



**Government of the Cook Islands
Financial Statements
for the year ended 30 June 2015**



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Directory

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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 Cook Islands Government's financial statements and the judgments made in the process of producing those statements.

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

The current Financial Secretary, Garth Henderson, was not responsible for Cook Islands Government's financial statements for the 30 June 2015 financial year.

We have taken steps to satisfy ourselves that the financial statements fairly reflect the financial position, performance and cash flows of the Cook Islands Government for the year ended 30 June 2015 and are consistent with the requirements of the Ministry of Finance and Economic Management Act 1995/96.

In our opinion, subject to the qualifications included within the Independent Auditors Report, these financial statements fairly reflect the financial position, performance and cash flows of the Cook Islands Government for the year ended 30 June 2015.



Hon. Mark Brown
Minister of Finance

20 December 2019



Garth Henderson
Financial Secretary

20 December 2019

Fiscal Overview

At a glance

Summary of the performance of the economy

Nominal GDP grew by 8.3% in the year to reach \$412.3 million. Economic activity was largely the result of tourist arrivals and higher levels of public and private capital investment.

Tourist arrivals increased by 11% reaching 135,134 annual visitors. New Zealand remains our largest tourist market with 89,910 (67%) of total visitors. Our next largest market is Australia with 23,389 (17%) visitors for the year.

The value of residential and commercial building approvals has been much higher than the prior year. The rise in residential approvals appears to be for holiday houses, rather than residential living, driven by tourism growth. Commercial approvals have been led by a number of large community projects as well as a significant increase in tourist accommodation approvals ^[1].

Notable large Government capital projects during the year were Te Mato Vai \$89.6 million and the Northern Group Renewable Energy Project \$25.5 million.

Summary of the performance of Government

The Government's fiscal position has continued to strengthen this year with a surplus in the operating balance before gains and losses (OBEGAL), net Crown debt has remained steady as a share of the economy and net worth increased in nominal terms.

- Crown tax revenue was \$5.8 million less than last year and \$9.0 million less than the 2015 Budget Estimates (page 13).
- Other sovereign revenue was \$8.2 million more than last year and \$7.3 million more than the 2015 Budget Estimate (page 14).
- Other revenue was \$13.3 million more than last year (page 7).
- Crown expenses was \$1.0 million higher than last year (page 8).
- The OBEGAL surplus of \$27.1 million was \$14.8 million higher than last year (page 10).
- The total Crown net surplus was \$21.0 million (page 10).
- Gross Crown debt increased nominally by \$14.5 million to \$102.0 million from the prior year, and increased as a percentage of GDP to 24.8% (page 11).
- Net Crown debt increased in nominal terms by \$14.1 million largely as a result of foreign exchange losses in the current year, and increased as a percentage of GDP (to 20.8%) (page 11).
- Net worth increased by \$10.4 million to \$263.1 million. This was largely owing to net surplus for the year (page 12).

Table 1 - Financial results

Year ended 30 June \$ '000	Actual 2011	Actual 2012	Actual 2013	Actual 2014	Actual 2015
Taxation revenue	89,878	84,718	96,077	99,826	94,075
Other sovereign revenue	7,772	8,839	8,785	9,004	17,252
Other revenue	72,114	71,229	74,316	78,829	92,136
Expenses	174,030	165,300	161,544	175,309	176,329
OBEGAL (excluding minority interest)	(4,266)	(514)	17,634	12,350	27,134
Net surplus	7,452	(452)	16,844	20,571	20,996
Net debt	59,359	83,563	78,801	71,525	85,581
as percentage of GDP	17.6%	23.1%	22.0%	18.8%	20.8%
Gross debt	70,998	84,678	79,953	87,735	102,222
as percentage of GDP	21.0%	23.5%	22.3%	23.0%	24.8%
Net worth	215,635	215,241	232,085	252,656	263,070

^[1] Source: Cook Islands Government Budget Estimates 2019/20: Section 5: Economic Update



Fiscal Overview (continued)

Year End results compared to Prior Year

Revenue

Total Crown revenue was \$203.5 million, an increase of \$15.8 million (8%) from last year owing to increased aid revenue of \$13.2 million and Crown other sovereign revenue of \$8.2 million. This was offset by the decrease in Crown taxation revenue of (\$5.8) million.

Table 2 - Breakdown of revenue

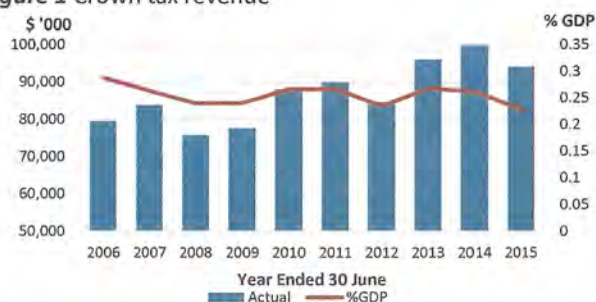
Year ended 30 June \$ '000	Actual 2011	Actual 2012	Actual 2013	Actual 2014	Actual 2015
Taxation revenue	89,878	84,718	96,077	99,826	94,075
Other sovereign revenue	7,772	8,839	8,785	9,004	17,252
Other revenue	72,114	71,229	74,316	78,829	92,136
Total Crown revenue	169,764	164,786	179,178	187,659	203,463
% of GDP					
Taxation revenue	26.6%	23.5%	26.8%	26.2%	22.8%
Other sovereign revenue	2.3%	2.4%	2.4%	2.4%	4.2%
Other revenue	21.4%	19.7%	20.7%	20.7%	22.3%
Total Crown revenue	50.3%	45.6%	49.9%	49.3%	49.3%

Crown Taxation Revenue

Crown taxation revenue was \$94.1 million, down (\$5.8) million (-6%) from the year before. The decrease in Crown tax revenue was broadly the result of Government fiscal policy and general economic activity.

Crown taxation revenue as a percentage to GDP decreased from 26% in the prior year to 23%. This ratio establishes boundaries on the collection of revenue and ensures that the Crown limits the diversion of resources from the private sector. The benchmark that current and previous Governments have agreed to work within, is to maintain collections to within 25% of GDP.

Figure 1 Crown tax revenue



Most major tax types decreased over the year with three tax types making up most of the decrease, this was offset by the increase in value added tax. (Table 3)

Individual income tax decreased by (\$3.0) million

- (-14%). This decrease was owing to decrease in personal income tax rates and adjustments to the tax income bands effective from 1 January 2014. Refer to Table 4.

Company income tax decreased by (\$5.7) million (-46%), given the strong performance of the economy and no government policy changes to company income tax. There is no clear rationale for the decrease during the year.

- Customs levies decreased by (\$3.8) million (-26%), mainly owing to the decrease in the tonnage (18.8t to 16.1t) of petroleum imported into the Cook Islands during the year. Also the reduction in import levies to zero on pork products, sea freighted eggs, ice cream and seasonal vegetables effective 1 April 2014.

Value added tax (VAT) was \$5.3 million (13%) higher than last year, with most of the growth coming from

- government policy to increase the rate from 12.5% to 15% effective 1 April 2014.

Table 3 - Decrease in taxation revenue

Year ended 30 June	\$ million
2014 taxation revenue	99.8
Individual income tax	(3.0)
Company income tax	(5.7)
Customs levies	(3.8)
Value added tax	5.3
Withholding tax	1.3
Departure tax	0.2
2015 taxation revenue	94.1

Table 4 - Revised income tax bands and rates

2013 personal income tax rates		2014 & 2015 personal income	
Up to \$10,000	Nil	Up to \$11,000	Nil
\$10,000 to \$30,000	25.0%	\$11,000 to \$30,000	18.5%
\$30,000 upwards	30.0%	\$30,000 to \$80,000	27.5%
		\$80,000 upwards	30.0%

source: <http://www.mfem.gov.ck/rmd-tax/rmd-forms-guides/rmd-tax-return-and-registration>

Fiscal Overview (continued)

Other Sovereign Revenue

Crown other sovereign revenue was \$17.3 million, an increase of \$8.2 million (92%) from previous year. Other sovereign revenue includes fees, fines, levies and licensing (e.g. fishing licenses issued to foreign vessels).

The increase over the year related predominantly to an increase of \$5.4 million (98%) from fisheries licenses issued to foreign fishing vessels and illegal fishing fines amounting to \$1.2 million (2014: nil).

The growth in fisheries licenses is the result of the increase in the number of registered purse seiner vessels and the number of vessel days purchased, vessel day schemes ^[2], by purse seiners. The number of active purse seiner vessels increased by 47 (261%) to 65 registered vessels for the year.

Refer to the table 5.

Two foreign fishing vessels were caught illegally fishing and using fish aggregation devices within the Cook

Islands exclusive economic zone (EEZ). The offences

occurred in the 2013 financial year and the \$1.2 million settlement was reached during the current year.

Table 5 - Number of active fishing vessels

Licensed and active vessels	2013	2014	2015
<i>Offshore fishery</i>			
Long liner	45	36	38
Purse seiner	17	18	65
Other commercial	4	5	5
Total offshore fishery	66	59	108
<i>Local artisanal and game fishery</i>			
	223	302	301

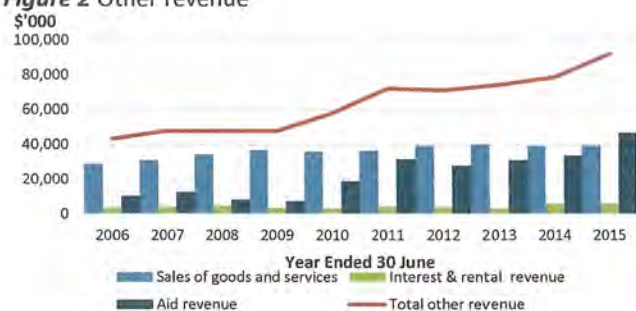
source: Cook Islands Government Budget Estimates 2018/19 Book 1 - Table 6.8
Number of active fishing vessels

Other Revenue

Total Crown other revenue was \$92.1 million, an increase of \$13.3 million (17%) from previous year. Other revenue includes revenue from operations of Crown entities and State-owned enterprises (SOEs), interest revenue, rental income and aid revenue.

The increase in other revenue from the prior year was owing to increase of \$13.2 million (40%) in aid revenue. This increase was due to Te Kukupa patrol boat refit undertaken by the Australian Government amounting to \$8.6 million and \$9.0 million worth of donated heavy machinery from the Peoples Republic of China.

Figure 2 Other revenue



^[2] Vessel day scheme (VDS) – relates to the number of days the purse seiner vessels have purchased to fish within Cook Islands' EEZ. Purse seiners are charged a daily rate.

Fiscal Overview (continued)

Expenses

Total Crown expenses were \$176.3 million in the current year, \$1.0 million (1%) more than last year. Crown expense as a percentage to GDP decreased from 46% in the prior year to 43%. This decrease was related predominantly to the \$31.5 million (8%) increase in nominal GDP for the year.

Figure 3 Crown expenses

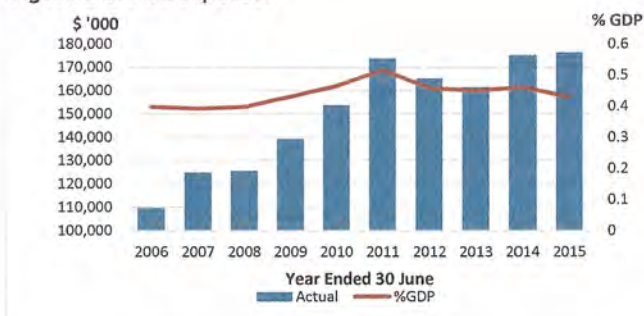


Table 6 - Breakdown of expenses

Year ended 30 June \$ '000	Actual 2011	Actual 2012	Actual 2013	Actual 2014	Actual 2015
Personnel expense	52,319	53,699	53,913	58,378	58,904
Welfare payments	12,305	12,778	13,108	14,348	15,691
Depreciation	12,045	11,879	12,374	10,893	14,247
Finance cost	3,459	3,129	3,159	4,609	4,538
Air New Zealand underwrite	4,486	11,829	9,554	11,102	9,764
Fuel and oil	12,456	13,728	13,267	12,318	10,375
Repairs and maintenance	6,635	3,848	6,985	6,742	5,413
Tourism marketing	4,728	4,497	3,413	4,658	4,745
Other expense	36,406	24,189	16,086	21,028	24,819
Aid expenses	29,191	25,724	29,685	31,233	27,833
Total Crown expense	174,030	165,300	161,544	175,309	176,329
% of GDP					
Personnel expense	15.5%	14.9%	15.0%	15.3%	14.3%
Welfare payments	3.6%	3.5%	3.7%	3.7%	3.6%
Depreciation	3.6%	3.3%	3.4%	2.9%	3.5%
Finance cost	1.0%	0.9%	0.9%	1.2%	1.1%
Air New Zealand underwrite	1.3%	3.3%	2.7%	2.9%	2.4%
Fuel and oil	3.7%	3.8%	3.7%	3.2%	2.5%
Repairs and maintenance	2.0%	1.1%	1.9%	1.8%	1.3%
Tourism marketing	1.4%	1.2%	1.0%	1.2%	1.2%
Other expense	10.8%	6.7%	4.5%	5.5%	6.0%
Aid expenses	8.7%	7.1%	8.3%	8.2%	6.8%
Total Crown expense	51.6%	45.7%	45.1%	46.0%	42.6%

Fiscal Overview (continued)

Personnel expense

Personnel expense was \$58.9 million, an increase of \$0.5 million (1%) from the previous year. Personnel expense as percentage to total revenue (excluding aid revenue) has remained steady at 38%. This ratio is aimed at controlling expansion in the size of the public sector. The benchmark that current and previous Governments agreed to work within is maintaining the expenditure on personnel within 40% of total revenues. Refer to page 50 Note 4: Personnel expense of the Financial Statements for further information.

Table 7 - Movement in Crown expenses

Year ended 30 June	\$ million
2014 Crown expenses	175.3
Personnel expense	0.5
Welfare payments	1.3
Depreciation	3.4
Aid expenses	(3.4)
Other expenses	(0.8)
2015 Crown expenses	176.3

Welfare payments

Welfare payments was \$15.7 million, an increase of \$1.3 million (9%) from the previous year. This increase largely related to the \$1.6 million (16%) increase in old age benefits. Refer to page 50 Note 5: Welfare payments of the Financial Statements for further information.

Depreciation

Depreciation was \$14.3 million, an increase of \$3.4 million (31%) from the previous year. This increase largely related to capital expenditure for the year. Refer to pages 55 - 57 Note 14, 15 & 16: Property, plant and equipment of the Financial Statements for further information.

