b>
<b>Total Borrowings</b>	<b>77,906</b>	<b>12,766</b>	<b>(8,536)</b>	<b>(11,137)</b>	<b>-</b>	<b>70,998</b>

### Movements during the year ended 30 June 2010

	As at 1 July 2009	Increases / additions	Decreases / repayments	Currency realignment	Other movements	As at 30 June 2010
	\$000	\$000	\$000	\$000	\$000	\$000
<b>External Debt</b>						
Asian Development Bank	40,591	14,334	(1,113)	(4,209)	-	49,603
Caisse Francaise de Developpement	7,402	-	(694)	(1,306)	-	5,402
NZ Government Superannuation Fund	3,254	-	(706)	-	-	2,548
EXIM Bank China Concessional Loan	15,090	-	-	(810)	-	14,280
<b>Total External Debt</b>	<b>66,337</b>	<b>14,334</b>	<b>(2,513)</b>	<b>(6,325)</b>	<b>-</b>	<b>71,833</b>
<b>Local Debt</b>						
Westpac Banking Corporation	1,790	4,360	(77)	-	-	6,073
<b>Total Local Debt</b>	<b>1,790</b>	<b>4,360</b>	<b>(77)</b>	<b>-</b>	<b>-</b>	<b>6,073</b>
<b>Total Borrowings</b>	<b>68,127</b>	<b>18,694</b>	<b>(2,590)</b>	<b>(6,325)</b>	<b>-</b>	<b>77,906</b>

The accompanying notes are an integral part of these financial statements



## Statement of Borrowings (continued)

As at 30 June 2011

### Currency Analysis as at 30 June 2011

	Currency in which loan denominated/repayable				
	United States dollars	Euros	New Zealand dollars	Chinese Yuan	Total
	\$000	\$000	\$000	\$000	\$000
<b>External Debt</b>					
Asian Development Bank	45,587	-	-	-	45,587
Caisse Francaise de Development	-	4,740	-	-	4,740
NZ Government Superannuation Fund	-	-	1,783	-	1,783
EXIM Bank China Concessional Loan	-	-	-	12,575	12,575
<b>Total External Debt</b>	<b>45,557</b>	<b>4,740</b>	<b>1,783</b>	<b>12,575</b>	<b>64,685</b>
<b>Local Debt</b>					
ANZ Banking Group Limited	-	-	6,313	-	6,313
<b>Total Local Debt</b>	<b>-</b>	<b>-</b>	<b>6,313</b>	<b>-</b>	<b>6,313</b>
<b>Total Borrowings</b>	<b>45,557</b>	<b>4,740</b>	<b>8,096</b>	<b>12,575</b>	<b>70,998</b>

### Currency Analysis as at 30 June 2010

	Currency in which loan denominated/repayable				
	United States dollars	Euros	New Zealand dollars	Chinese Yuan	Total
	\$000	\$000	\$000	\$000	\$000
<b>External Debt</b>					
Asian Development Bank	49,603	-	-	-	49,603
Caisse Francaise de Development	-	5,402	-	-	5,402
NZ Government Superannuation Fund	-	-	2,548	-	2,548
EXIM Bank China Concessional Loan	-	-	-	14,280	14,280
<b>Total External Debt</b>	<b>49,603</b>	<b>5,402</b>	<b>2,548</b>	<b>14,280</b>	<b>71,833</b>
<b>Local Debt</b>					
Westpac Banking Corporation	-	-	6,073	-	6,073
<b>Total Local Debt</b>	<b>-</b>	<b>-</b>	<b>6,073</b>	<b>-</b>	<b>6,073</b>
<b>Total Borrowings</b>	<b>49,603</b>	<b>5,402</b>	<b>8,621</b>	<b>14,280</b>	<b>77,906</b>

The accompanying notes are an integral part of these financial statements

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## Notes to the Financial Statements

As at 30 June 2011

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2011  
\$000

2010  
\$000

### Note 1: Taxation

#### Direct Taxation

Individual income tax	26,361	25,230
Company income tax	9,181	10,077

<b>Total Direct Taxation</b>	<b>35,542</b>	<b>35,307</b>
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#### Indirect Taxation

