

COOK ISLANDS INVESTMENT CORPORATION

ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2013

COOK ISLANDS INVESTMENT CORPORATION

ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2013

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COOK ISLANDS INVESTMENT CORPORATION

ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2013

DIRECTORY

Cook Islands Investment Corporation

Directors

Julian Dashwood, Chairman
Malcolm Sword, Director
Lee Harmon, Director (Resigned 15/07/2013)
Michael Henry (appointed 18/07/2013)
Tamarii Tutangata, Chief Executive Officer

Directors of Subsidiaries

Airport Authority
Unakea Kauvai, Chairman
Sean Willis (*revoked 22/03/2013*)
Isaia Willie
Pekamu Maoate
Aukino Tairea
Ned Howard (*ex officio appointed 01/07/2012*)
Roseline Blake (*appointed 22/03/2013*)
Joseph Ngamata, *Chief Executive*

Ports Authority
Michael Henry, Chairman
Makiroa Mitchell
Rakimata Matapuku
Teariki Matenga (*appointed 1/12/2012*)
William Kauvai
Tearoa Tini (*resigned 30/11/2012*)
Nooroa (Bim) Tou, *General Manager*

Te Aponga Uira O Tumu-te-Varovaro
Vaine Teremoana Henry Wichman, Chairman
Steve Anderson
Randolf George
Mata Nooroa (*ceased 15/11/2012 by an amendment to the Act*)
Roger De Bray (*appointed 24 15/11/2012 by an amendment to the Act*)
Apii Timoti, Chief Executive Officer

Cook Islands Broadcasting Corporation
Arthur Tariipo
Siona Paku

COOK ISLANDS INVESTMENT CORPORATION

ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2013

DIRECTORY (continued)

Cook Islands Government Property Corporation

The Honourable Henry Puna, Chairman

The Honourable Kiriau Turepu

The Honourable Mark Brown

The Honourable Nandi Glassie

The Honourable Teina Bishop

The Honourable Teariki Heather

Banana Court Company Limited

Ian Karika Wilmot, *Chairman*

Pato Nicholas

Mary Ann Pirake

Anne Taoro

Bank of the Cook Islands Holdings Corporation

Jessie Sword, Chairman

Kairangi Samuela

Richard Neves

Jeanne Matenga

Vaine Arioka, Managing Director

Cook Islands Property Corporation (NZ) Limited

Julian Dashwood, *Chairman*

Malcolm Sword

Cook Islands Telecommunication Holdings Limited

Harmon Pou Arere, *Chairman*

George Lindsay Turia

Julian Michael Maher, Chief Executive Officer

Suwarrow Development Corporation Limited

Julian Dashwood, *Chairman*

Alfred Morris

COOK ISLANDS INVESTMENT CORPORATION

ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2013

DIRECTORY (continued)

Address

Level 1
Ministry of Finance and Economic Management Building
PO Box 51, Avarua
Rarotonga
Cook Islands

Telephone: (00682) 29 391

Fax: (00682) 29 381

Auditors

KPMG

Solicitors

Crown Law Office
Tim Arnold
Simpson Grierson

Bankers

Australia and New Zealand Banking Group Limited
Westpac Banking Corporation
Bank of Cook Islands Limited

COOK ISLANDS INVESTMENT CORPORATION

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2013

The Board of Directors take pleasure in presenting their Annual Report including the Financial Statements of the Corporation for the year ended 30 June 2013

Activities

During the year the Group continued to provide services to the Cook Islands community on behalf of the Government, including the operations of the ports and airports on the islands of Aitutaki and Rarotonga, the electricity supply to Rarotonga, and the operations of the Bank of Cook Islands.

The Corporation managed all Government land and buildings throughout the Cook Islands including commercial properties, residential properties, Government Ministries, Government Funded Agencies, public schools and public hospitals.

Objectives

The Corporation was established by an Act of Parliament, the Cook Islands Investment Corporation Act (1998). The Act provides for the control and management of Government Assets and undertakings. Specific objectives of the Corporation are outlined in the Act, and include:

Efficient Management of Assets

This involves the management of Government lands and buildings, and the statutory management of six subsidiaries and six Government owned companies.

Privatisation

The Act ensures that the Corporation does not compete in trading activities where the private sector is willing and able to carry out those activities, unless in the opinion of the Board it is in the public interest that the Corporation becomes involved to ensure that a particular trading activity is provided on a reliable, sustainable and equitable basis.

To be Socially Responsible

This objective of the Corporation provides a balance between the maximisation of profits, and the recognition of the Government's social responsibility in the performance of the Corporation's functions.