Air New Zealand underwrite

The Air New Zealand underwrite is to support two non-economical long haul services operated by Air New Zealand from Los Angeles, United States of America and Sydney, Australia. Air New Zealand underwrite was \$9.8 million, a decrease of \$1.3 million (-12%) from the previous year.

Table 8 - Visitor arrivals by country

Year ended	Total	New Zealand	Australia	USA	Canada	Europe	Other
2011	108,750	71,746	16,899	4,598	2,126	10,563	2,818
2012	116,897	77,595	20,633	4,387	2,066	9,612	2,604
2013	122,569	80,975	21,850	4,846	1,996	9,456	3,446
2014	121,772	82,217	20,627	5,064	1,876	9,313	2,675
2015	135,134	89,910	23,389	5,876	2,062	9,944	3,953

Aid Expenses

Aid expenses was \$27.8 million, a decrease of \$3.4 million (-11%) from the previous year. Aid expenses is largely dependent on the respective grant funding agreements with respective donors and the timing of aid funded projects. Refer to page 51 Note 8: Aid funded activities of the Financial Statements for further information.

Fiscal Overview (continued)

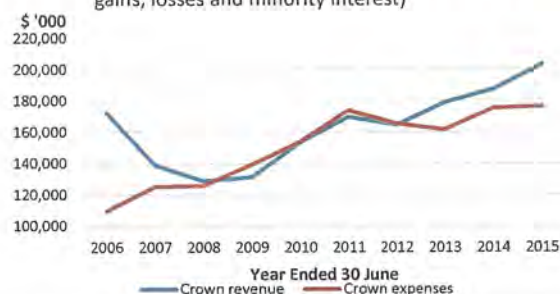
Net Surplus

OBEGAL (Operating Balance before Gains and Losses)

The OBEGAL surplus of \$27.1 million is an improvement of \$14.8 million (120%) from last year. Total Crown revenue was \$203.5 million, an increase of \$15.8 million (8%) from last year while total Crown expenses remained relatively stable at \$176.3 million for the year.

The increase in OBEGAL surplus for the year was largely owing to increased aid revenue \$13.2 million and Crown other sovereign revenue of \$8.2 million. This was offset by the decrease in Crown taxation revenue of (\$5.8) million.

Figure 4 Crown revenue and Crown expenses (excluding gains, losses and minority interest)



Net Surplus

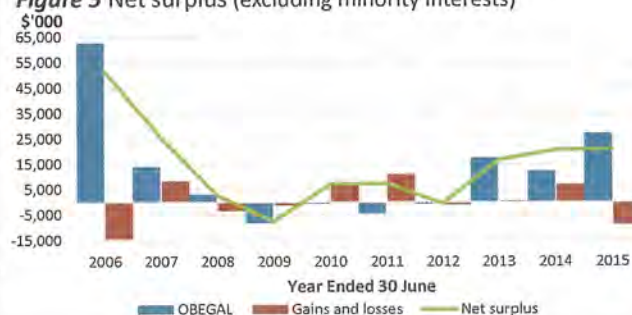
Current year net surplus remained relatively stable at \$21.0 million, an increment of \$0.4 million from the past year. The large OBEGAL surplus of \$27.1 million was reduced by \$6.1 million. This decrease was the result of foreign exchange losses of \$8.9 million for the year.

The Crown's fiscal strategy is to maintain a net surplus balance >\$0, this target ensures that the Government is able to afford operational expenditure required to perform the functions of Government from its own revenue streams.

Foreign exchange gain / (loss)

The Crown reported a foreign exchange loss of \$8.9 million opposed to a foreign exchange gain of \$6.9 million reported in the prior year. This represents a decrease of \$15.8 million from the past year. The Crown is subject to such volatile fluctuations as 67% of total borrowings of \$102.2 million are denominated in foreign currency.

Figure 5 Net surplus (excluding minority interests)



Refer to page 36 Statement of Borrowings – Currency analysis of the Financial Statements for further information.

Minority interest

Share of profit of associate relates to the Crown's interest in Telecom Cook Islands Limited which is incorporated in the Cook Islands and provides telecommunication services to the Cook Islands. The Crown has 40% ownership in Telecom Cook Islands Limited. On 23 February 2015 Spark New Zealand sold their 60% interest in Telecom Cook Islands Limited to Teleraro Limited, Bluesky's Cook Islands subsidiary. Refer to page 53 Note 12: Investments in shares and associates of the Financial Statements for further information.

Table 9 - Total Crown net surplus / (loss)

Year ended 30 June \$ '000	Actual 2011	Actual 2012	Actual 2013	Actual 2014	Actual 2015
Total Crown OBEGAL	(4,266)	(514)	17,634	12,350	27,134
Gains, losses and minority interest					
Impairment loss / gain or loss on disposal of assets	(695)	(224)	(2,940)	(37)	(3)
Foreign exchange gain / loss	11,176	(1,057)	585	6,940	(8,898)
Share of profit of associate	1,237	1,343	1,565	1,318	2,763
Total gains, losses and minority interest	11,718	62	(790)	8,221	(6,138)
Total Crown net surplus / loss	7,452	(452)	16,844	20,571	20,996
% of GDP					
Total Crown OBEGAL	-1.3%	-0.1%	4.9%	3.2%	6.6%
Total Crown gains and losses	3.1%	-0.4%	-0.7%	1.8%	-2.2%
Total Crown minority interest	0.4%	0.4%	0.4%	0.3%	0.7%
Net surplus	2.2%	-0.1%	4.7%	5.4%	5.1%

Fiscal Overview (continued)

Debt

Gross Crown debt was \$102.2 million, up \$14.5 million (17%) from the year before. The increase was the result of the Crown drawing down \$7.7 million, \$5.3 million relating to the Te Mato Vai loan with the Chinese Government, and \$11.5 million foreign exchange loss for the year. This was offset by the \$4.7 million in loan repayments for the year.

Net Crown debt is made up of gross Crown debt less loan repayment fund ^[3]. Net Crown debt was \$85.6 million, up \$14.1 million (20%) from year before. Net Crown debt as percentage to GDP remained relatively stable at 21% from the prior year. The Crown's fiscal strategy is to maintain net debt < 35% of GDP. This ensures the level of debt relative to national income, controls the overall level of debt taken on by Government.

Also part of the Crown's fiscal strategy is to maintain debt servicing < 5% of revenue (excluding aid revenue). This ensures the ability of Government to service its debt obligations from revenue collected. Current year net debt servicing percentage was 3% (5%: 2014)

Table 10 - Movement in gross Crown debt

Year ended 30 June	\$ million
2014 gross Crown debt	87.7
Additional loans	7.7
Loan repayments	(4.7)
Foreign exchange (gain) or loss	11.5
2015 gross Crown debt	102.2

Figure 6 Net Crown debt

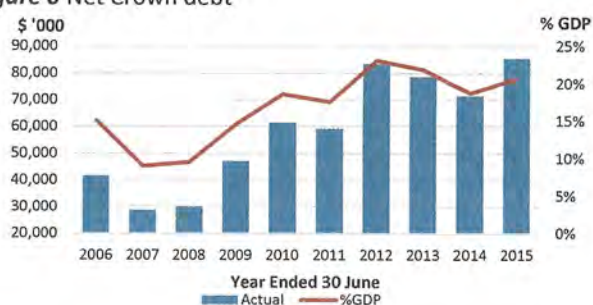


Table 11 - Debt

Year ended 30 June \$ '000	Actual 2011	Actual 2012	Actual 2013	Actual 2014	Actual 2015
Net debt	59,359	83,563	78,801	71,525	85,581
as percentage of GDP	17.6%	23.1%	22.0%	18.8%	20.8%
Gross debt	70,998	84,678	79,953	87,735	102,222
as percentage of GDP	21.0%	23.5%	22.3%	23.0%	24.8%

^[3] Loan repayment fund – included in cash and cash equivalents and term deposits are funds that have been quarantined for the repayment of debt as per the Loan Repayment Fund Act 2014.

Fiscal Overview (continued)

Total Crown Balance Sheet

Net Worth

Net worth is the difference between the Crown's total assets (what the government owns) and liabilities (what the government owes). This difference consists of the accumulation of past net surpluses and deficits (referred to as taxpayers' funds).

Net worth was \$263.1 million at 30 June 2015, an increase of \$10.4 million from a year earlier. This was largely owing to net surplus for the year. As a share of the economy, net worth decreased by 2.5% from 66.3% of GDP in 2014 to 63.8% of GDP in the current year.

Figure 7 Net worth



The Crown Balance Sheet

Total Crown assets were \$458.0 million at 30 June 2015, a \$44.6 million increase from last year. This growth was largely in property, plant and equipment (PPE) of \$30.5 million, while financial assets grew by \$19.7 million and other assets decreased by \$6.0 million.

Total Crown liabilities were \$194.9 million, an increase of \$34.2 million from the previous year. This is largely owing to an increase of \$14.5 million in borrowings and \$19.7 million in other liabilities.

Table 12 - Composition of the total Crown balance sheet

Year ended 30 June \$ '000	Actual 2011	Actual 2012	Actual 2013	Actual 2014	Actual 2015
Financial assets	116,949	129,376	132,517	124,522	144,252
Loan repayment fund	11,639	1,115	1,152	16,210	16,641
Property, plant and equipment	192,093	209,726	219,933	231,069	261,546
Other assets	35,222	37,014	37,603	41,600	35,575
Total assets	355,903	377,231	391,205	413,401	458,014
Borrowings	70,998	84,678	79,953	87,735	102,222
Other liabilities	69,270	77,312	79,167	73,010	92,722
Total liabilities	140,268	161,990	159,120	160,745	194,944
Net worth	215,635	215,241	232,085	252,656	263,070

Financial assets

Financial assets at \$144.3 million were \$19.7 million higher than last year. The increase was largely the result of \$5.4 million increase in banking portfolio investments held by the Bank of the Cook Islands and a general increase in the Crowns cash reserves of \$13.6 million.

Property, plant and equipment (PPE)

The \$30.5 million increase in PPE was largely relating to \$11.2 million in work in progress relating to Te Mato Vai Stage 1 project. Also as mentioned earlier, the Te Kukupa patrol boat refit undertaken by the Australian Government amounting to \$8.6 million and \$9.0 million worth of donated heavy machinery from the Peoples Republic of China.

Other Liabilities

Other liabilities of \$92.7 million were \$19.7 million higher than last year. The increase was largely the result of \$8.5 million increase in banking customer deposits held by the Bank of the Cook Islands and \$6.7 million increase in funds held in trust for aid projects.

Fiscal Overview (continued)

Year End results compared to Budget 2015

The Cook Islands Government Budget Estimates 2014/15 was published on 29 October 2014. These financial statements of the Cook Islands Government comprises of the following segments ^[4]:

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

State owned enterprise operations are not included in the preparation of the Government budget Estimates. The analysis below is actual performance of the Crown parent and Crown entities against the Budget.

Table 13 - Comparison to the Budget 2015

Year ended 30 June \$ '000	Financial Statement Note Reference	Actual 2015	Budget 2015	Variance \$	Variance %
Crown taxation revenue	1	94,075	103,095	(9,020)	-9%
Crown other sovereign revenue	2	17,252	9,943	7,309	74%
Sales of goods and services	3	7,883	5,518	2,365	43%
Interest revenue		3,169	1,848	1,321	71%
Aid revenue	8	46,697	63,693	(16,996)	-27%
Total revenue		169,076	184,097	(15,021)	-8%
Personnel expense	4	49,586	48,661	925	2%
Welfare payments	5	16,541	15,691	850	5%
Finance cost	6	2,468	2,137	331	15%
Depreciation and amortisation	14, 15 & 16	6,615	9,752	(3,137)	-32%
Aid expenses	8	46,697	63,693	(16,996)	-27%
Payments on behalf of the Crown	7	18,235	26,388	(8,153)	-31%
Other expense		15,891	14,984	907	6%
Total expense		156,033	181,306	(25,273)	-14%
Operating balance before gains and losses (OBEGAL)		13,043	2,791	10,252	367%

Crown Tax Revenue

Crown taxation revenue was \$9.0 million (9%) less than expected in Budget 2015, with the largest differences being as follows:

- Individual income tax was (\$1.6) million (-8%) below budget. This decrease was owing to the decrease in personal income tax adjustments to the tax income bands effective from 1 January 2014.
Refer to Table 4 above.
- Company income tax was (\$5.5) million (-45%) below budget, given the strong performance of the economy and no government policy changes to company income tax. There is no clear rationale for the decrease during the year.
- Customs levies was (\$1.9) million (-15%) below budget, mainly owing to the decrease in the tonnage (18.8t to 16.1t) of petroleum imported into the Cook Islands during the year. Also the reduction in import levies to zero on pork products, sea freighted eggs, ice cream and seasonal vegetables effective 1 April 2014.
- Value added tax (VAT) was \$2.6 million (5%) below budget, actual activity was below budgeted forecasted activity.
- Withholding tax was not budgeted for during the year.

Table 14 - Taxation revenue compared to budget

Year ended 30 June	\$ million
2015 budget taxation revenue	103.1
Individual income tax	(1.6)
Company income tax	(5.5)
Customs levies	(1.9)
Value added tax	(2.6)
Withholding tax	2.2
Departure tax	0.4
2015 taxation revenue	94.1

^[4] Refer to page 23 Schedule of Government entities for a detailed listing of all entities per segment

Fiscal Overview (continued)

Crown Other Sovereign Revenue

Crown other sovereign revenue was \$7.3 million (74%) more than expected in Budget 2015, the increase over the year related predominantly to an increase of \$6.0 million (121%) above budget from fisheries licenses issued to foreign fishing vessels. As mentioned earlier, the growth in fisheries licenses is the result of the increase in the number of registered purse seiner vessels and the number of vessel days purchased, vessel day schemes, by purse seiners. The number of active and licensed purse seiner vessels increased by 47 (261%) to 65 registered vessels for the year.

Aid Revenue and Expenses

Aid revenue was \$17.0 million (-27%) less than expected in the 2015 Budget, the shortfall over the year related predominantly to aid funded projects by China and various other development partners not being fully implemented or started during the year.

The budgeted \$10 million for Apii Nikao school rebuild project funded by China commenced construction in May 2017. Refer to page 63 Note 23: *Subsequent events for further information*. This was also evident in a range of other development partner projects.