Value added tax	37,381	37,326
Customs levies	11,052	10,037
Departure tax	5,903	5,418

<b>Total Indirect Taxation</b>	<b>54,336</b>	<b>52,781</b>
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<b>Total Taxation</b>	<b>89,878</b>	<b>88,088</b>
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### Note 2: Fees, Fines, Penalties, and Licenses

Registration fees	1,024	1,073
Road transport licensing	1,430	1,575
Court fines	27	44
Other fees, fines and levies	37	47

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<b>Total Compulsory Fees, Fines and Levies</b>	<b>2,517</b>	<b>2,739</b>
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### Note 3: Investment Income

Interest on advances to Associate	-	-
Interest on bank deposits	4,249	3,164
Equity accounted earnings of Associate (see Note 14)	1,238	1,543

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<b>Total Investment Income</b>	<b>5,486</b>	<b>4,707</b>
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### Note 4: Other Crown Income

Currency and numismatic revenue	457	515
Fisheries licenses	3,528	2,844
Tattslotto Income	182	161
Net Gain on disposal of assets	(27)	(363)
Other	1,114	1,502

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<b>Total Other Crown Income</b>	<b>5,255</b>	<b>4,659</b>
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## Notes to the Financial Statements (continued)

As at 30 June 2011

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2011  
\$000

2010  
\$000

### Note 5: Personnel Expenses

Wages and salaries	52,319	48,974
Employee superannuation subsidy	-	1,423
<b>Total Personnel Expenses</b>	<b>52,319</b>	<b>50,397</b>

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### Note 6: Welfare and Grants

Old age benefits	7,854	7,919
Child benefits	2,908	3,001
Destitute and infirm benefits	774	746
Special assistance benefits	197	98
Power subsidies	42	74
Parliamentary pension beneficiary payments	246	276
Student grants	284	154
<b>Total Welfare and Grants</b>	<b>12,305</b>	<b>12,268</b>

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### Note 7: Depreciation and Amortisation

Depreciation on infrastructure assets	4,901	5,300
Depreciation on plant, property, and equipment	7,100	4,987
Amortisation on intangible assets	44	31
<b>Total Depreciation and Amortisation</b>	<b>12,045</b>	<b>10,318</b>

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### Note 8: Finance Costs

Interest expenses on foreign-sourced loans	873	715
Interest expenses on domestic loans	1,765	1,781
TOA interest expenses (note 26)	821	935
<b>Total Finance Costs</b>	<b>3,459</b>	<b>3,431</b>

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## Notes to the Financial Statements (continued)

As at 30 June 2011

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	2011	2010
	\$000	\$000
<b>Note 9: Other Expenses</b>		
Private school funding	1,620	1,620
Air New Zealand Underwrite	4,486	1,912
Fuel and oil	12,456	11,751
Communications	869	1,046
Repairs and maintenance	6,635	5,093
Office supplies and consumables	1,097	1,140
Professional services	1,119	1,103
Travel	1,528	1,701
Advertising and marketing	2,728	3,276
Insurance	1,011	1,093
Medical and hospital expenses	602	1,944
Cyclone Recovery	918	2,171
Outer Island Tourism Marketing	2,000	-
International Subscriptions	458	423
Other expenses	23,672	18,716
<b>Total Other Expenses</b>	<b>61,199</b>	<b>52,989</b>

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## Notes to the Financial Statements (continued)

For the Year Ended 30 June 2011

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2011  
\$000

2010  
\$000

### Note 10: Aid (Development Partner) Funded Activities

#### Aid (Development Partner) Contributions

New Zealand Aid	24,827	14,400
European Union Assistance	317	97
United Nations Aid Assistance	1,141	1,425
Other Aid Assistance	5,293	2,800
<b>Total Donor Aid Contributions</b>	<b>31,578</b>	<b>18,722</b>

#### Aid (Development Partner) Expenses

Public sector reform	4,452	2,151
Private sector development	-	-
Human Resource development	6,354	4,331
Outer Islands development	6,289	1,804
Health development	1,247	1,829
Education Development	1,955	1,571
Other Aid Expenses	8,894	4,738
<b>Total Aid Expenses</b>	<b>29,191</b>	<b>16,424</b>

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 Financial Performance as Crown income.