COOK ISLANDS INVESTMENT CORPORATION

DIRECTORS' REPORT (continued)

FOR THE YEAR ENDED 30 JUNE 2013

Results

	Group 2013 \$000	Parent 2013 \$000	Group 2012 \$000	Parent 2012 \$000
Net surplus/ (deficit) for the year	1,560	600	4,144	968
Total assets	275,352	3,755	262,750	2,239
Owners' equity	185,352	752	179,885	737

Statutory Corporations

Airport Authority

The Airport Authority is governed under the Airports and Airport Authorities Act (1968-1969). The Authority is responsible for the management of the international airport on Rarotonga and the domestic airport on Aitutaki.

The Authority has total assets of \$41,947,300 and equity of \$36,865,390 at 30 June 2013. It made a tax paid loss of \$2,646,611 this year.

In 2013 the Airport Authority have recognised a revaluation decrement of \$34m based on a discounted cash flow valuation prepared for reviewing airport user charges and landing fees. As this valuation does not comply with the requirements of FRS 3 or IAS 16, the revaluation has not been recognised in these 2013 CIIC consolidated financial statements. The effect of this is to increase profit by \$1.8m, increase fixed assets by \$34m, and increase the asset revaluation reserve by \$32.2m.

Bank of the Cook Islands Holdings Corporation

The Bank of the Cook Islands Holdings Corporation was established in November 2003, under the Bank of the Cook Islands Act 2003, following the committee review under the Minister of Bank of the Cook Islands to ensure the agencies charter remained in line with the Government's commitment to financial reform.

The Bank of the Cook Islands Holdings Corporation has total assets of \$67,289,174 and equity of \$15,335,342 at 30 June 2013. It made a tax paid surplus of \$1,532,146 this year.

COOK ISLANDS INVESTMENT CORPORATION

DIRECTORS' REPORT (continued)

FOR THE YEAR ENDED 30 JUNE 2013

Cook Islands Government Property Corporation

The Corporation was established by the Cook Islands Government Property Corporation Act (1969) to manage Government assets with its governing body being the Ministers of the Government. The major assets owned by Cook Islands Government Property Corporation are Government land and buildings, and equity investments.

The Cook Islands Government Property Corporation has total assets of \$52,771,123 and equity of \$51,780,123 at 30 June 2013. It made a surplus of \$116,871 this year. The Corporation is tax exempt.

Ports Authority

The management of the commercial ports at Avatiu, Rarotonga and Arutanga, Aitutaki rests with the Ports Authority, under the Ports Authority Act (1994-1995).

The Authority has total assets of \$36,925,778 and equity of \$6,508,479 at 30 June 2013. It made a loss after tax of \$1,656,291 for this year.

Te Aponga Uira O Tumu-te-Varovaro

Te Aponga Uira generates and distributes electricity to Rarotonga, in accordance with its mandate under the Te Aponga Uira O Tumu-te-Varovaro Act (1991).

Te Aponga Uira has total assets of \$44,746,126 and equity of \$42,144,046 at 30 June 2013. It made a surplus after tax of \$1,370,597 this year.

Cook Islands Broadcasting Corporation

The Cook Islands Broadcasting Corporation is governed by the Broadcasting Corporation Act (1989). With the functions of providing radio and television service privatised, Cook Islands Broadcasting Corporation became an asset manager.

Cook Islands Broadcasting Corporation has total assets of \$39,598 and equity of \$22,509 June 2013. It did not trade during the year; consequently there was no profit or loss.

COOK ISLANDS INVESTMENT CORPORATION

DIRECTORS' REPORT (continued)

FOR THE YEAR ENDED 30 JUNE 2013

Companies

Cook Islands Property Corporation (NZ) Limited

Cook Islands Property Corporation (NZ) Limited is incorporated under the New Zealand Companies Act (1993). The Company owns the Consulate premises in Auckland and Wellington.

Cook Islands Property Corporation (NZ) Limited has total assets of \$724,185 and equity of \$85,557 at 30 June 2013. It made a tax paid profit of \$729,286 this year.

Suwarrow Development Corporation Limited

Suwarrow Development Corporation Limited was set up to act as a manager / licensor for industry in Suwarrow. The Company is dormant.

Cook Islands Telecommunication Holdings Limited

Cook Islands Government Property Corporation is the owner of all shares in Cook Islands Telecommunication Holdings Limited. That entity is a holding company for Government's 40% interest in Telecom Cook Islands Limited. Control of Cook Islands Telecommunication Holdings Limited rests with the governing body of Cook Islands Government Property Corporation.