Payments on Behalf of the Crown (POBOC) [5]

POBOC was \$8.2 million (-31%) less than expected in Budget 2015, with the largest differences being as follows:

- Air New Zealand underwrite was \$2.6 million (-21%) below forecast. This was the result of more tourist travelling to the Cook Islands via Los Angeles and Sydney direct flights than originally budgeted for. Refer to Table 8 – *Visitor arrivals by country*.
- During the year, negative \$2.7 million of unsubstantiated consolidated eliminating entries was passed by the Crown through the Statement of Financial Performance. The Crown was unable to substantiate these posting errors.

^[5] POBOC is payments made by the Crown directly to third party suppliers



Fiscal Overview (continued)

HISTORICAL FINANCIAL INFORMATION

Historical Financial Information

Year ended 30 June \$ '000	Actual 2006	Actual 2007	Actual 2008	Actual 2009	Actual 2010	Actual 2011	Actual 2012	Actual 2013	Actual 2014	Actual 2015
Statement of financial performance										
Taxation revenue	79,531	83,813	75,823	77,591	88,088	89,878	84,718	96,077	99,826	94,075
Fees, fines, penalties and licenses	1,511	1,832	2,212	2,531	2,739	2,517	2,600	2,598	2,698	4,269
Fisheries licenses	433	119	595	1,572	2,844	3,528	4,363	4,877	5,503	10,887
Other Crown revenue	47,794	5,520	2,668	1,967	1,815	1,727	1,876	1,310	803	2,096
Total sovereign revenue	129,269	91,284	81,298	83,661	95,486	97,650	93,557	104,862	108,830	111,327
Sales of goods and services	28,721	31,079	34,260	36,806	36,084	36,287	39,381	40,049	39,257	39,402
Interest revenue	3,974	4,045	4,963	3,516	3,164	4,249	4,027	3,151	3,349	3,169
Rental revenue	-	-	-	-	-	-	-	-	2,764	2,868
Aid revenue	10,433	12,810	8,406	7,235	18,722	31,578	27,821	31,116	33,459	46,697
Total Crown revenue	172,397	139,218	128,927	131,218	153,456	169,764	164,786	179,178	187,659	203,463
Personnel expense	-	45,855	48,829	50,430	50,397	52,319	53,699	53,913	58,378	58,904
Welfare payments	-	8,797	8,948	10,815	12,268	12,305	12,778	13,108	14,348	15,691
Depreciation	-	10,147	10,619	10,367	10,318	12,045	11,879	12,374	10,893	14,247
Finance cost	-	1,710	2,043	2,497	3,431	3,459	3,129	3,159	4,609	4,538
Air New Zealand underwrite	-	-	3,036	2,982	1,912	4,486	11,829	9,554	11,102	9,764
Fuel and oil	-	-	-	14,681	11,751	12,456	13,728	13,267	12,318	10,375
Repairs and maintenance	-	-	-	6,492	5,093	6,635	3,848	6,985	6,742	5,413
Tourism marketing	-	-	-	2,397	3,276	4,728	4,497	3,413	4,658	4,745
Other expense	102,775	50,815	44,838	32,808	39,053	36,406	24,189	16,086	21,028	24,819
Aid expenses	6,912	7,731	7,430	5,918	16,424	29,191	25,724	29,685	31,233	27,833
Total Crown expense	109,687	125,055	125,743	139,387	153,923	174,030	165,300	161,544	175,309	176,329
Operating balance excluding gains and losses (OBEGAL) (excluding minority interest)	62,710	14,163	3,184	(8,169)	(467)	(4,266)	(514)	17,634	12,350	27,134
Impairment loss / gain or loss on disposal of assets	-	-	-	(490)	(370)	(695)	(224)	(2,940)	(37)	(3)
Foreign exchange gain / loss	(14,432)	8,491	(3,445)	(1,252)	6,355	11,176	(1,057)	585	6,940	(8,898)
Share of profit of associate	2,982	2,772	3,008	2,458	1,543	1,237	1,343	1,565	1,318	2,763
Net surplus	51,260	25,426	2,747	(7,453)	7,061	7,452	(452)	16,844	20,571	20,996
Statement of financial position										
Property, plant and equipment	151,429	159,832	158,182	181,369	188,242	192,093	209,726	219,933	231,069	261,546
Financial assets	66,027	80,148	90,362	84,739	103,013	116,949	129,376	132,517	124,522	144,252
Loan repayment fund	16,607	17,458	18,551	20,934	16,261	11,639	1,115	1,152	16,210	16,641
Other assets	31,156	26,544	23,590	25,617	24,702	35,222	37,014	37,603	41,600	35,575
Total assets	265,219	283,982	290,685	312,659	332,218	355,903	377,231	391,205	413,401	458,014
Borrowings	58,310	46,247	48,760	68,127	77,906	70,998	84,678	79,953	87,735	102,222
Other liabilities	37,449	40,751	42,194	52,252	54,973	69,270	77,312	79,167	73,010	92,722
Total liabilities	95,759	86,998	90,954	120,379	132,879	140,268	161,990	159,120	160,745	194,944
Net worth	169,460	196,984	199,731	192,280	199,339	215,635	215,241	232,085	252,656	263,070
Debt indicators										
Borrowings less loan repayment fund	41,703	28,789	30,209	47,193	61,645	59,359	83,563	78,801	71,525	85,581
Net debt percentage of GDP	15.1%	9.0%	9.6%	14.6%	18.6%	17.6%	23.1%	22.0%	18.8%	20.8%
Nominal Gross Domestic Product (GDP)										
Nominal GDP	276,034	318,659	316,180	323,306	331,420	337,405	360,990	358,846	380,818	412,297
Annual GDP growth rates		15.4%	-0.8%	2.3%	2.5%	1.8%	7.0%	-0.6%	6.1%	8.3%
source: http://www.mfem.gov.ck/statistics/economic-statistics/national-accounts										
Visitor arrivals										
Number of visitors	89,788	96,499	96,186	96,930	100,319	108,750	116,897	122,569	121,772	135,134
Annual growth rate in visitor numbers		7.5%	-0.3%	0.8%	3.5%	8.4%	7.5%	4.9%	-1.0%	11.0%
source: Ministry of Finance and Economic Management - Cook Islands Statistical Bulletin June 2019										

Fiscal Overview (continued)

Historical Financial Information

Year ended 30 June as % of GDP	Actual 2006	Actual 2007	Actual 2008	Actual 2009	Actual 2010	Actual 2011	Actual 2012	Actual 2013	Actual 2014	Actual 2015
Statement of financial performance										
Taxation revenue	28.8%	26.3%	24.0%	24.0%	26.6%	26.6%	23.5%	26.8%	26.2%	22.8%
Fees, fines, penalties and licenses	0.5%	0.6%	0.7%	0.8%	0.8%	0.7%	0.7%	0.7%	0.7%	1.0%
Fisheries licenses	0.2%	0.0%	0.2%	0.5%	0.9%	1.0%	1.2%	1.4%	1.4%	2.6%
Other Crown revenue	17.3%	1.7%	0.8%	0.6%	0.5%	0.5%	0.5%	0.4%	0.2%	0.5%
Total sovereign revenue	46.8%	28.6%	25.7%	25.9%	28.8%	28.9%	25.9%	29.2%	28.6%	27.0%
Sales of goods and services	10.4%	9.8%	10.8%	11.4%	10.9%	10.8%	10.9%	11.2%	10.3%	9.6%
Interest revenue	1.4%	1.3%	1.6%	1.1%	1.0%	1.3%	1.1%	0.9%	0.9%	0.8%
Rental revenue	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.7%	0.7%
Aid revenue	3.8%	4.0%	2.7%	2.2%	5.6%	9.4%	7.7%	8.7%	8.8%	11.3%
Total Crown revenue	62.5%	43.7%	40.8%	40.6%	46.3%	50.3%	45.6%	49.9%	49.3%	49.3%
Personnel expense	0.0%	14.4%	15.4%	15.6%	15.2%	15.5%	14.9%	15.0%	15.3%	14.3%
Welfare payments	0.0%	2.8%	2.8%	3.3%	3.7%	3.6%	3.5%	3.7%	3.8%	3.8%
Depreciation	0.0%	3.2%	3.4%	3.2%	3.1%	3.6%	3.3%	3.4%	2.9%	3.5%
Finance cost	0.0%	0.5%	0.6%	0.8%	1.0%	1.0%	0.9%	0.9%	1.2%	1.1%
Air New Zealand underwrite	0.0%	0.0%	1.0%	0.9%	0.6%	1.3%	3.3%	2.7%	2.9%	2.4%
Fuel and oil	0.0%	0.0%	0.0%	4.5%	3.5%	3.7%	3.8%	3.7%	3.2%	2.5%
Repairs and maintenance	0.0%	0.0%	0.0%	2.0%	1.5%	2.0%	1.1%	1.9%	1.8%	1.3%
Tourism marketing	0.0%	0.0%	0.0%	0.7%	1.0%	1.4%	1.2%	1.0%	1.2%	1.2%
Other expense	37.2%	15.9%	14.2%	10.1%	11.8%	10.8%	6.7%	4.5%	5.5%	6.0%
Aid expenses	2.5%	2.4%	2.3%	1.8%	5.0%	8.7%	7.1%	8.3%	8.2%	6.8%
Total Crown expense	39.7%	39.2%	39.8%	43.1%	46.4%	51.6%	45.8%	45.0%	46.0%	42.8%
Operating balance excluding gains and losses (OBEGAL) (excluding minority interest)										
Impairment loss / gain or loss on disposal of assets	0.0%	0.0%	0.0%	-0.2%	-0.1%	-0.2%	-0.1%	-0.8%	0.0%	0.0%
Foreign exchange gain / loss	-5.2%	2.7%	-1.1%	-0.4%	1.9%	3.3%	-0.3%	0.2%	1.8%	-2.2%
Share of profit of associate	1.1%	0.9%	1.0%	0.8%	0.5%	0.4%	0.4%	0.4%	0.3%	0.7%
Net surplus	18.6%	8.0%	0.9%	-2.3%	2.1%	2.2%	-0.1%	4.7%	5.4%	5.1%
Statement of financial performance										
Property, plant and equipment	54.9%	50.2%	50.0%	56.1%	56.8%	56.9%	58.1%	61.3%	60.7%	63.4%
Financial assets	23.9%	25.2%	28.6%	26.2%	31.1%	34.7%	35.8%	36.9%	32.7%	35.0%
Loan repayment fund	6.0%	5.5%	5.9%	6.5%	4.9%	3.4%	0.3%	0.3%	4.3%	4.0%
Other assets	11.3%	8.3%	7.5%	7.9%	7.5%	10.4%	10.3%	10.5%	10.9%	8.6%
Total assets	96.1%	89.1%	91.9%	96.7%	100.2%	105.5%	104.5%	109.0%	108.6%	111.1%
Borrowings	21.1%	14.5%	15.4%	21.1%	23.5%	21.0%	23.5%	22.3%	23.0%	24.8%
Other liabilities	13.6%	12.8%	13.3%	16.2%	16.6%	20.5%	21.4%	22.1%	19.2%	22.5%
Total liabilities	34.7%	27.3%	28.8%	37.2%	40.1%	41.6%	44.9%	44.3%	42.2%	47.3%
Net worth	61.4%	61.8%	63.2%	59.5%	60.1%	63.9%	59.6%	64.7%	66.3%	63.8%
Debt indicators										
Net debt	15.1%	9.0%	9.6%	14.6%	18.6%	17.6%	23.1%	22.0%	18.8%	20.8%
Gross debt	21.1%	14.5%	15.4%	21.1%	23.5%	21.0%	23.5%	22.3%	23.0%	24.8%
Nominal Gross Domestic Product (GDP)										
Nominal GDP	276,034	318,659	316,180	323,306	331,420	337,405	360,990	358,846	380,818	412,297
Annual GDP growth rates		15.4%	-0.8%	2.3%	2.5%	1.8%	7.0%	-0.6%	6.1%	8.3%





Independent Audit Report of the Director of Audit



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TO THE READERS OF THE FINANCIAL STATEMENTS OF THE GOVERNMENT OF THE COOK ISLANDS FOR THE YEAR ENDED 30 JUNE 2015

Opinion

I have audited the financial statements of the Government of the Cook Islands (the financial statements of the Government) for the year ended 30 June 2015 using my staff, resources, and appointed auditors and their staff. The financial statements of the Government on pages 23 to 63 comprise:

The annual financial statements include the statement of financial position as at 30 June 2015, the statement of financial performance, statement of changes in equity, and statement of cash flows for the year ended on that date, statement of segments, statement of borrowings, statement of commitments, statement of contingent liabilities, notes to the financial statements that include accounting policies and other explanatory information.

Qualified opinion

In my opinion, except for the possible effects of the matters described in the *Basis for qualified opinion* section of my report, the financial statements of the Government on pages 23 to 63:

- i. present fairly in all material respects, the Government's:
 - a. financial position as at 30 June 2015; and
 - b. financial performance for the year ended on that date;
- ii. comply with generally accepted accounting practices as defined by the Ministry of Finance and Economic Management Act 1995-96 and International Public Sector Accounting Standards (IPSAS) issued by the International Public Sector Accounting Standards Board.

My audit was completed 20 December 2019. This is the date on which my opinion is expressed.

The basis for my opinion is explained below. I outline the responsibilities of the Ministry of Finance and the Minister of Finance and my responsibilities for the financial statements of the Government. I also comment on other information and explain my independence.

Basis for qualified opinion

I have identified seven matters affecting my opinion, which are outlined below.

1. I was unable to confirm property, plant and equipment of \$143.9 million and infrastructure assets of \$117.4 million

The Government could not provide enough evidence to confirm that the values recorded against property, plant and equipment and infrastructure assets in the statement of financial position, and the related elements included in the statement of financial performance, statement of changes in equity, and statement of cash flows were fairly presented. Therefore, I could not determine whether these statements comply with generally accepted accounting practice.



The Government has not kept appropriate records and does not have strong enough internal controls to record all of the assets it owns, including those received from donor partners.

Also, certain buildings and infrastructure assets, such as roads and water, which have been recognised by the Government have not been recorded by significant components. There is an accounting standard, IPSAS 17 - Property Plant and Equipment, which requires the assets to be recorded separately. The assets need to be recorded separately because they need to be managed differently.

The Government has also not assessed whether any of the property, plant and equipment and infrastructure assets are impaired, as required by IPSAS 21 - Impairment of Non-Cash-Generating Assets. This assessment is important to ensure that the value of the assets are not overstated at year end.