Development partner funded expenditure of a capital nature is accounted for as property, plant and equipment within the Crown's Statement of Financial Position. Other expenditure funded through aid is included within the Statement of Financial Performance. 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 Crown's financial statements is consistent with funding received and expended by the Crown.

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## Notes to the Financial Statements (continued)

For the Year Ended 30 June 2011

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2011  
\$000

2010  
\$000

### Note 11: Cash and Equivalents

#### Cash

Crown entities accounts	17,257	15,311
Crown public accounts		
Australia and New Zealand Banking Group Limited	634	553
Westpac Banking Corporation	1,572	1,868
Taxation imprest accounts	42	226
Other Bank accounts	64	62
<b>Total Cash</b>	<b>19,568</b>	<b>18,020</b>

#### Term Deposits

Loan repayment reserves	11,639	14,261
Crown public account term deposits	27,813	27,604
Crown entities term deposits	19,613	17,590
<b>Total Term Deposits</b>	<b>59,065</b>	<b>59,455</b>

The loan repayment reserves are funds which are set apart specifically to meet future loan repayment commitments.

#### Trust Accounts

Unclaimed monies	2,082	-
Customs bond account	29	41
Workers compensation account	1,166	1,057
Insurance deposits account	32	31
Law Trust account	307	261
Land Trust deposits	3,482	3,251
Aid Accounts		
General Aid accounts	6,852	2,735
Outer Islands Development Grant Fund	119	259
Other Trust Fund	529	833
<b>Total Trust Accounts</b>	<b>14,597</b>	<b>8,468</b>

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## Notes to the Financial Statements (continued)

For the Year Ended 30 June 2011

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	2011 \$000	2010 \$000
<b>Note 12: Inventory</b>		
<u>Inventory Held of Use</u>		
Electricity - Diesel	1,710	1,305
Infrastructure and Planning - Bitumen	1,070	481
Health - Pharmaceuticals and hospital supplies	703	666
Outer Islands - Various supplies	56	102
Education - School supplies	69	61
Other	-	82
	<u>3,608</u>	<u>2,697</u>
<u>Inventory Held for Sale</u>		
Electricity - Trading Stock	2,901	1,738
Numismatic - Coin Stocks	243	122
Cultural Development - Books and tapes	29	22
Pearls	338	-
Parliamentary Services - Legislation materials	9	11
Total held for sale	<u>3,520</u>	<u>1,893</u>
Provision for Obsolete Stock	(195)	(195)
<b>Total Inventory</b>	<b>6,933</b>	<b>4,395</b>

Not included in Inventory is 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.



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## Notes to the Financial Statements (continued)

For the Year Ended 30 June 2011

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	2011	2010
	\$000	\$000

### Note 13: Debtors and Receivables

Taxes receivable	17,590	20,324
Accounts receivable	10,791	8,750
Prepayments	1,052	784
Interest receivable	481	346
Accrued revenue	144	283
Dividends receivable	940	1,200
	<u>30,998</u>	<u>31,686</u>
Provision for doubtful debts	(2,769)	(11,479)
<b>Total Debtors and Receivables</b>	<b>28,230</b>	<b>20,208</b>

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Prepayments in 2011 were mostly made up of \$508,340 welfare prepayments.