Cook Islands Telecommunication Holdings Limited has total assets of \$6,608,000 and equity of \$5,907,000 at 30 June 2013. It made a surplus after tax and before dividends payable of \$1,836,875 this year.

Banana Court Company Limited

The Company manages the Banana Court commercial retail complex in Avarua.

The Banana Court Company Limited has total assets of \$150,066 and equity of \$133,044 at 30 June 2013. It made a net surplus after tax of \$33,434 for this year.

Accounting Policies

Accounting policies adopted were according to generally accepted accounting principles, as applied in New Zealand (pre NZ International Financial Reporting Standards), with the exception of independent valuations for certain fixed assets and the incomplete disclosure of future lease commitments.

COOK ISLANDS INVESTMENT CORPORATION

DIRECTORS' REPORT (continued)

FOR THE YEAR ENDED 30 JUNE 2013

Changes in Accounting Policies

There have been no changes in accounting policies and the method in which they are applied during the year.

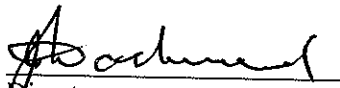
Remuneration of Directors

Mr Julian Dashwood received fees of \$25,000 as Chairman of Directors during the year. Mr Lee Harmon received \$15,000 and Mr Malcolm Sword received \$15,000 for their roles as Directors of the Cook Islands Investment Corporation.

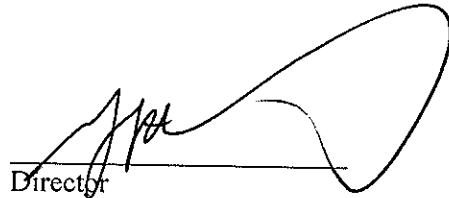
	Group 2013 \$000	Parent 2013 \$000	Group 2012 \$000	Parent 2012 \$000
Audit Fees and Other Services				
Amounts received, or due and receivable, by auditors for:				
Auditing the Financial Statements:				
KPMG	259	120	230	120
PERCA	66	-	66	-
	325	120	296	120
Other Services:				
KPMG - accounting and tax advisory	16	-	2	-

Appointment of Auditors

In compliance with Section 17 of the Cook Islands Investment Corporation Act 1998, KPMG were appointed as auditor for the 2013 financial year.


Director

31/7/14
Date


Director

31-7-14
Date



Independent Auditor's Report

To the Corporation and Group of Cook Islands Investment Corporation

Report on the Corporation and Group Financial Statements

We have audited the accompanying financial statements of Cook Islands Investment Corporation ("the Corporation ") and the group, comprising the Corporation and its subsidiaries, on pages 14 to 58. The financial statements comprise the statements of financial position as at 30 June 2013, the statements of financial performance, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, for both the Corporation and the group.

Directors of The Corporation's responsibility for the Corporation and group financial statements

The Directors of the Corporation are responsible for the preparation of Corporation and group financial statements in accordance with generally accepted accounting practice in New Zealand that give a true and fair view of the matters to which they relate and for such internal control as the Directors of the Corporation determine is necessary to enable the preparation of Corporation and group financial statements that are free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these Corporation and group financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Corporation and group financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Corporation and group financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Corporation and group's preparation of the financial statements that give a true and fair view of the matters to which they relate 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 Corporation and group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our unmodified opinion on cash flows and our qualified opinion on the financial position and financial performance.

Our firm has also provided other services to the group in relation to taxation and accounting services. Partners and employees of our firm may also deal with the corporation and group on normal terms within the ordinary course of trading activities of the business of the corporation and group. These matters have not impaired our independence as auditors of

the corporation and group. The firm has no other relationship with, or interest in, the corporation or any of its subsidiaries.

Basis for qualified opinion on financial position and financial performance

Fundamental Uncertainties

In forming our qualified opinion we have considered the adequacy of the disclosures made in the financial statements regarding the ownership and completeness of assets and the adoption of the going concern assumption.

Ownership and completeness of assets

As explained in Note 11, the assets disclosed in the financial statements on pages 38 to 44 may not be a complete presentation of all assets falling under the ownership and/or control of the Corporation and Group. The assets presented are included on the basis of the current understanding of the Directors at the time the financial statements were prepared.

When deciding which assets should be included in the financial statements on pages 38 to 44, the Directors have considered, amongst other things, the assets presented in the initial Statement of Corporate Intent dated 29 April 1998 and approved by Cabinet.

Going Concern

As explained in Note 27, the Corporation is dependent upon the support of its ultimate stakeholder, the Crown, for its continued existence. In addition, the Corporation's ongoing viability is dependent upon the proceeds from the management and disposal of its assets. The valuation of the Corporation's and Group's assets and potential returns from the management of those assets is fundamentally uncertain. The financial statements do not include any adjustments that would result from a failure to obtain continued support or achieve the projected proceeds from asset sales and management returns.