2. *I was unable to confirm taxation revenue of \$94.1 million and tax receivables of \$10.5 million*

My Office was not given access to the underlying tax records to assess whether tax revenue has been appropriately recorded. As a result, I cannot confirm that taxation revenue and tax receivables were fairly presented and comply with generally accepted accounting practice.

Also, the Government did not assess whether tax receivables were complete and reasonable at year end, including amounts owing from provisional taxpayers who have not yet filed their final tax return. The Government also did not assess whether any of the expected tax receivables might not eventuate at balance date (called impairment), as required by IPSAS 29 - Financial Instruments: Recognition and Measurement.

3. *I disagreed with how the Government has prepared its consolidated financial statements*

When the Government consolidated the activities of its subsidiaries it did not eliminate all of its inter-Government transactions. As a result, the Government's consolidated financial statements overstate its consolidated expenditure by \$18.9 million and include \$21.6 million that has been incorrectly categorised as other expenses.

The Government has recorded a number of transactions in its financial statements to correct prior year errors, which it has recognised through an "unexplained movements from prior years" equity account. This is a departure from IPSAS 3 – Accounting Policies, Estimates and Errors. The Government should instead have corrected these significant prior period errors by retrospectively correcting the comparative information in the financial statements.

4. *I was unable to confirm lease commitments*

I was unable to obtain sufficient audit evidence to confirm that the Government's disclosure of lease commitments is complete. This is because the Cooks Islands Government Property Corporation, a subsidiary of the Government, has incomplete records about its future commitments on its land leases. This is a departure from IPSAS 13 - Leases, which requires full disclosure of all current and non-current lease commitments.

5. *I disagreed with how low interest concessionary loans had been accounted for*

The Government has departed from the requirements of IPSAS 29 - Financial Instruments: Recognition and Measurement because it has not recorded all of its low-interest concessionary loans, made over the last 40 years, at their fair value. As a result, the Government's borrowings that have been recorded in the statement of financial position and the statement of borrowings are overstated. Without proper records, I cannot determine to what extent the borrowings are overstated.



6. I disagreed with how financial instruments had been disclosed

The Government has departed from the requirements of IPSAS 30 - Financial Instruments: Disclosure because it has not disclosed the nature, extent, and how it manages market risks in respect of its financial instruments. The Government holds a number of financial instruments, including financial assets of \$160.9 million and financial liabilities of \$194.9 million, which could expose the Government to foreign currency, credit, interest rate, liquidity and market risks.

7. I disagreed with the presentation of key assumptions, estimates and judgements that were used to prepare the financial statements

The Government has departed from the requirements of IPSAS 1 - Presentation of Financial Statements because it has not disclosed its key assumptions, estimates and judgements that it used to prepare its financial statements. Not including the information makes it difficult for a reader to assess whether the key assumptions, estimates and judgements that the Government has used is reasonable.

I carried out my audit in accordance with International Standards of Supreme Audit Institutions (ISSAI), which incorporate ISSAI 30 Code of Ethics issued by the International Organization of Supreme Audit Institutions (INTOSAI Code of Ethics). My responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements of the Government* section of this report.

I have fulfilled my responsibilities in accordance with ISSAI.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Responsibilities of the Financial Secretary and the Minister of Finance for the financial statements of Government

The Financial Secretary is responsible for preparing financial statements of the Government that:

- comply with generally accepted accounting practice in the Cook Islands, in accordance with IPSAS;
- present fairly the Government's financial position, financial performance, and cash flows; and
- present fairly the Government's borrowings

The Minister of Finance is responsible for forming an opinion that the financial statements of the Government present fairly the financial position and financial performance of the Government.

The responsibilities of the Financial Secretary and the Minister of Finance arise from the Ministry of Finance and Economic Management Act 1995-96.

The Financial Secretary is also responsible for such internal control as it determines is necessary to enable the preparation of financial statements of the Government that are free from material misstatement, whether due to fraud or error. The Financial Secretary is also responsible for publishing the financial statements of the Government, whether in printed or electronic form.

In carrying out their respective responsibilities for the financial statements of the Government, the Financial Secretary and the Minister of Finance are responsible for assessing the Government's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.



Auditor's responsibilities for the audit of the financial statements of Government

My objectives are to obtain reasonable assurance about whether the financial statements of the Government as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes my opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAI will always detect a material misstatement. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions readers make based on the financial statements of the Government.

As part of an audit in accordance with ISSAI, I exercise professional judgement and maintain professional skepticism throughout the audit. Also:

- I identify and assess the risks of material misstatement of the financial statements of the Government, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, because fraud can involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- I obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control used by the Financial Secretary to prepare the financial statements of the Government.
- I evaluate the appropriateness of accounting policies used, and the reasonableness of accounting estimates and related disclosures made by the Financial Secretary.
- I conclude on the appropriateness of using the going concern basis of accounting that has been used by the Financial Secretary to prepare the financial statements of the Government, up to the date of my auditor's report, based on the audit evidence I have obtained.
- I evaluate the overall presentation, structure, and content of the financial statements of the Government, including the disclosures, and whether the financial statements of the Government represent the underlying transactions and events in a manner that achieves fair presentation.

As part of my audit, I obtain information from my staff and appointed auditors of the entities that are consolidated into the financial statements of the Government, including information about:

- elimination of transactions between the entities that are consolidated into the financial statements of the Government;
- application by those entities of appropriate accounting policies and instructions to prepare the financial statements of the Government; and
- the risks of material misstatement of the financial statements of those entities that may affect the financial statements of the Government.

I communicate with the Financial Secretary, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that I identify during my audit.

I am responsible for expressing an independent opinion on the financial statements of the Government and reporting that opinion to you based on my audit. My responsibility arises from the Public Expenditure Review Committee and Audit Act 1995-96.



Other information

The Financial Secretary is responsible for the other information. The other information comprises the information included on pages 1 to 63, but does not include the annual financial statements of the Government and my auditor's report thereon.

My opinion on the financial statements of the Government does not cover the other information and I do not express any form of audit opinion or assurance conclusion on that information.

In connection with my audit of the financial statements of the Government, my responsibility is to read the other information. In doing so, I consider whether the other information is materially inconsistent with the financial statements of the Government or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on my work, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Independence

While carrying out this audit, my staff and appointed auditors and their staff complied with the ISSAI 30 Code of Ethics or the independence requirements of Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code).

As an Officer of Parliament, I am constitutionally independent of the Government.



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



Schedule of Government entities

For the year ended 30 June 2015

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

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

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

Crown entities (45)

Ministries (12)

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

Island administrations (11)

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

Crown agencies and offices (15)

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

Ministerial support (7)

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

State owned enterprises (13)

- 1 Cook Islands Investment Corporation

Subsidiaries of Cook Islands Investment Corporation (CIIC)

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

Subsidiaries of Cook Islands Government Property Corporation

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

Statement of Financial Performance
For the year ended 30 June 2015
In New Zealand Dollars

	Note	2015 \$000	2014 \$000
Revenue			
Taxation revenue	1	94,075	99,826
Other sovereign revenue	2	17,252	9,004
Total sovereign revenue		111,327	108,830
Sales of goods and services	3	39,402	39,257
Interest revenue		3,169	3,349
Rental revenue		2,868	2,764
Aid revenue	8	46,697	33,459
Total revenue earned through operations		92,136	78,829
Total revenue (excluding gains and minority interest)		203,463	187,659
Expenses			
Personnel expense	4	58,904	58,378
Welfare payments	5	15,691	14,348
Audit Fees		401	430
Changes in provision for doubtful debts	11	977	578
Depreciation and amortisation	14, 15 & 16	14,324	10,893
Finance costs	6	4,538	4,609
Aid expenses	8	27,833	31,233
Other expenses	7	53,661	54,840
Total expenses (excluding losses)		176,329	175,309
Operating balance before gains and losses (OBEGAL) & minority interest		27,134	12,350
Other gains / (losses) and minority interest			
Gain / (loss) on disposal of assets		(3)	(37)
Foreign exchange gain / (loss)		(8,898)	6,940
Share of profit of associate	12	2,763	1,318
Total other gains / (losses) and minority interest		(6,138)	8,221
Net surplus		20,996	20,571

These financial statements should be read in conjunction with the accompanying notes and policies



Statement of Financial Position
For the year ended 30 June 2015
In New Zealand Dollars

	Note	2015 \$000	2014 \$000
Assets			
Current assets			
Cash and cash equivalents	9	51,252	28,976
Term deposits	9	33,305	46,765
Trust accounts	20	13,550	8,716
Inventory	10	8,560	8,381
Debtors and other receivables	11	26,165	32,892
Banking portfolio investments	13	7,987	6,741
Total current assets		140,819	132,471
Non-current assets			
Investments in shares and associate	12	7,213	6,059
Banking portfolio investments	13	47,580	43,475
Property, plant and equipment	14	143,869	128,140
Intangible assets	16	1,148	327
Infrastructural assets	15	117,377	102,929
Total non-current assets		317,187	280,930
Total assets		458,006	413,401
Liabilities			
Current liabilities			
Creditors and other payables	18	29,057	22,820
Employee entitlements	19	4,762	6,541
Trustee liabilities	20	22,274	15,577
Banking customer deposits	21	33,663	26,178
Current borrowings	Borrowings	5,436	3,001
Total current liabilities		95,192	74,117
Non-current liabilities			
Banking customer deposits	21	2,957	1,894
Non-current borrowings	Borrowings	96,786	84,734
Total non-current liabilities		99,743	86,628
Total liabilities		194,935	160,745
Net assets		263,070	252,656
Equity			
Capital contributions and retained earnings		263,070	252,656
Total equity		263,070	252,656

These financial statements should be read in conjunction with the accompanying notes and policies

Statement of Changes in Equity
For the year ended 30 June 2015
In New Zealand Dollars

	General reserves \$000	Taxpayers funds \$000	Total equity \$000
Net worth at 30 June 2013	1,956	230,129	232,085
Net surplus / (deficit) for the year	-	20,571	20,571
Net worth at 30 June 2014	1,956	250,700	252,656
Unexplained movements from prior years *	-	(10,582)	(10,582)
Net surplus / (deficit) for the year	-	20,996	20,996
Net worth at 30 June 2015	1,956	261,114	263,070

*Unexplained movements from prior years are transactions and/or adjustments that the Crown is unable to confirm the accuracy and composition. The transactions and/or adjustments predominantly relate to property, plant and equipment and other expenses.

Due to the above limitation, the audit report of these financial statements is qualified in this regard.

These financial statements should be read in conjunction with the accompanying notes and policies



Statement of Cash Flows
For the year ended 30 June 2015
In New Zealand Dollars

Note	2015 \$000	2014 \$000
Cash Flows From Operating Activities		
Cash was provided from:		
Taxation receipts	102,697	95,359
Other sovereign receipts	8,916	11,942
Sales of goods and services	36,871	38,279
Net aid receipt	18,864	2,206
Cash receipts from associates	3,156	2,489
Total cash provided from operations	170,504	150,275
Cash was disbursed to:		
Social welfare benefits and education grant payments	15,691	14,348
Personnel payments	63,552	49,602
Banking portfolio investment payments	12,092	4,828
Supplier payments	46,426	73,816
Realised foreign exchange movements	(2,589)	-
Total cash disbursed to operations	135,172	142,594
Net cash flows from operations	35,332	7,681
Cash Flows From Investing Activities		
Cash was provided from:		
Sale of property, plant and equipment	16,474	103,960
Gain on investments	-	11,827
Interest received from investments	3,169	3,349
Total cash provided from investing activities	19,643	119,136
Cash was disbursed to:		
Purchase of property, plant and equipment	34,817	103,565
Purchase of infrastructure	27,663	28,971
Purchase of intangible assets	623	-
Net change in investments value	(16,970)	-
Net increase in trustee accounts	(1,863)	-
Total cash disbursed to investing activities	44,270	132,536
Net cash flows from investing activities	(24,627)	(13,400)
Cash Flows From Financing Activities		
Cash was provided from:		
Drawdown of borrowings	5,270	14,719
Client deposit accounts held	8,547	3,643
Customs bonds received	28	49
Total cash provided from financing activities	13,845	18,411
Cash was disbursed to:		
Loan repayments (foreign-sourced borrowings)	2,273	5,073
Total cash disbursed to financing activities	2,273	5,073
Net cash flows from financing activities	11,572	13,338
Net movement in cash	22,277	7,619
Opening cash balance	28,976	21,358
Closing cash and cash equivalents balance	51,252	28,976

These financial statements should be read in conjunction with the accompanying notes and policies

Statement of Cash Flows (continued)
For the Year Ended 30 June 2015
In New Zealand Dollars

Note	2,015 \$000	2,014 \$000
Reconciliation between the Operating Balance and the Net Cash Flows from Operations		
Comprehensive revenue and expenses for the year	20,996	20,571
Add / (less) non cash items		
Depreciation and amortisation	14,324	10,893
Change in provision for doubtful debts	841	578
Impairment on property, plant and equipment	-	43
Unrealised foreign exchange movement	(11,487)	(7,222)
Prior year adjustment	(7,741)	(11,114)
Total non cash items	(4,063)	(6,822)
Add / (less) movements in working capital		
(increase)/ decrease in taxes receivable	7,673	(5,078)
(increase)/ decrease in accounts receivable	-	(400)
(increase)/ decrease in dividend receivable	393	(275)
(increase)/ decrease in interest receivable	-	(20)
(increase)/ decrease in prepayments	(621)	1,614
(increase)/ decrease in inventory	(179)	(621)
(increase)/ decrease in other current assets	-	1,388
(increase)/ decrease in other receivables	(1,554)	-
(increase)/ decrease in trustee accounts	(1,312)	-
increase/ (decrease) in amounts due to employees	(4,648)	6,426
increase/ (decrease) in interest accrued	-	(464)
increase/ (decrease) in tax refund liability	(109)	611
increase/ (decrease) in customer deposits	8,547	3,692
increase/ (decrease) in banking portfolio investments	(12,092)	(4,828)
increase/ (decrease) in creditors	9,981	(15,219)
increase/ (decrease) in investments in shares and associates	(1,155)	476
increase/ (decrease) in provision for legal settlement TOA	(1,009)	(1,155)
increase/ (decrease) in foreign borrowings	14,484	7,785
Total movement in working capital	18,399	(6,068)
Net cash inflows/(outflows) from operating activities	35,332	7,681

These financial statements should be read in conjunction with the accompanying notes and policies