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## Notes to the Financial Statements (continued)

For the Year Ended 30 June 2011

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2011	2010
\$000	\$000

### Note 14: Investments in Shares and Associates

#### Investment in Shares

Asian Development Bank	137	137
Pacific Forum Line Limited	26	78

<b>Total Investments in Shares</b>	<b>163</b>	<b>215</b>
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#### Share of Net Assets of Associate

Carrying amount at beginning of year	4,702	4,706
Equity accounted earnings of Associate	1,384	1,544
Dividends from Associate	(1,367)	(1,548)

<b>Total Share of Net Assets of Associate</b>	<b>4,719</b>	<b>4,702</b>
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<b>Total Investments in Shares &amp; Associate</b>	<b>4,882</b>	<b>4,917</b>
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Associates are those entities in which the organisation has substantial shareholding and in whose commercial and financial policy decisions it participates but does not have any controlling interest.

At 30 June 2011 investments in associates comprises:	Percentage Interest	Balance Date
Telecom Cook Islands Limited	40%	30 June

Telecom Cook Islands Limited is incorporated in the Cook Islands and provides telecommunication services to the Cook Islands.



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## Notes to the Financial Statements (continued)

For the Year Ended 30 June 2011

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	2011 \$000	2010 \$000
<b>Note 15: Banking Portfolio Investments</b>		
Current	1,440	5,506
Provision for bad and doubtful loans - current	<u>(89)</u>	<u>(312)</u>
	1,351	5,194
Term	31,048	24,613
Provision for bad and doubtful loans - term	<u>(1,923)</u>	<u>(1,393)</u>
	29,125	23,220
<b>Total Banking Portfolio Investments</b>	<b>30,476</b>	<b>28,414</b>

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The loans portfolio primarily comprises of housing, pearl, tourism and business development loans.

Housing loans attract interest rates in the range of 5.00% - 16.50% (2010: 5.00% - 16.50%) whereas 7.00% - 16.50% (2010: 7.00% - 16.50%) applies to developmental (including business) loans.

Interest rates in the range of 9.50% - 16.50% (2010: 9.50% - 16.50%) are applicable on consumer loans.

Also included within the bank portfolio investments are loans to directors and staff of the Bank of the Cook Islands of \$2,355,000 (2010: \$2,355,000).

The interest rates on these balances are in the range of 8.75% - 9.75%.

# Notes to the Financial Statements (continued)

For the Year Ended 30 June 2011

**Note 16a: Property, Plant, and Equipment 2011**

Category	Opening Cost	Additions	Disposals	Other	Closing Cost	Opening Accum Depn	Depn	Accum Depn on Disposals	Other	Closing Accum Depn	Net Book Value
Office and computer equipment	5,515	338	119	-	5,734	4,279	708	77	-	4,910	824
Furniture and fittings	3,200	212	498	-	2,914	1,694	188	3	-	1,879	1,035
Motor vehicles	10,323	767	617	-	10,473	7,151	940	433	-	7,658	2,815
Plant and equipment	40,817	1,387	3,603	-	38,603	16,293	1,908	1,573	-	16,628	21,975
Buildings and improvements	80,449	895	938	-	80,406	18,289	3,100	440	-	20,949	59,457
Land	12,585	-	-	-	12,585	45	14	-	-	59	12,526
Work in progress	20,359	9,069	7,343	-	22,084	48	241	(272)	-	561	21,522
<b>Total Property, Plant &amp; Equipment</b>	<b>173,248</b>	<b>12,668</b>	<b>13,117</b>	<b>-</b>	<b>172,798</b>	<b>47,799</b>	<b>7,100</b>	<b>2,254</b>	<b>-</b>	<b>52,643</b>	<b>120,154</b>