If the Corporation and Group were unable to continue in operational existence for the foreseeable future, adjustments may have to be made to reflect the situation that assets may need to be realised at amounts other than those at which they are currently recorded in the statement of financial position, and the Corporation and Group may have to provide for further liabilities that may arise. In addition, the Corporation and Group may have to reclassify fixed assets and long-term liabilities as current assets and liabilities. Our opinion is not qualified in this respect.

Qualified opinion

Members' valuation of selected fixed assets

Except as disclosed in Note 11, fixed assets have been included in the Statement of Financial Position based on valuations performed by the Members. Furthermore, certain assets have been recorded in the financial statements at nil value as disclosed in Note 11. This is due to difficulties experienced in obtaining information relating to these assets.

This treatment is a departure from Financial Reporting Standard No.3 (FRS-3), Accounting for Property, Plant and Equipment, which requires fixed assets to be valued to fair value and for the valuation to be prepared either by an independent valuer, or, where an entity employs a qualified valuer, by an internal valuer, so long as the basis of valuation has been subject to review by an independent valuer.

Future lease commitments

As stated in Note 23, the Corporation has not fully disclosed future commitments on its land leases due to incomplete records. This is a departure from the Statement of Standard Accounting Practice No. 18 (SSAP-18), Accounting for Leases and Hire Purchase Contracts, which requires full disclosure of all current and non-current lease commitments in the Financial Statements.

As the Corporation does not have complete records of its leases we were unable to determine the total of any required adjustments to commitments or provisions required for lease liabilities.

In these respects alone:

- We have not obtained all the information and explanations that we have required; and
- We were unable to determine whether proper accounting records have been kept.

Our audit opinion on the financial statements for the year ended 30 June 2011 was also modified in respect of this matter.

Qualified opinion on financial position and financial performance

In our opinion, except for the possible effects on the current and corresponding figures of the matter described in the Basis for Qualified Opinion paragraph, the financial statements on pages 14 to 58:

- Comply with generally accepted accounting practice in New Zealand;
- Give a true and fair view of financial position of the Corporation and the group as at 30 June 2013 and of the financial performance of the Corporation and the group for the year then ended.

Opinion on cash flows

In our opinion the financial statements on pages 14 to 58 give a true and fair view of the cash flows of the Corporation and the group for the year ending 30 June 2013.

K PMS

31 July 2014

Rarotonga

COOK ISLANDS INVESTMENT CORPORATION
STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2013

	Notes	Group 2013 \$000	Parent 2013 \$000	Group 2012 \$000	Parent 2012 \$000
Trading revenue	2	34,008	619	33,889	732
Other revenue	2	9,736	2,755	7,303	2,304
		<u>43,744</u>	<u>3,374</u>	<u>41,192</u>	<u>3,036</u>
Expenses	3	40,503	2,630	35,198	1,826
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
NET SURPLUS BEFORE TAXATION		3,241	744	5,994	1,210
Taxation expense	5	1,681	144	1,850	242
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
NET SURPLUS AFTER TAXATION		1,560	600	4,144	968
		<u> </u>	<u> </u>	<u> </u>	<u> </u>

These accounts should be read in conjunction with the Notes to the Financial Statements on pages 22 to 58 and the Audit Report on pages 11 to 13



COOK ISLANDS INVESTMENT CORPORATION

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2013

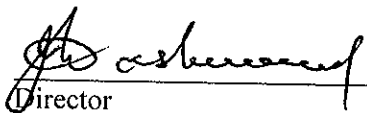
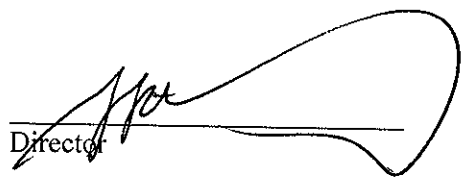
	Notes	Group 2013 \$000	Parent 2013 \$000	Group 2012 \$000	Parent 2012 \$000
EQUITY		185,325	752	179,885	737
Represented by:					
CURRENT ASSETS					
Cash on hand		962	292	2,240	-
Bank accounts		12,892	2,496	13,691	789
Short term deposits		22,496	-	16,458	235
Accounts receivable	6	3,418	73	3,888	39
Sundry debtors and prepayments		1,374	16	1,200	23
Related party receivables	7	167	133	-	594
Value added tax receivable		-	-	407	5
Dividends receivable	7	800	192	600	-
Inventories	8	5,435	23	5,233	36
Banking portfolio investments	10	6,128	-	5,218	-
Climate change grant receivable		-	-	999	-
Work in progress receivable		181	181	180	181
Taxation receivable	9	406	216	-	211
Property held for sale	28	-	-	895	-
		54,259	3,622	51,009	2,113
FIXED ASSETS	11	176,212	120	172,958	111
NON CURRENT ASSETS					
Investment in associate	13	5,422	-	4,874	-
Investments in shares	14	128	-	138	-
Term deposits		-	-	842	-
Banking portfolio investments	10	38,647	-	32,391	-
Deferred tax asset	16	550	13	538	15
Future income tax benefit	9	24	-	-	-
Intangible asset		110	-	-	-
		44,881	13	38,783	15
TOTAL ASSETS		275,352	3,755	262,750	2,239