Statement of Segments
For the year ended 30 June 2015
In New Zealand Dollars

	Current Year Actual vs Prior Year Actual									
	Crown Parent		Crown Entities		State Owned Enterprises		Inter-Segment Elimination		Whole of Government	
	Actual 2015 \$000	Actual 2014 \$000	Actual 2015 \$000	Actual 2014 \$000	Actual 2015 \$000	Actual 2014 \$000	Actual 2015 \$000	Actual 2014 \$000	Actual 2015 \$000	Actual 2014 \$000
Revenue										
Taxation revenue	96,156	-	-	-	-	-	-	(2,081)	94,075	99,826
Other Sovereign revenue	16,701	-	465	-	862	-	-	(776)	17,252	9,004
Revenue from Crown funding	-	-	59,360	-	5,405	-	-	(64,765)	-	-
Total sovereign revenue	112,857	-	59,825	-	6,267	-	-	(67,622)	111,327	108,830
Sales of goods and services	172	-	8,025	-	32,520	-	-	(1,315)	39,402	39,257
Interest revenue	2,799	-	-	-	1,346	-	-	(976)	3,169	3,349
Rental revenue	1,929	-	-	-	2,869	-	-	(1,930)	2,868	2,764
Aid revenue	44,449	-	26,668	-	132	-	-	(24,552)	46,697	33,459
Total revenue earned through operations	49,349	-	34,693	-	36,867	-	-	(28,773)	92,136	78,829
Total revenue (excluding gains and minority interest)	162,206	-	94,518	-	43,134	-	-	(96,395)	203,463	187,659
Expenses										
Personnel expense	-	-	47,525	-	9,318	-	-	2,061	58,904	58,378
Welfare payments	15,691	-	-	-	-	-	-	-	15,691	14,348
Audit Fees	-	-	24	-	402	-	-	(25)	401	430
Changes in provision for doubtful debts	-	-	108	-	869	-	-	-	977	578
Depreciation and amortisation	2,950	-	3,665	-	7,632	-	-	77	14,324	10,893
Finance costs	2,460	-	10	-	3,538	-	-	(1,470)	4,538	4,609
Aid expenses	42,683	-	9,702	-	-	-	-	(24,552)	27,833	31,233
Other expenses	107,490	-	15,891	-	19,822	-	-	(89,542)	53,661	54,840
Total expenses (excluding losses)	171,274	-	76,925	-	41,581	-	-	(113,451)	176,329	175,309
Operating balance before gains and losses (OBEGAL) & minority interest	(9,068)	-	17,593	-	1,553	-	-	17,056	27,134	12,350
Other gains / (losses) and minority interest										
Gain / (loss) on disposal of assets	56	-	(37)	-	(22)	-	-	-	(3)	(37)
Foreign exchange gain / (loss)	(10,988)	-	-	-	2,090	-	-	-	(8,898)	6,940
Share of profit of associate	-	-	-	-	2,763	-	-	-	2,763	1,318
Total other gains / (losses) and minority interest	(10,932)	-	(37)	-	4,831	-	-	-	(6,138)	8,221
Net surplus	(20,000)	-	17,556	-	6,384	-	-	17,056	20,996	20,571

Statement of Segments reports on the three different segments of the Cook Islands Government. This includes Crown Parent, Crown Entities and State Owned Enterprises. A segment is a distinguishable activity or group of activities of an entity for which it is appropriate to separately report financial information for the purpose of evaluating the entity's past performance in achieving its objectives and for making decisions about the future allocation of resources. Inter-Segment Elimination reports eliminations of any inter-agency revenue, expenses, assets and liabilities.

The whole of Government reports on the final consolidated financial performance and position as at 30 June 2015.

Unfortunately for the 2014 comparatives, accurate segmental information could not be obtained. As a result, only the final audited consolidated balances for the statement of financial performance and financial position could be accurately determined.



Statement of Segments (Continued)
For the year ended 30 June 2015
In New Zealand Dollars

	Current Year Actual vs Prior Year Actual									
	Crown Parent		Crown Entities		State Owned Enterprises		Inter-Segment Elimination		Whole of Government	
	Actual 2015 \$000	Actual 2014 \$000	Actual 2015 \$000	Actual 2014 \$000	Actual 2015 \$000	Actual 2014 \$000	Actual 2015 \$000	Actual 2014 \$000	Actual 2015 \$000	Actual 2014 \$000
Assets										
Current assets										
Cash and cash equivalents	7,725	-	5,752	-	20,408	-	17,367	-	51,252	28,976
Term deposits	44,277	-	2,537	-	8,985	-	(22,494)	-	33,305	46,765
Trust accounts	13,361	-	5,969	-	(5,779)	-	(1)	-	13,550	8,716
Inventory	1,158	-	2,061	-	5,341	-	-	-	8,560	8,381
Debtors and other receivables	44,285	-	37,061	-	6,869	-	(62,050)	-	26,165	32,892
Banking portfolio investments	-	-	-	-	7,987	-	-	-	7,987	6,741
Total current assets	110,806	-	53,380	-	43,811	-	(67,178)	-	140,819	132,471
Non-current assets										
Investments in shares and associate	28,911	-	-	-	(21,692)	-	(6)	-	7,213	6,059
Banking portfolio investments	-	-	-	-	47,580	-	-	-	47,580	43,475
Plant, property and equipment	22,063	-	60,809	-	167,614	-	(106,617)	-	143,869	128,140
Intangible assets	4,321	-	851	-	-	-	297	-	1,148	327
Infrastructural assets	-	-	6,738	-	-	-	106,318	-	117,377	102,929
Total non-current assets	55,295	-	68,398	-	193,502	-	(8)	-	317,187	280,930
Total assets	166,101	-	121,778	-	237,313	-	(67,186)	-	458,006	413,401
Liabilities										
Current liabilities										
Creditors and other payables	49,158	-	47,193	-	8,468	-	(75,762)	-	29,057	22,820
Employee entitlements	121	-	3,739	-	901	-	1	-	4,762	6,541
Trustee liabilities	13,787	-	8,486	-	-	-	1	-	22,274	15,577
Banking customer deposits	-	-	-	-	33,663	-	-	-	33,663	26,178
Current borrowings	-	-	-	-	-	-	5,436	-	5,436	3,001
Total current liabilities	63,066	-	59,418	-	43,032	-	(70,324)	-	95,192	74,117
Non-current liabilities										
Banking customer deposits	-	-	-	-	2,957	-	-	-	2,957	1,894
Non-current borrowings	100,727	-	-	-	1,495	-	(5,436)	-	96,786	84,734
Total non-current liabilities	100,727	-	-	-	4,452	-	(5,436)	-	99,743	86,628
Total liabilities	163,793	-	59,418	-	47,484	-	(75,760)	-	194,935	160,745
Net assets	2,308	-	62,360	-	189,829	-	8,573	-	263,070	252,656
Equity										
Capital contributions and retained earnings	(1,733)	-	62,360	-	189,829	-	12,614	-	263,070	252,656
Total equity	(1,733)	-	62,360	-	189,829	-	12,614	-	263,070	252,656



These financial statements should be read in conjunction with the accompanying notes and policies

Statement of Segments (Continued)
For the year ended 30 June 2015
In New Zealand Dollars

	Current Year Actual vs Estimated Actuals (Budget 2015)											
	Crown Parent		Crown Entities		State Owned Enterprises		Inter-Segment Elimination		Whole of Government		Whole of Government	
	Actual 2015 \$000	Budget 2015 \$000	Actual 2015 \$000	Budget 2015 \$000	Actual 2015 \$000	Budget 2015 \$000	Actual 2015 \$000	Budget 2015 \$000	Actual 2015 \$000	Budget 2015 \$000	Actual 2015 \$000	Budget 2015 \$000
Revenue												
Taxation revenue	96,156	103,095	-	-	-	-	(2,081)	-	94,075	103,095	-	-
Other Sovereign revenue	16,701	9,943	465	-	862	-	(776)	-	17,252	9,943	-	-
Revenue from Crown funding	-	-	59,360	65,003	5,405	4,379	(64,765)	(69,382)	-	-	-	-
Total sovereign revenue	112,857	113,038	59,825	65,003	6,267	4,379	(67,622)	(69,382)	111,327	113,038	-	-
Sales of goods and services	172	-	8,025	5,518	32,520	2,115	(1,315)	(2,115)	39,402	5,518	-	-
Interest revenue	2,799	2,532	-	-	1,346	-	(976)	(684)	3,169	1,848	-	-
Rental revenue	1,929	-	-	-	2,869	-	(1,930)	-	2,868	-	-	-
Aid revenue	44,449	63,693	26,668	-	132	-	(24,552)	-	46,697	63,693	-	-
Total revenue earned through operations	49,349	66,225	34,693	5,518	36,867	2,115	(28,773)	(2,799)	92,136	71,059	-	-
Total revenue (excluding gains and minority interest)	162,206	179,263	94,518	70,521	43,134	6,494	(96,395)	(72,181)	203,463	184,097	-	-
Expenses												
Personnel expense	-	2,374	47,525	46,287	9,318	-	2,061	-	58,904	48,661	-	-
Welfare payments	15,691	16,541	-	-	-	-	-	-	15,691	16,541	-	-
Audit Fees	-	-	24	-	402	-	(25)	-	401	-	-	-
Changes in provision for doubtful debts	-	-	108	-	869	-	-	-	977	-	-	-
Depreciation and amortisation	2,950	6,020	3,665	3,732	7,632	-	77	-	14,324	9,752	-	-
Finance costs	2,460	2,137	10	-	3,538	-	(1,470)	-	4,538	2,137	-	-
Aid expenses	42,683	63,693	9,702	-	-	-	(24,552)	-	27,833	63,693	-	-
Other expenses	107,490	31,120	15,891	14,984	19,822	-	(89,542)	-	53,661	46,104	-	-
Total expenses (excluding losses)	171,274	121,885	76,925	65,003	41,581	-	(113,451)	-	176,329	186,888	-	-
Operating balance before gains and losses (OBEGAL) & minority interest	(9,068)	57,378	17,593	5,518	1,553	6,494	17,056	(72,181)	27,134	(2,791)	-	-
Other gains / (losses) and minority interest												
Gain / (loss) on disposal of assets	56	-	(37)	-	(22)	-	-	-	(3)	-	-	-
Foreign exchange gain / (loss)	(10,988)	-	-	-	2,090	-	-	-	(8,898)	-	-	-
Share of profit of associate	-	-	-	-	2,763	-	-	-	2,763	-	-	-
Total other gains / (losses) and minority interest	(10,932)	-	(37)	-	4,831	-	-	-	(6,138)	-	-	-
Net surplus	(20,000)	57,378	17,556	5,518	6,384	6,494	17,056	(72,181)	20,996	(2,791)	-	-

Source of budget figures: Cook Islands Government Budget Estimates 2014/2015 Book 1 - Schedule 11 Statement of Financial Performance
Budget figures for State Owned Enterprises are not included in the above comparison as currently SOEs were not included in the preparation of the Government Budget Estimate 2014/2015.

The difference between the net surplus reported in schedule 11 of \$9 and the above reported loss of (\$2,791), is the result of inter-segment eliminations of \$2,800 relating to dividends and interest on loans to subsidiaries.

Refer to the Fiscal Overview section for explanations on significant variances to the budget.



These financial statements should be read in conjunction with the accompanying notes and policies

Financial Statements of the Government of the Cook Islands

Statement of Borrowings
For the year ended 30 June 2015
In New Zealand Dollars

	Loan start date	Loan end date	Loan currency	Original loan amount \$'000	Interest rate	2015 \$'000	2014 \$'000
External borrowings							
Asian Development Bank							
<i>Loans guaranteed by New Zealand Government</i>							
1. First multi project loan - 461	Nov-80	Aug-20	USD	1,000	1.00%	597	604
2. First Cook Islands Development Bank project loan - 567	Jul-82	Apr-22	USD	1,500	1.00%	557	545
3. Second multi project loan - 849	Dec-87	Aug-27	SDR	2,150	1.00%	2,058	1,901
4. Outer Islands telecommunications project loan - 1031	Oct-90	Aug-30	SDR	2,578	1.00%	4,877	4,441
5. Second Cook Islands Development Bank loan - 1155	Mar-92	Dec-31	SDR	1,085	1.00%	1,229	1,115
Total loans guaranteed by New Zealand Government						9,318	8,606
<i>Unguaranteed loans</i>							
6. TCI Emergency Loan - 1171	Aug-92	Jun-32	SDR	349	1.00%	423	383
7. Pearl Loan (1994) - 1309	Dec-94	Aug-34	SDR	272	1.00%	474	421
8. Education development - 1317	Feb-95	Aug-34	SDR	1,852	1.00%	2,889	2,566
9. Third Cook Islands Development Bank loan - 1380	Jan-96	Sep-35	SDR	1,977	1.00%	2,424	2,124
10. Economic Restructuring loan - 1466	Sep-96	Sep-36	SDR	3,430	1.00%	5,356	4,692
11. Cyclone Rehabilitation Project loan - 1588	Jan-97	Jan-38	SDR	583	1.00%	898	786
12. Waste Management loan - 1832	Dec-01	Jun-33	SDR	1,695	1.50%	2,442	2,205
13. Cyclone Emergency Assistance loan - 2174	Jun-05	Jan-45	SDR	1,895	1.00%	3,651	3,123
14. (SF) Avatiu Ports Development Loan - 2473	Sep-09	Nov-40	SDR	4,524	1.50%	9,295	7,951
15. (OCF) Avatiu Ports Development Project Loan - 2472	Sep-09	Nov-33	NZD	8,697	5.77%	9,796	9,975
16. (SF) Economic Recovery Support Program Loan - 2565	Jan-10	Oct-24	NZD	11,053	2.52%	9,546	10,551
17. (OCF) Avatiu Ports Development Project Loan - 2739	Dec-11	Nov-35	NZD	5,290	2.64%	5,323	5,322
18. (OCF) Avatiu Ports Development Project Loan - 2946	Dec-12	Oct-27	NZD	11,053	2.75%	7,250	7,250
Total unguaranteed loans						59,767	57,349
Total Asian Development Bank borrowings						69,085	65,955
Caisse Francaise de Development							
1. Northern Group Solarisation Project Loan	Jan-99	Sep-18	EUR	1,159	0.75%	211	256
2. Rarotonga Water Supply & Electrification Loan	Jan-99	Sep-18	EUR	10,270	1.75%	1,766	2,268
Total Caisse Francaise de Development borrowings						1,977	2,524



These financial statements should be read in conjunction with the accompanying notes and policies

Statement of Borrowings (Continued)
For the year ended 30 June 2015
In New Zealand Dollars

	Loan start date	Loan end date	Loan currency	Original loan amount \$'000	Interest rate	2015 \$'000	2014 \$'000
Export - Import Bank of China							
1. Indoor Sports Stadium & Upgrade of Existing Sports Facilities	Aug-08	Aug-28	RMB	74,100	1.80%	13,834	11,529
2. Rarotonga Water Ring Main Upgrade Loan	Dec-12	Dec-32	RMB	118,000	2.00%	15,831	7,727
Total Export - Import Bank of China borrowings						29,665	19,256
Total external borrowings						100,727	87,735
Local borrowings							
Australia and New Zealand Banking Corporation							
1. Airport Authority Loan			NZD	2,409	5.99%	1,495	-
Total Australia and New Zealand Banking Corporation						1,495	-
Total local borrowings						1,495	-
Total borrowings						102,222	87,735

Total borrowings above includes both the Cook Islands Government and State Owned Enterprise loans. This equates to the amount in the Statement of the Financial Position and represents the complete picture of whole of Government debt obligations to external parties.