**Note 16b: Property, Plant, and Equipment 2010 Restated**

Category	Opening Cost	Additions	Disposals	Other	Closing Cost	Opening Accum Depn	Depn	Accum Depn on Disposals	Other	Closing Accum Depn	Net Book Value
Office and computer equipment	5,626	354	174	(291)	5,515	4,186	409	144	(172)	4,279	1,236
Furniture and fittings	2,978	237	8	(8)	3,200	1,611	153	39	(32)	1,694	1,506
Motor vehicles	9,721	903	217	(85)	10,323	6,959	559	188	(178)	7,151	3,172
Plant and equipment	34,426	5,574	266	1,084	40,817	14,824	1,988	1,722	1,203	16,293	24,523
Buildings and improvements	63,942	17,206	164	(534)	80,449	16,398	1,872	-	19	18,289	62,161
Land	12,219	366	-	-	12,585	185	-	137	(2)	45	12,540
Work in progress	27,166	6,985	14,758	965	20,359	-	6	2	45	48	20,311
<b>Total Property, Plant &amp; Equipment</b>	<b>156,078</b>	<b>31,624</b>	<b>15,587</b>	<b>1,131</b>	<b>173,247</b>	<b>44,163</b>	<b>4,987</b>	<b>2,232</b>	<b>883</b>	<b>47,798</b>	<b>125,448</b>

*Completeness and Valuation of Assets – The list of fixed assets may not be a complete presentation of assets falling under the ownership of the Crown. In addition, some assets have been recorded at nil value due to the absence of adequate and reliable information. The description "other" in notes 16 – 18 in the 2010 comparatives is made up of various corrections of prior period errors. These are nil as at 30 June 2011 as these prior period errors have been adjusted retrospectively.*



## Notes to the Financial Statements (continued)

For the Year Ended 30 June 2011

**Note 17a: Intangible Assets 2011**

Category	Opening Cost	Additions	Disposals	Other	Closing Cost	Opening Accum Amort	Amortisation	Accum Amort on Disposals	Other	Closing Accum Amortisation	Net Book Value
Purchased software	130	4	-	-	134	52	29	-	-	81	54
Developed software	234	-	-	-	234	207	15	(7)	-	229	5
<b>Total Intangible Assets</b>	<b>364</b>	<b>4</b>	<b>-</b>	<b>-</b>	<b>368</b>	<b>259</b>	<b>44</b>	<b>(7)</b>	<b>-</b>	<b>310</b>	<b>59</b>

**Note 17b: Intangible Assets 2010 Restated**

Category	Opening Cost	Additions	Disposals	Other	Closing Cost	Opening Accum Amort	Amortisation	Accum Amort on Disposals	Other	Closing Accum Amortisation	Net Book Value
Purchased software	83	47	-	-	130	39	20	-	(7)	51	79
Developed software	216	-	-	18	234	196	11	-	-	207	27
<b>Total Intangible Assets</b>	<b>299</b>	<b>47</b>	<b>-</b>	<b>18</b>	<b>364</b>	<b>235</b>	<b>31</b>	<b>-</b>	<b>(7)</b>	<b>259</b>	<b>106</b>



# Notes to the Financial Statements (continued)

For the Year Ended 30 June 2011

**Note 18a: Infrastructure Assets 2011**

Category	Opening Cost	Additions	Disposals	Other	Closing Cost	Opening Accum Depn	Depn	Accum Depn on Disposals	Other	Closing Accum Depreciation	Net Book Value
Roading	18,272	1,889	647	-	19,514	11,890	1,173	205	-	12,858	6,656
Power network	11,404	619	2,637	-	9,386	66	1,420	900	-	585	8,801
Harbours and ports	8,645	60	2,422	-	6,284	1,967	317	1,809	-	475	5,808
Airports	46,393	-	24	-	46,368	6,641	1,137	24	-	7,754	38,614
Coastal protection	929	-	-	-	929	436	37	-	-	473	455
Water	13,015	455	-	-	13,469	10,271	543	(36)	-	10,850	2,618
Waste management	5,484	-	-	-	5,484	1,584	274	-	-	1,858	3,625
Work in progress	597	4,791	-	-	5,388	26	-	-	-	26	5,362
<b>Total Infrastructure Assets</b>	<b>104,737</b>	<b>7,815</b>	<b>5,731</b>	<b>-</b>	<b>106,821</b>	<b>32,882</b>	<b>4,901</b>	<b>2,902</b>	<b>-</b>	<b>34,882</b>	<b>71,939</b>