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

Refer to page 36 which details the currency acronyms used above.



These financial statements should be read in conjunction with the accompanying notes and policies

Statement of Borrowings (Continued)
For the year ended 30 June 2015

In New Zealand Dollars

	2016 \$000	2017 \$000	2018 \$000	2019 \$000	2020 to 2024 \$000	2025 and after \$000	Total \$000
Maturity profile as at 30 June 2015							
External borrowings							
Asian Development Bank	2,231	3,821	4,399	4,399	21,995	32,240	69,085
Caisse Francaise de Development	915	915	147	-	-	-	1,977
Export -Import Bank of China	795	795	795	795	3,975	22,510	29,665
Total external borrowings	3,941	5,531	5,341	5,194	25,970	54,750	100,727
Local borrowings							
Australia and New Zealand Banking Corporation	1,495	-	-	-	-	-	1,495
Total local borrowings	1,495	-	-	-	-	-	1,495
Total borrowings	5,436	5,531	5,341	5,194	25,970	54,750	102,222
Maturity profile as at 30 June 2014							
External borrowings							
Asian Development Bank	2,086	2,231	3,821	4,399	20,617	32,802	65,956
Caisse Francaise de Development	915	915	695	-	-	-	2,525
New Zealand Government	-	-	-	-	-	-	-
Export -Import Bank of China	-	795	795	795	3,975	12,894	19,254
Total external borrowings	3,001	3,941	5,311	5,194	24,592	45,696	87,735
Local borrowings							
Australia and New Zealand Banking Corporation	-	-	-	-	-	-	-
Total local borrowings	-	-	-	-	-	-	-
Total borrowings	3,001	3,941	5,311	5,194	24,592	45,696	87,735



These financial statements should be read in conjunction with the accompanying notes and policies

Statement of Borrowings (Continued)
For the year ended 30 June 2015
In New Zealand Dollars

	1 July 2014 \$000	Additional loan \$000	Loan repayment \$000	Currency alignment \$000	30 June 2015 \$000
Movements during the year ended 30 June 2015					
External borrowings					
Asian Development Bank	65,956	-	(2,354)	5,483	69,085
Caisse Francaise de Development	2,525	-	(515)	(33)	1,977
New Zealand Government	-	-	-	-	-
Export -Import Bank of China	19,254	5,270	(896)	6,037	29,665
Total external borrowings	87,735	5,270	(3,765)	11,487	100,727
Local borrowings					
Australia and New Zealand Banking Corporation	-	2,409	(914)	-	1,495
Total local borrowings	-	2,409	(914)	-	1,495
Total borrowings	87,735	7,679	(4,679)	11,487	102,222



These financial statements should be read in conjunction with the accompanying notes and policies

Statement of Borrowings (Continued)
For the year ended 30 June 2015
In New Zealand Dollars

	United States		Euro		New Zealand		Chinese		Total
	Dollar USD \$000	Dollar USD \$000	Euro EUR \$000	Euro EUR \$000	Dollar NZD \$000	Dollar NZD \$000	Yuan RMB \$000	Yuan RMB \$000	
Currency analysis as at 30 June 2015									
External borrowings									
Asian Development Bank	37,170	-	-	-	31,915	-	-	-	69,085
Caisse Francaise de Development	-	1,977	-	-	-	-	-	-	1,977
New Zealand Government	-	-	-	-	-	-	-	-	-
Export -Import Bank of China	-	-	-	-	-	-	29,665	-	29,665
Total external borrowings	37,170	1,977	1,977	1,977	31,915	31,915	29,665	29,665	100,727
Local borrowings									
Australia and New Zealand Banking Corporation	-	-	-	-	1,495	-	-	-	1,495
Total local borrowings	-	-	-	-	1,495	1,495	-	-	1,495
Total borrowings	37,170	1,977	1,977	1,977	33,410	33,410	29,665	29,665	102,222

Currency analysis as at 30 June 2014

External borrowings									
Asian Development Bank	32,857	-	-	-	33,101	-	-	-	65,958
Caisse Francaise de Development	-	2,521	-	-	-	-	-	-	2,521
New Zealand Government	-	-	-	-	-	-	-	-	-
Export -Import Bank of China	-	-	-	-	-	-	19,256	-	19,256
Total external borrowings	32,857	2,521	2,521	2,521	33,101	33,101	19,256	19,256	87,735
Local borrowings									
Australia and New Zealand Banking Corporation	-	-	-	-	-	-	-	-	-
Total local borrowings	-	-	-	-	-	-	-	-	-
Total borrowings	32,857	2,521	2,521	2,521	33,101	33,101	19,256	19,256	87,735

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



These financial statements should be read in conjunction with the accompanying notes and policies

Statement of Borrowings (Continued)
For the year ended 30 June 2015
In New Zealand Dollars

Fair value of borrowings

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

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

	2015 Fair Value \$000	2014 Fair Value \$000
External borrowings		
Asian Development Bank		
1. First multi project loan - 461	525	515
2. First Cook Islands Development Bank project loan - 567	173	359
3. Second multi project loan - 849	1,568	1,420
4. Outer Islands telecommunications project loan - 1031	3,474	3,049
5. Second Cook Islands Development Bank loan - 1155	766	733
6. TCI Emergency Loan - 1171	256	123
7. Pearl Loan (1994) - 1309	261	253
8. Education development- 1317	1,595	1,544
9. Third Cook Islands Development Bank loan- 1380	1,288	1,227
10. Economic restructuring loan - 1466	2,458	2,619
11. Cyclone Rehabilitation Project loan - 1588	408	423
12. Waste Management loan - 1832	1,511	1,329
13. Cyclone Emergency Assistance loan- 2174	1,195	1,311
14. (SF) Avatiu Ports Development Loan - 2473	4,905	3,849
15. (OCF) Avatiu Ports Development Project Loan - 2472	10,703	10,323
16. (SF) Economic Recovery Support Program Loan - 2565	7,678	9,087
17. (OCF) Avatiu Ports Development Project Loan- 2739	3,568	3,568
18. (OCF) Avatiu Ports Development Project Loan- 2946	6,559	6,559
Total Asian Development Bank borrowings	48,891	48,291



These financial statements should be read in conjunction with the accompanying notes and policies

Statement of Borrowings (Continued)
For the year ended 30 June 2015
In New Zealand Dollars

	2015 Fair Value \$'000	2014 Fair Value \$'000
Caisse Francaise de Development		
1. Northern Group Solarisation Project Loan	192	228
2. Rarotonga Water Supply & Electrification Loan	1,693	2,023
Total Caisse Francaise de Development borrowings	1,885	2,251
Export -Import Bank of China		
1. Indoor Sports Stadium Project, Repairs and Upgrade of Existing Sports Facilities	10,145	8,367
2. Rarotonga Water Ring Main Upgrade Loan	8,355	6,524
Total Export -Import Bank of China borrowings	18,500	14,891
Total external borrowings	69,276	65,433
Local borrowings		
Australia and New Zealand Banking Corporation		
1. Airport Authority Loan	1,495	2,409
Total Australia and New Zealand Banking Corporation	1,495	2,409
Total local borrowings	1,495	2,409
Total borrowings	70,771	67,842



These financial statements should be read in conjunction with the accompanying notes and policies

Statement of Commitments
For the year ended 30 June 2015
In New Zealand Dollars

	2015 \$000	2014 \$000
Commitments by type		
Lease commitments	6,619	3,106
Capital expenditure	25,000	-
Undisbursed bank loan facilities (Bank of the Cook Islands)	4,775	2,959
Total quantifiable commitments	36,394	6,065
Lease commitments by term		
One year or less	183	149
From one to two years	183	149
From two to five years	794	446
Over five years	5,459	2,362
Total lease commitments	6,619	3,106

Lease commitments

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

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

Capital expenditure

A focus on the southern group and Rarotonga under a new Renewable Energy Program was committed in the financial year. The project is estimated at NZD \$25.0 million, the program will have a loan component of NZD \$13.0 million and will be administrated by the Asian Development Bank to complete the transformation of electricity generation from diesel to solar power for the southern Cook Islands.

The above listing of capital commitments is not a complete presentation of all commitments falling under the Crown.

Due to the above limitation with lease and capital commitments, the audit report of these financial statements is qualified in this regard.

Undisbursed bank loan facilities

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

These financial statements should be read in conjunction with the accompanying notes and policies



Statement of Contingent Liabilities
For the year ended 30 June 2015
In New Zealand Dollars

	2015 \$000	2014 \$000
Uncalled capital - Asian Development Bank	1,741	1,354
Legal proceedings	4,356	4,356
Total quantifiable contingent liabilities	6,097	5,710

Uncalled capital

Asian Development Bank - Cook Islands Government Property Corporation owns 88 uncalled shares with a par value of US\$13,500 each. Using the USD rate of 0.6822, this equates to \$1,741,425 in NZD (2014: \$1,353,692 at 0.8776).

Legal Proceedings

A \$270,000 claim has been lodged in regards to negligence against Infrastructure Cook Islands

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

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

These financial statements should be read in conjunction with the accompanying notes and policies.



Statement of Accounting Policies For the year ended 30 June 2015

Basis of preparation

Reporting entity

These financial statements are for the Government of the Cook Islands (Crown). This consists of: Crown parent + Crown entities (45) + State owned enterprises (13) = Cook Islands Government

A schedule of the entities included in these financial statements is detailed on page 23.

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

Statement of compliance

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

Measurement base

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

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

Reporting period

The reporting period is the year ended 30 June 2015. These financial statements were authorised for issue on 20 December 2019.

Significant accounting policies

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

Recent standards

Of significant relevance to the Crown is the current development of new standards at the IPSAS Board. No new standards have been issued for the 2014/15 period by the board.

Basis of consolidation

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

The effect of all material inter-entity transactions and balances are eliminated on consolidation.

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

These policies should be read in conjunction with the financial statements and accompanying notes

Statement of Accounting Policies (continued)
For the year ended 30 June 2015

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 in itself entitle a taxpayer to an equivalent value of services or benefits, such revenue is received through the exercise of the Crown's sovereign power. Revenue arising through taxes is recognised when the taxable event occurs and when the criteria for recognition of revenue is met.

Revenue Type	Revenue Recognition Point
Individual Income Tax	Income tax is earned when individuals earn taxable income.
Company Income Tax	When the corporate community earns taxable income.
Value Added Tax	When taxable sales are made.
Departure Tax	Departure tax is included in the cost of airfares charged by Airlines to its customers. Recognition is when these are then paid by the Airlines to the Crown.
Customs levies	When goods liable to duty are assessed, except for Oil companies which are accounted for when the liability to the Crown is incurred.

Revenue earned through operations

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

Interest income

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

Fines

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

Investment income

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

These policies should be read in conjunction with the financial statements and accompanying notes



Statement of Accounting Policies (continued)
For the year ended 30 June 2015

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.

These policies should be read in conjunction with the financial statements and accompanying notes

Statement of Accounting Policies (continued)
For the year ended 30 June 2015

Depreciation

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

Depreciation of property, plant and equipment is provided on a straight line basis so as to allocate the cost of assets to their estimated value over their estimated useful lives. Typically, the estimated useful lives for various asset types are follows:

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

Non-current assets

Property, plant and equipment

Property, plant and equipment is recorded at cost less accumulated depreciation.

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

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

When an item of property, plant 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.

Impairment

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

These policies should be read in conjunction with the financial statements and accompanying notes



Statement of Accounting Policies (continued)
For the year ended 30 June 2015

Additions

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

Work in progress

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

Infrastructure assets

Infrastructure assets are recorded at cost less accumulated depreciation.

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

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

Intangible assets

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

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

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

Asset Type	Useful Life
Software, databases	3 - 5 years

Cash and cash equivalents

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

Debtors and other receivables

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

These policies should be read in conjunction with the financial statements and accompanying notes

Statement of Accounting Policies (continued)
For the year ended 30 June 2015

Debtors and other receivables (continued)

Tax receivables have been calculated on a subsequent receipt bases. All tax revenue received in the years subsequent to 30 June 2015 has been disclosed as tax receivables at year end.

Inventories

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

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

Investments

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

Banking portfolio investments

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

Provision for doubtful debts

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

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

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

Aid (Development Partner) assets

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

These policies should be read in conjunction with the financial statements and accompanying notes



Statement of Accounting Policies (continued)
For the year ended 30 June 2015

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).

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.

Employee entitlements

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

Other liabilities

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

Cash flow

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

Investing activities are the acquisition and disposal of long term assets and other investments.

Operating activities identify how much the Crown received from its actual operations.

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

The direct cash flow method has been applied.

These policies should be read in conjunction with the financial statements and accompanying notes

Statement of Accounting Policies (continued)
For the year ended 30 June 2015

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 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.

These policies should be read in conjunction with the financial statements and accompanying notes



Notes to the Financial Statements
For the year ended 30 June 2015

	Budget 2015 \$000	Actual 2015 \$000	Actual 2014 \$000
Note 1: Taxation revenue			
Direct taxation			
Individual income tax	20,664	19,016	22,034
Company income tax	12,309	6,792	12,491
Withholding tax	-	2,226	939
Total direct taxation	32,973	28,034	35,464
Indirect taxation			
Value added tax	49,972	47,359	42,029
Customs levies	12,419	10,536	14,325
Departure tax	7,731	8,146	8,008
Total indirect taxation	70,122	66,041	64,362
Total taxation revenue	103,095	94,075	99,826
<i>Source of budget figures: Cook Islands Government Budget Estimates 2014/2015 Book 1 - Schedule 15 Revenue Levied on Behalf of the Crown</i>			
Note 2: Other sovereign revenue			
Fees, fines, penalties and licenses			
Registration fees	1,230	1,761	1,282
Road transport licensing	1,130	1,184	1,313
Court fines	50	50	50
Other fees, fines and levies	1,225	1,274	53
Total fees, fines, penalties and licenses	3,635	4,269	2,698
Other Crown revenue			
Currency and numismatic revenue	500	501	274
Fisheries licenses	4,920	10,887	5,503
Tattslotto income	143	142	142
Other	745	1,453	387
Total other Crown revenue	6,308	12,983	6,306
Total other sovereign revenue	9,943	17,252	9,004
<i>Source of budget figures: Cook Islands Government Budget Estimates 2014/2015 Book 1 - Schedule 7 Revenue on Behalf of Crown (ROBOC)</i>			
Note 3: Sales of goods and services			
Crown parent			
Sales of goods	-	172	243
Total Crown parent sales of goods	-	172	243
Crown entities			
Sales of goods	-	229	166
Rendering of services	5,518	7,654	7,400
Total Crown entities sales of goods and services	5,518	7,883	7,566
<i>Source of budget figures: Cook Islands Government Budget Estimates 2014/2015 Book 1 - Schedule 11 Statement of Financial Performance</i>			
State owned enterprises (SOEs)			
Airport landing fees		4,138	3,997
Electricity sales		17,739	17,959
Fees and interest on banking portfolio assets		5,810	6,347
Port services		2,688	2,515
Other		972	630
Total State owned enterprises sales of goods and services		31,347	31,448
Total sales of goods and services		39,402	39,257

* There are no budget figures for revenue generated by SOEs as they are not included in the preparation of the Government Budget Estimate 2014/2015

These notes should be read in conjunction with the financial statements and policies



Notes to the Financial Statements (continued)
For the year ended 30 June 2015

	Budget 2015 \$000	Actual 2015 \$000	Actual 2014 \$000
Note 4: Personnel expense			
Gross salaries and wages - Crown Entities	46,287	46,383	44,759
Gross salaries and wages - State Owned Enterprise	-	9,318	9,091
Gross salaries and wages - Head of Ministries	-	1,142	1,121
Gross salaries and wages - Members of Parliament	2,374	2,061	2,350
Increase / (decrease) in leave provisions	-	-	360
Increase / (decrease) in payroll accrual	-	-	697
Total personnel expense	48,661	58,904	58,378
<i>Source of budget figures: Cook Islands Government Budget Estimates 2014/2015 Book 1</i>			
Note 5: Welfare payments			
Old age benefit	11,775	11,540	9,982
Child benefit	2,943	2,767	2,650
Destitute and infirm benefit	396	690	683
Special assistance benefit	100	82	95
Power subsidies	87	72	76
Other	1,240	540	862
Total welfare payments	16,541	15,691	14,348
<i>Source of budget figures: Cook Islands Government Budget Estimates 2014/2015 Book 1 - Table 8.16 Old Age Welfare Funds</i>			
Note 6: Finance costs			
Interest expenses on foreign-sourced loans	2,137	2,468	1,706
Interest expenses on domestic loans	-	2,070	2,903
Total finance costs	2,137	4,538	4,609
<i>Source of budget figures: Cook Islands Government Budget Estimates 2014/2015 Book 1 - Schedule 11 Statement of Financial Performance</i>			
Note 7: Other expenses			
Payments on behalf of the Crown			
Private school funding	1,983	1,983	1,983
Tertiary training institutions	760	760	760
Air New Zealand underwrite	12,350	9,764	11,102
Tourism marketing	2,250	2,250	2,000
Patient referrals and pharmaceutical supplies	1,220	1,599	2,150
Te Maeva Nui cost	723	969	195
Members of Parliament travel cost	529	663	529
National superannuation fund	283	434	298
Community cleaning program (Vaka maintenance)	400	390	398
International subscriptions	529	514	574
Other expenses	6,345	1,629	-
Unsubstantiated consolidated eliminating entries	-	(2,720)	-
Total payments on behalf of the Crown	27,372	18,235	19,989
Other operating expenses			
Fuel and oil		10,375	12,318
Communications		1,470	836
Repairs and maintenance		5,413	6,742
Office supplies and consumables		1,118	674
Professional services		1,348	1,430
Advertising and marketing		2,495	2,658
Insurance		1,214	1,087
Travel cost		934	998
Rentals and operating lease costs		217	1,487
Other expenses		10,842	6,621
Total other operating expenses		35,426	34,851
Total other expenses		53,661	54,840
<i>Source of budget figures: Cook Islands Government Budget Estimates 2014/2015 Book 1 - Section 8.5 Payments on Behalf of the Crown(POBOC)</i>			

These notes should be read in conjunction with the financial statements and policies.

Notes to the Financial Statements (continued)
For the year ended 30 June 2015

	Budget 2015 \$000	Actual 2015 \$000	Actual 2014 \$000
Note 8: Aid funded activities			
Aid revenue			
New Zealand Aid Assistance	27,538	23,392	25,357
China Aid Assistance	17,952	8,972	-
Australia Aid Assistance	6,909	8,645	-
European Union Assistance	1,255	958	1,929
United Nations Aid Assistance	554	1,503	1,179
Other Aid Assistance	9,485	3,227	4,994
Total Aid revenue	63,693	46,697	33,459
<i>Source of budget figures: Cook Islands Government Budget Estimates 2014/2015 Book 1 - Table 16.3 Official Development Assistance Budget by Development Partner</i>			
Aid expenses			
Public sector reform	9,138	2,201	1,538
Human resource development and education	3,473	3,604	7,324
Outer Islands development	4,457	7,481	10,722
Health development	1,221	1,173	1,632
Tourism development	2,150	2,694	5,870
Economic development	1,020	3,595	795
Other sectors	679	258	1,734
Water and sanitation	2,175	1,712	1,398
Environmental protection	1,956	2,954	220
Housing and community amenities	1,298	1,008	-
Social protection	100	1,153	-
Total Aid expenses	27,667	27,833	31,233
Aid capital expenses			
Aid funded property, plant and equipment	36,026	18,864	2,226
Total Aid capital expenses	36,026	18,864	2,226
Total Aid expenditure	63,693	46,697	33,459
<i>Source of budget figures: Cook Islands Government Budget Estimates 2014/2015 Book 1 - Table 16.4 Official Development Assistance Budget by Sector</i>			
Breakdown of Aid funded property, plant and equipment			
Te Kukupa patrol boat refit		8,573	-
Donated heavy machinery		8,972	-
Other assets		1,319	2,226
Total Aid funded property, plant and equipment		18,864	2,226

The aid assets disclosed above are not a complete presentation of all assets falling under the ownership and/or control of the Crown from aid funding during or in the previous year.

Due to the above limitation, the audit report of these financial statements is qualified in this regard.

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.

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

These notes should be read in conjunction with the financial statements and policies

Notes to the Financial Statements (continued)
For the year ended 30 June 2015

	2015 \$000	2014 \$000
Note 9: Cash and cash equivalents		
Cash on hand	1,165	1,185
Cash at bank	50,087	27,791
Total cash and cash equivalents	51,252	28,976
Term Deposits		
Less than 12 months	31,172	40,660
Over 12 months	2,133	6,105
Total term deposits	33,305	46,765

Short term deposits are made for varying periods, depending on the immediate cash requirements of the Crown and earn interest at the respective short term deposit rates. Interest rates range from 0.15% to 4.50% (2014: 3.41% to 4.6%)

Loan Repayment Fund (LRF)

Included in the above term deposits are funds that have been quarantined for the repayment of borrowings as per LRF Act 2014.

	2015 \$000	2014 \$000
Loan repayment funds		
Loan repayment funds	16,641	16,210
Total loan repayment funds	16,641	16,210

Note 10: Inventory		
Inventory held of use		
Diesel and oil for electricity generation	5,235	6,102
Bitumen and spare parts	750	932
Pharmaceuticals and hospital Supplies	748	607
Other	87	88
Total inventory held for use	6,820	7,729
Inventory held for sale		
Numismatic coins	1,158	190
Pearls	523	439
Other	59	111
Total inventory held for sale	1,740	740
Provision for obsolete stock	-	(88)
Total inventory	8,560	8,381

These notes should be read in conjunction with the financial statements and policies

Notes to the Financial Statements (continued)
For the year ended 30 June 2015

	2015 \$000	2014 \$000
Note 11: Debtors and other receivables		
Taxes receivable	10,515	18,188
Accounts receivable	11,952	11,257
Prepayments	2,246	1,624
Interest receivable	361	358
Accrued revenue	1,456	1,562
Dividends receivable	736	1,129
Aid receivable	966	-
Total debtors and other receivables (gross)	28,232	34,118
Provision for doubtful debts	(2,067)	(1,226)
Total debtors and other receivables (net)	26,165	32,892
Movements in the provision for uncollectibility of accounts receivables are as follows:		
Balance at 1 July	(1,226)	(2,843)
Additional provisions made during the year	(977)	(578)
Receivables written off during the year	136	2,195
Provisions reversed during the year	-	-
Balance at 30 June	(2,067)	(1,226)
Note 12: Investments in shares and associates		
Investment in shares		
Asian Development Bank	161	170
Total investments in shares	161	170
Share of net assets of associate		
Carrying amount at beginning of year	5,889	5,422
Equity accounted earnings of associate	2,763	1,318
Dividends from associate	(1,600)	(851)
Total share of net assets of associate	7,052	5,889
Total investments in shares and associate	7,213	6,059

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

Investment in associates comprises of Telecom Cook Islands Limited which is incorporated in the Cook Islands and provides telecommunication services to the Cook Islands. The Crown's interest in Telecom Cook Islands Limited is held by Cook Islands Telecommunication Holdings Limited.

The Crown has 40% ownership in Telecom Cook Islands.

Telecom Cook Islands	2015 \$000	2014 \$000
Total assets	27,565	21,787
Total liabilities	8,314	7,063
Total income	36,131	19,015
Total profit / (loss)	11,026	4,688

During the year, the associate changed their balance date from 30 June to 31 December.

The audited financial statements for 2015 is for 18 months period ended 31 December 2015.

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

These notes should be read in conjunction with the financial statements and policies

Notes to the Financial Statements (continued)
For the year ended 30 June 2015

	2015 \$000	2014 \$000
Note 13: Banking portfolio investments (held by Bank of the Cook Islands)		
Summary of loans portfolio by industry sector		
Agriculture	52	65
Fishing	-	7
Pearls	2	3
Consumer	9,018	7,805
Business	13,963	13,827
Housing	28,416	23,329
Staff	2,279	2,281
Tourism	6,318	6,347
Hire purchase loans	28	-
Total banking portfolio investments (gross)	60,076	53,664
Summary of loans portfolio by maturity		
Current banking portfolio investments	7,987	6,741
Non-current banking portfolio investments	52,089	46,923
Total banking portfolio investments (gross)	60,076	53,664
Current banking portfolio investments		
Current banking portfolio investments	7,987	6,741
Provision for bad and doubtful loans	-	-
Net current banking portfolio investments	7,987	6,741
Non-current banking portfolio investments		
Non-current banking portfolio investments	52,089	46,923
Provision for bad and doubtful loans	(4,509)	(3,448)
Net non-current banking portfolio investments	47,580	43,475
Total banking portfolio investments (net)	55,567	50,216

All loans have been made at varying interest rates, terms and securities. Loans attract the following interest rates:

- Housing 4.04% to 15.49% (2014: 4.54% to 15.99%)
- Development (including business) 7.75% to 20.50% (2014: 8.60% to 12.75%)
- Consumer 9.5% to 20.50% (2014: 8.99% to 16.50%)
- Government 10.50% (2014: 10.50%)

These notes should be read in conjunction with the financial statements and policies



Notes to the Financial Statements (continued)
For the year ended 30 June 2015

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

Cost	Computer Equipment \$'000	Furniture & Fittings \$'000	Motor Vehicles \$'000	Plant & Equipment \$'000	Buildings \$'000	Land \$'000	Work in Progress \$'000	Unexplained Movements \$'000	Total \$'000
Balance as at 1 July 2013	7,339	2,800	10,970	40,200	81,275	13,077	19,645	-	175,306
Additions	419	323	754	1,603	2,531	-	28,199	-	34,119
Disposals	273	(284)	927	683	5,419	428	10,854	-	18,300
Unexplained movements	-	-	-	-	-	-	-	1,191	1,191
Balance as at 30 June 2014	7,485	3,407	10,797	41,120	78,387	12,939	36,950	1,191	192,316
Accumulated depreciation and impairment losses									
Balance as at 1 July 2013	5,668	1,974	8,210	20,081	21,066	-	958	85	58,042
Depreciation	460	187	776	1,316	2,701	14	188	-	5,642
Accumulated depreciation on disposals	(254)	106	(139)	(226)	(731)	-	-	-	(1,244)
Unexplained movements	-	-	-	-	-	-	-	(752)	(752)
Balance as at 30 June 2014	6,382	2,055	9,125	21,623	24,498	14	1,146	(667)	64,176
Carrying amount									
As at 30 June 2014	1,103	1,352	1,672	19,497	53,889	12,925	35,844	1,858	128,140
Cost									
Balance as at 1 July 2014	7,485	3,407	10,797	41,120	78,387	12,939	36,990	1,191	192,316
Opening balance adjustments	(1,181)	2	216	9,076	6,676	-	8,788	(1,191)	22,386
Adjusted balance 1 July 2014	6,304	3,409	11,013	50,196	85,063	12,939	45,778	-	214,702
Additions	756	213	1,034	17,707	757	262	10,328	-	31,057
Disposals	136	90	599	512	8	-	23,404	-	24,749
Transfers	-	-	-	2	-	-	-	-	2
Unexplained movements	-	-	-	-	-	-	-	(257)	(257)
Balance as at 30 June 2015	6,924	3,532	11,448	67,393	85,812	13,201	32,702	(257)	220,755
Accumulated depreciation and impairment losses									
Balance as at 1 July 2014	6,382	2,055	9,125	21,623	24,498	14	1,146	(667)	64,176
Opening balance adjustments	(1,465)	215	(288)	9,424	(1,163)	87	(1,093)	667	6,384
Adjusted accumulated balance 1 July 2014	4,917	2,270	8,837	31,047	23,335	101	53	-	70,560
Depreciation	692	183	642	3,599	2,397	14	-	-	7,527
Accumulated depreciation on disposals	127	53	585	496	8	-	-	-	1,269
Impairment losses	-	-	-	-	-	-	-	-	-
Transfers	3	9	62	-	(24)	-	-	-	50
Unexplained movements	-	-	-	18	-	-	-	-	18
Balance as at 30 June 2015	5,485	2,409	8,956	34,168	25,700	115	53	-	76,886
Carrying amount									
As at 30 June 2015	1,439	1,123	2,492	33,225	60,112	13,086	32,649	(257)	143,869

Ownership and completeness of assets
These assets disclosed in these financial statements are not a complete presentation of all assets falling under the ownership and/or control of the Crown. These assets presented are included on the basis of the current understanding of the entities at the time the financial statements were prepared.