**Note 18b: Infrastructure Assets 2010 Restated**

Category	Opening Cost	Additions	Disposals	Other	Closing Cost	Opening Accum Depn	Depn	Accum Depn on Disposals	Other	Closing Accum Depreciation	Net Book Value
Roading	16,770	1,877	-	(375)	18,272	10,625	1,313	-	(48)	11,890	6,382
Power network	9,249	2,402	198	(50)	11,404	1,008	1,587	2,414	(115)	66	11,338
Harbours and ports	8,607	18	3	23	8,645	1,512	439	6	22	1,967	6,678
Airports	46,376	17	-	-	46,393	5,498	1,142	-	-	6,641	39,752
Coastal protection	929	-	-	-	929	399	37	-	-	436	493
Water	10,405	2,767	-	(157)	13,015	9,775	508	-	(12)	10,271	2,743
Waste management	5,484	-	-	-	5,484	1,310	274	-	-	1,584	3,899
Work in progress	1,769	96	1,371	102	597	8	-	8	26	26	571
<b>Total Infrastructure Assets</b>	<b>99,589</b>	<b>7,178</b>	<b>1,571</b>	<b>(457)</b>	<b>104,738</b>	<b>30,135</b>	<b>5,300</b>	<b>2,427</b>	<b>(127)</b>	<b>32,881</b>	<b>71,857</b>



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## Notes to the Financial Statements (continued)

For the Year Ended 30 June 2011

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### Note 19: 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:

- Ministries 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:

	2011 \$000	2010 \$000
Aggregate remuneration	540	540
Number of persons	6	6

Given the breadth 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, receipts 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.

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## Notes to the Financial Statements (continued)

For the Year Ended 30 June 2011

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2011                      2010  
\$000                      \$000

### Note 20: Creditors and Other Payables

#### Accounts Payable Accrued from Current Year

Creditors, accruals and provisions	16,053	10,918
Payroll accruals	1,263	1,169
Interest accrued	78	69
Taxation refunds payable	574	540
<b>Total Accounts Payable Accrued from Current Year</b>	<b>17,968</b>	<b>12,696</b>

#### Accounts Payable Accrued prior to 1 July 1996

Creditors, accruals and provisions	96	133
	96	133

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<b>Total Creditors, Accruals and Provisions</b>	<b>18,065</b>	<b>12,829</b>
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The accounts payable balances are categorised separately between those relating to periods prior to 1 July 1996 and those of a current nature. In 1996 the Government went through a serious cash flow crisis and was unable to satisfy many of its ongoing commitments to suppliers.

### Note 21: Employee Entitlements

Provision for annual leave	1,072	877
Provision for sick leave	150	168
Provision for long service bonus	278	475
<b>Total Current Employee Entitlements</b>	<b>1,501</b>	<b>1,520</b>
<b>Non-Current</b>		
Provision for long service bonus	159	88
<b>Total Non-Current Employee Entitlements</b>	<b>159</b>	<b>88</b>
<b>Total Employee Entitlements</b>	<b>1,660</b>	<b>1,608</b>

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Under the previous Public Services Act, sick leave entitlements for Government employees could accumulate from year to year. This legislation was repealed in 1996. Therefore the provision for sick leave includes only those entitlements accruing up to that date which have not been paid to employees at 30 June 2011. This liability will be paid to employees when they leave Government service.



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## Notes to the Financial Statements (continued)

For the Year Ended 30 June 2011

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	2011 \$000	2010 \$000
<b>Note 22: Trustee Liabilities</b>		
Aid funding liabilities	7,908	3,216
Land Trust Deposits Liability	2,823	3,251
Outer Islands Development Grant Fund	186	327
Workers compensation	1,166	1,057
Law Trust liability	307	261
Immigration deposits	50	50
Customs bond account	29	41
Insurance deposits	32	31
Other Trust Fund	2,803	900
<b>Total Trustee Liabilities</b>	<b>15,305</b>	<b>9,134</b>

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### Land Trust Deposits Liability

The Justice Land Trust is made up of \$2,207,465 (2010: \$2,002,892) held at the Ministry of Justice banked at the Bank of the Cook Islands for the administration of a Land Trust Account where payments are received from lessees and are paid to the land owners. The balance of \$615,357 (2010: \$1,247,994) is held by the Crown.

### Outer Islands Development Grant Fund (OIDGF)

This fund has been set up from the repayment of incorrectly spent aid and an equal contribution from NZ Aid. The fund is administered by the Aid Management Division of MFEM and grants are made to Outer Islands projects that are approved by Cabinet on recommendations of the OIDGF board.

### Workers Compensation

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 the case is heard in court and a court ruling is delivered.

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## **Notes to the Financial Statements (continued)**

**For the Year Ended 30 June 2011**

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### **Immigration Deposits**

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 the deposit.

### **Other Trust Fund**

Other trust fund of \$2,803,082 (2010: \$900,835) is funding received which has not been spent at 30 June 2011 on approved projects and are held within the Crown (or other Crown agency) trust bank account. This is made up of unspent funding from aid donors of \$1,513(2010: \$1,663) for EU funding \$67,141 (2010: \$66,691) for the fertiliser rolling fund and \$633,903 (2010: \$832,481) on other and \$2,100,525 (2010: \$0) for International Unclaimed monies.

### **Customs Bond**

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

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## Notes to the Financial Statements (continued)

For the Year Ended 30 June 2011

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	2011 \$000	2010 \$000
<b>Note 23: Banking Customer Deposits</b>		
Current	20,467	22,523
Term: One to two years	3,967	1,193
<b>Total Banking Customer Deposits</b>	<b>24,434</b>	<b>23,716</b>

Customer deposits yield interest rates between 2.5% and 7.5% (2010: 1% and 5%), and are unsecured.

### Note 24: Members of Parliament Pension Liability

The Cook Islands Government Superannuation Scheme of Members of Parliament provided under the Legislative Assembly Members' Superannuation Act 1976 was most recently assessed in October 2012 by Melville Jessup Weaver Limited, a firm of actuaries from New Zealand, as at 30 June 2010. This resulted in a revaluation of the liability by \$0.43 million, reducing it from \$2.03 million to \$1.60 million. The liability relates to past and current contributions made by members and employers contributions.

There was a substantial change in the superannuation benefits payable to Members and former Members of Parliament (MPs) 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 MPs and MPs' widows, which currently comprises 21 retirees (2010: 21), will each receive a pension for the rest of their lives. This pension was received 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.

### Current Year Activity

The following figures show the activity of the superannuation scheme and these are included within the Crown's Statement of Financial Performance:

	2011 \$000	2010 \$000
<b>Expenses</b>		
Parliamentary pension beneficiary payments	276	276
<b>Operating Results of Parliament Pension Liability</b>	<b>(276)</b>	<b>(276)</b>

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## Notes to the Financial Statements (continued)

For the Year Ended 30 June 2011

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### Note 25: 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 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 Limited (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 payout from the Crown to TOA and also an undertaking that the Crown will provide revenue to TOA to enable them to make an annual Earnings Before Income Tax, Depreciation and Amortisation (EBITDA) profit of \$1.2 million for the following 8 years.

The settlement payment of \$1.75 million was paid in the 2009-10 financial year and the beginning of the EBITDA support was appropriated in that same financial year. A provision has been recorded for the 2010-11 financial year.

<b>Provision for Toa settlement</b>	<b>2011</b>	<b>2010</b>
	<b>\$000</b>	<b>\$000</b>
At 1 July	5,472	6,235
Acquisition of subsidiary	-	-
Arising during the year	2,787	803
Utilised	(1,550)	(2,501)
Unused amounts reversed	-	-
Unwinding & discount rate adjustment	821	935
At 30 June	<u>7,530</u>	<u>5,472</u>
Current	1,271	1,065
Non-current	<u>6,259</u>	<u>4,407</u>
	<u>7,530</u>	<u>5,472</u>

The crown has recognised a provision for the Apex Agencies Limited (TOA Petroleum) EBITDA guarantee to the value of \$7,530,326 (2010: \$5,472,717). This reflects the present value of future obligations according to 3 years of subsequent knowledge that we have of actual EBITDA results and a discount rate of 4 per cent. Government appropriates \$1.5 million p.a. and actual cash flows to the date of the signing of these financial statements have either met or fallen short of these appropriations.