The audit report of these financial statements is qualified in this regard.

Entities valuation

Certain historical fixed assets under the control of the Crown have been included in the Statement of Financial Position based on valuations performed by the entities or have been recorded in the financial statements at nil value. This is due to loss of accounting records.

This treatment is a departure from IPSAS 17 Property, plant and equipment which notes an appraisal of an asset is normally undertaken by a member of the valuation profession, who holds a recognised and relevant professional qualification. The audit report of these financial statements is qualified in this regard.

The audit report of these financial statements is qualified in this regard.

These notes should be read in conjunction with the financial statements and policies

Financial Statements of the Government of the Cook Islands



Notes to the Financial Statements (continued)
For the Year Ended 30 June 2015

Note 15: Infrastructure assets
Breakdown of infrastructure assets and further information
Movement for each class of infrastructure assets are as follows:

	Roading	Power Network	Harbour & Ports	Airport	Coastal Protection	Water Management	Waste Management	Work in Progress	Unexplained Movements	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Cost										
Balance as at 1 July 2013	6,987	10,098	31,636	51,789	929	1,968	2,709	3,856	-	109,972
Additions	-	-	267	-	-	-	505	26	-	798
Disposals	1,835	-	-	-	-	-	-	-	-	1,835
Unexplained movements	-	-	-	-	-	-	-	-	723	723
Balance as at 30 June 2014	5,152	10,098	31,636	52,056	929	1,968	3,214	3,882	723	109,658
Accumulated depreciation and impairment losses										
Balance as at 1 July 2013	1,435	215	1,433	3,120	547	394	129	27	-	7,300
Depreciation	472	-	16	1,592	37	78	161	79	2,676	5,111
Accumulated depreciation on disposals	(122)	-	-	-	-	-	-	(8)	-	(130)
Unexplained movements	-	-	-	-	-	-	-	-	(5,812)	(5,812)
Balance as at 30 June 2014	2,029	215	1,449	4,712	584	472	290	114	(3,136)	6,729
Carrying amount										
As at 30 June 2014	3,123	9,883	30,187	47,344	345	1,496	2,924	3,768	3,859	102,929
Cost										
Balance as at 1 July 2014	5,152	10,098	31,636	52,056	929	1,968	3,214	3,882	723	109,658
Opening balance adjustments	(240)	7,700	(21,003)	26	-	708	173	9,890	(723)	(3,469)
Adjusted balance 1 July 2014	4,912	17,798	10,633	52,082	929	2,676	3,387	13,772	-	106,189
Additions	-	3,882	23,328	-	-	-	-	12,860	-	40,070
Disposals	-	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-	-	-
Unexplained movements	-	-	-	-	-	-	-	-	-	-
Balance as at 30 June 2015	4,912	21,680	33,961	52,082	929	2,676	3,387	26,632	-	146,259
Accumulated depreciation and impairment losses										
Balance as at 1 July 2014	2,029	215	1,449	4,712	584	472	290	114	(3,136)	6,729
Opening balance adjustments	(428)	10,277	257	18	1	998	173	(22)	3,136	14,410
Adjusted accumulated balance 1 July 2014	1,601	10,492	1,706	4,730	585	1,470	463	92	-	21,139
Depreciation	1,853	818	874	1,585	37	398	294	82	601	6,542
Accumulated depreciation on disposals	-	-	-	-	-	-	-	8	-	8
Transfers	-	-	(2)	7	-	-	-	-	-	5
Unexplained movements	-	-	-	-	-	-	-	-	1,204	1,204
Balance as at 30 June 2015	3,454	11,310	2,578	6,322	622	1,868	757	166	1,805	28,882
Carrying amount										
As at 30 June 2015	1,458	10,370	31,383	45,760	307	808	2,630	26,466	(1,805)	117,377



Notes to the Financial Statements (continued)
For the Year Ended 30 June 2015

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

	Purchased Software \$000	Developed Software \$000	Naming Rights \$000	Unexplained Movements \$000	Total \$000
Cost					
Balance as at 1 July 2013	501	249	109	-	859
Additions	15	-	-	-	15
Balance as at 30 June 2014	516	249	109	-	874
Accumulated amortisation and impairment losses					
Balance as at 1 July 2013	162	245	-	-	407
Amortisation expense	136	4	-	-	140
Balance as at 30 June 2014	298	249	-	-	547
Carrying amount					
As at 30 June 2014	218	-	109	-	327
Cost					
Balance as at 1 July 2014	516	249	109	-	874
Opening balance adjustments	2,435	-	-	-	2,435
Adjusted balance 1 July 2014	2,951	249	109	-	3,309
Additions	623	-	-	-	623
Disposals	-	-	-	-	-
Unexplained movements	-	-	-	-	-
Balance as at 30 June 2015	3,574	249	109	-	3,932
Accumulated amortisation and impairment losses					
Balance as at 1 July 2014	298	249	109	-	656
Opening balance adjustments	1,873	-	-	-	1,873
Adjusted accumulated balance 1 July 2014	2,171	249	109	-	2,529
Amortisation expense	255	-	-	-	255
Unexplained movements	-	-	-	-	-
Balance as at 30 June 2015	2,426	249	109	-	2,784
Carrying amount					
As at 30 June 2015	1,148	-	-	-	1,148



Notes to the Financial Statements (continued)
For the year ended 30 June 2015

Note 17: Related parties

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

Related parties of the Government include:

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

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

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

	2015	2014
Aggregate remuneration	540,000	540,000
Number of persons	6	6

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

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

	2015 \$000	2014 \$000
Note 18: Creditors and other payables		
Creditors, accruals and provisions	19,909	13,075
Customer bonds	805	782
Provision for legal settlement	2,458	3,419
Members of Parliament pension liability	1,583	1,582
Payroll accruals	-	2,869
Taxation refunds payable	1,140	1,031
Other creditors and payables	3,162	62
Total creditors and other payables	29,057	22,820

These notes should be read in conjunction with the financial statements and policies



Notes to the Financial Statements (continued)
For the Year Ended 30 June 2015

	2015	2014
	\$000	\$000
Note 19: Employee entitlements		
Provision for annual leave	4,762	6,513
Provision for sick leave	-	-
Provision for long service bonus	-	28
Total employee entitlements	4,762	6,541
Note 20: Trustee liabilities		
Aid funding liabilities	15,315	9,414
Land trust liability	4,731	3,422
Workers compensation liability	1,526	1,457
Law trust liability	286	286
Customs bond trust liability	132	132
Insurance trust liability	37	35
Other trust liabilities	207	791
Immigration trust liability	40	40
Total trustee liabilities	22,274	15,577
Trust Accounts		
Aid trust accounts	9,441	5,397
Land trust account	2,128	1,407
Workers compensation account	1,526	1,457
Law trust account	286	286
Customs bond account	132	132
Insurance deposits account	37	37
Total trust accounts	13,550	8,716

Aid funding liabilities

The Aid funding liabilities relates to aid funding received from donors which have not yet been expensed on approved aid projects.

Land trust liability

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

Workers compensation liability

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

These notes should be read in conjunction with the financial statements and policies



Notes to the Financial Statements (continued)
For the Year Ended 30 June 2015

	2015	2014
	\$000	\$000
Note 21: Banking customer deposits (held by the Bank of the Cook Islands)		
Current customer deposits less than 12 months	33,663	26,178
Customer deposits between 12 to 24 months	2,957	1,894
Total banking customer deposits	36,620	28,072

Banking customer deposits are held by the Bank of the Cook Islands yielding interest rates between 0% and 4.5% (2014: 0% and 6.75%), and are unsecured.

Note 22: Statement of specific fiscal risks (foreign currencies)

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

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

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

	2015	2014
Euros	0.6093	0.6432
United States dollars	0.6822	0.8776
Chinese Yuan	4.2346	5.4574

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



Notes to the Financial Statements (continued)
For the Year Ended 30 June 2015

Note 23: Subsequent events

Te Mato Vai – Rarotonga water upgrade

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

The project is divided into two stages – Stage 1 being the replacement of the ring main; Stage 2 being the refurbishment of intakes and provision of storage, filtration and trunk mains.

Stage 1 of the project is complete.

Stage 2 of the project is currently in progress and is expected to be completed in June 2020. Stage 2 will establish a new pipe network and significant upgrades to 10 of the islands’ 12 water intake sites, introducing new treatment and storage facilities to manage demand more effectively.

Current status of the project as at November 2019:

New Zealand Aid	\$39.2 million
Chinese Government loan	\$27.8 million
Cook Islands Government	\$22.6 million
Total Budget for the project:	\$89.6 million
Percentage complete:	
Stage 1: Ring main replacement:	100%
Stage 2: Upgrade of the 10 water intakes:	80%
Total amount spent on project:	\$68.3 million

Apex Agencies Limited (Toa Petroleum) profit guarantee final payment

The Apex Agencies Limited profit guarantee is a court ordered payment for a profit guarantee to Apex Agencies Limited in accordance with the terms of the legal settlement agreement. The agreement requires Government amongst other things to guarantee making up the balance if Apex Agencies’ profit falls below \$1.2 million per annum. The Government made the last and final payment in December 2017.

Manatua cable

In early April 2017, an agreement between the Governments of the Cook Islands, Niue, French Polynesia and Samoa was signed to facilitate the design, construction and operation and maintenance of a regional submarine cable system that will connect these countries. In October 2018, all four Consortium members signed a Construction and Maintenance Agreement and Supply Contract. The Supply Contract has been awarded to Tyco Electronics Subsea Communications LLC. The Supply Contract is for the design, manufacture, installation, integration, testing and commissioning of the Manatua Cable System and the provision of long term technical support and maintenance of the System.

Avarua Cable Limited is the Manatua Consortium member for the Cook Islands. The Government of New Zealand has granted NZ \$15.0 million to support the project, and a Grant Funding Agreement (GFA) was signed for the disbursement of the funds in April 2018. The Asian Development Bank has approved a loan allocation of up to US \$15.0 million, equivalent to NZ \$21.3 million. As of October 2018 a revised work plan has been put together which details key milestones to be achieved as part of the Manatua Submarine Cable project with budgeted costing and will be utilised as a guide for the release of funds from the GFA and the ADB Loan.

Current status of the project as at November 2019:

New Zealand Aid	\$15.0 million
ADB Loan	\$21.3 million
Total Budget for the project:	\$36.3 million
Percentage complete:	1%
Total amount spent on project:	\$0.4 million

These notes should be read in conjunction with the financial statements and policies

**Notes to the Financial Statements (continued)
For the Year Ended 30 June 2015**

Note 23: Subsequent events (continued)

Minimum wages and salary adjustment

In April 2014 the minimum wage in the Cook Islands was increased from \$5.00 an hour to \$6.00 an hour. This was further increased to \$6.25 in the 2015/16 financial year, \$7.00 in 2016/17 and \$7.25 in July 2018. The minimum wage rate was further increased to \$7.60 in July 2019.

Tereora College Redevelopment Project

The Tereora College redevelopment project was a gift from the New Zealand Government marking the Cook Islands 50 years of self governance. The construction contract was awarded to Landholdings Ltd and construction started in October 2016. The redevelopment of Tereora College responds to demands for modern and flexible infrastructure that will support innovative learning. The redevelopment plan involved three stages; Stage 1 being the technologies, student research and administration centres, Stage 2 being the academic centre and Stage 3 being the performing arts centre.

Current status of the project as at November 2019:

New Zealand Aid	\$12.0 million
Total Budget for the project:	\$12.0 million
Percentage complete:	100%
Total amount spent on project:	\$13.8 million

Apii Nikao Rebuild

Apii Nikao School was destroyed by a fire in 2013.

The Chinese Government provided a grant to the Cook Islands for the Apii Nikao School rebuild.

China Civil Engineering Construction Corporation was awarded the construction contract in April 2017. Construction started in May 2017 and was completed a year later, May 2018

The rebuild project comprised of three classroom blocks covering approximately 5,200m². The buildings feature flexible learning spaces which include large learning areas for each grade and break-out spaces for individual or smaller group learning. These flexible spaces support innovative learning principles promoted in New Zealand schools.

Water tanks, solar panels for power generation, and a pillared-concrete fencing system have been installed to make the school more resilient to climate change and to reduce its carbon footprint.

Current status of the project as at November 2019:

Chinese Aid	\$11.8 million
Total Budget for the project:	\$11.8 million
Percentage complete:	100%
Total amount spent on project:	\$11.8 million

Tax Amnesty

The Government granted a tax amnesty period from 1 August to 31 December 2017. This was later extended to 31 March 2018. The aim was to address the large amount of tax debt owed by taxpayers and reported in the Crown Statement of Financial Position. It was also to encourage individuals and businesses not registered for tax, to get registered.

The Tax Amnesty was a limited-time opportunity for all taxpayers to clear their outstanding tax or come to a working arrangement with the local tax authorities to repay all outstanding tax.

There were three ways to benefit from the Tax Amnesty;

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

For the duration of the Amnesty, Government has experienced an increase in tax revenue collected implying that taxpayers are taking advantage of this opportunity. As at 30 June 2018, \$22.6 million in taxes due was forgiven and thus written off as a result of the tax amnesty initiative.

These notes should be read in conjunction with the financial statements and policies



Note 23: Subsequent events (continued)

Southern Group Renewable Energy Project

The Southern Group Renewable Energy Project is the second phase in the Cook Islands pursuit to delivering renewable energy to all islands by 2020 by building solar powered plants. The first phase was the Northern Group Renewable Energy Project which involved the following islands: Manihiki, Pukapuka & Nassau, Palmerston, Penrhyn and Rakahanga. The Southern Group Renewable Energy Project includes the following islands: Mauke, Mitiaro, Mangaia, Atiu, Aitutaki and Rarotonga.

The project is funded by the following parties; Asian Development Bank, European Union, Global Environment Fund and Green Climate Fund.

Current status of the project as at November 2019:

Asian Development Bank	\$13.0 million
European Union	\$17.0 million
Global Environment Fund	\$12.1 million
Green Climate Fund	\$18.3 million
Total Budget for the project:	\$60.4 million
Percentage complete:	99%
Total amount spent on project:	\$27.2 million