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## Notes to the Financial Statements (continued)

For the Year Ended 30 June 2011

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### Note 26: 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.

Government holds loan reserves which have been built up from the repayment of monies on lent to Stated Owned Enterprises (SOEs). In the 2011 financial year, a nil balance on loan reserve existed (2010: \$1.1 million) as all the repayment was made on loans that were on-lent to SOEs.

	30 June 2011	30 June 2010
Euros *	0.5717	0.5685
United States dollars *	0.8275	0.6929
Chinese Yuan *	5.3485	4.7102

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

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## **Notes to the Financial Statements (continued)**

**For the Year Ended 30 June 2011**

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### **Note 27: Subsequent Events**

#### **Cook Islands Consulate – Symonds Street, Auckland**

Cabinet decided in 2011 that the Cook Islands Consulate should be relocated to South Auckland given the proximity of that location to Auckland International Airport and the fact that a significant proportion of people of Cook Islands descent in New Zealand live in South Auckland. Arising from that decision, the property and building which has housed the Consulate in Symonds Street, Newton, Auckland was placed on the open market for sale in July last year. An offer by the Peterken Family Trust to purchase the property for \$1,610,000 was accepted in April 2012 and negotiations for the finalisation of the sale was completed in June 2012. Government purchased the property in 1994 for \$976,000. As part of the conditions for the sale of the property, the Consulate will continue to occupy the top floor of the property rent-free until 30 June 2013.

#### **Suspension of Long Service Bonus Policy**

In 2012 cabinet directed to suspend the Long Service Bonus policy and establish an alternative provision. As a result of this directive all Long Service Bonuses were removed from all agency budget baselines in 2012/13. Budget policy directives required that in the absence of the Long Service Bonus policy, ministries be provided with an alternative, namely replacing cash payments with additional leave entitlement based on performance. No such provision has been confirmed to date.

#### **Currency Conversion for ADB Loans of the Cook Islands – USD to NZD**

In August 2012, the Government of the Cook Islands requested the Asian Development Bank (ADB) to convert all its ordinary capital resources sovereign loans from US dollars to NZ dollars. The Government of New Zealand approved the currency swap involving exchange of ADB's non-NZ dollar borrowings to NZ dollars. The sovereign loans proposed to undergo currency conversion are L2472: Avatiu Port Development Project; L2739: Avatiu Port Development Project (Supplementary Loan) and L2565: Economic Recovery Support Program 1. Additionally the request sought the currency conversion be based on the NZ dollar rate.

#### **Water and Sanitation Improvement Programme**

The Cook Islands Government in partnership with New Zealand and the People's Republic of China entered into agreement in August 2012 through blended finance (loans and grants) to implement the improvement of the water, sanitation and waste management. The Te Mato Vai programme totalling \$82,414,000 allocated as \$16,690,000 to waste and sanitation improvement, \$62,399,000 to water and \$3,325,000 to roading is to achieve long-term protection of public health, the environment and the economy of the Cook Islands.

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## **Notes to the Financial Statements (continued)**

**For the Year Ended 30 June 2011**

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### **Note 27: Subsequent Events (continued)**

#### **Cook Islands Infrastructure Valuation**

The second phase of the Asian Development Bank (ADB) funded project- TA 7287-COO improving the delivery of Infrastructure services focussed on asset management with particular emphasis on the preparation of initial asset management plans and basic valuations. Basic asset registers have been created for the purpose of carrying out valuations and providing information for asset management plans. AECOM (NZ) Ltd carried out an independent revaluation of infrastructural assets for the Cook Island Investment Corporation (CIIC) and the Ministry of Infrastructure and Planning (MOIP). This includes buildings, roading, water, waste water and landfill and sanitation on Rarotonga only. The valuations are effective as at 31 December 2012.