These accounts should be read in conjunction with the Notes to the Financial Statements on pages 22 to 58 and the Audit Report on pages 11 to 13



COOK ISLANDS INVESTMENT CORPORATION
STATEMENT OF FINANCIAL POSITION (continued)

AS AT 30 JUNE 2013

	Notes	Group 2013 \$000	Parent 2013 \$000	Group 2012 \$000	Parent 2012 \$000
CURRENT LIABILITIES					
Accounts payable		1,258	211	5,168	154
Sundry creditors and accruals	15	3,206	214	2,795	198
Banking customer deposits	7,17	32,907	-	30,825	-
Customer bonds		732	31	710	32
Current portion of bank loan	7,18	708	-	480	-
Dividends payable	7	700	192	400	-
Deferred revenue liability	20	665	504	466	256
Related party payables	7	14,196	105	7,430	-
Capital project liability	7	301	301	301	301
Deposit held on fixed asset sale		-	-	100	-
Taxation payable	9	-	-	145	-
Value added tax payable		285	29	-	-
		54,958	1,587	48,820	941
TERM LIABILITIES					
Related party payables	7	-	1,399	3,500	543
Deferred taxation liability	16	1,208	-	1,378	-
Banking customer deposits	7,17	1,216	-	1,553	-
Deferred revenue liability	20	6,496	17	4,425	18
Bank loans	19	26,055	-	23,105	-
Long service leave accrual		94	-	84	-
		35,069	1,416	34,045	561
TOTAL LIABILITIES		90,027	3,003	82,865	1,502
NET ASSETS		185,325	752	179,885	737
For and on behalf of the Board					
 Director		 Director			
<u>31/7/14</u> Date		<u>31-7-14</u> Date			

These accounts should be read in conjunction with the Notes to the Financial Statements on pages 22 to 58 and the Audit Report on pages 11 to 13



COOK ISLANDS INVESTMENT CORPORATION

STATEMENT OF MOVEMENTS IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2013

	Notes	Group 2013 \$000	Parent 2013 \$000	Group 2012 \$000	Parent 2012 \$000
Total recognised revenues and expenses					
Net surplus for the year		1,560	600	4,144	967
Contribution from owners					
Equity injections	7(j)	102	-	1,562	-
Asset funding	7(k)	293	-	-	-
		<u>395</u>	<u>-</u>	<u>1,562</u>	<u>-</u>
Distribution to owners					
Proposed and paid dividends		(2,193)	(585)	(2,716)	(916)
Tax effect of dividend	9	208	-	296	-
		<u>(1,985)</u>	<u>(585)</u>	<u>(2,420)</u>	<u>(916)</u>
Asset revaluation	11	5,051	-	14,781	-
Revaluation adjustment on disposal		419	-	-	-
		<u>5,470</u>	<u>-</u>	<u>14,781</u>	<u>-</u>
Movements in equity for the year		5,440	15	18,067	51
Equity at beginning of year		179,885	737	161,818	686
		<u>179,885</u>	<u>737</u>	<u>161,818</u>	<u>686</u>
Equity at end of year		185,325	752	179,885	737
		<u>185,325</u>	<u>752</u>	<u>179,885</u>	<u>737</u>

These accounts should be read in conjunction with the Notes to the Financial Statements on pages 22 to 58 and the Audit Report on pages 11 to 13



COOK ISLANDS INVESTMENT CORPORATION

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2013

	Group 2013 \$000	Parent 2013 \$000	Group 2012 \$000	Parent 2012 \$000
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash was provided from:				
Receipts from customers	30,653	667	29,985	730
Crown appropriations	4,002	1,800	3,349	1,300
Aid funding	-	-	580	(8)
Interest received	5,309	86	3,369	37
Dividends received	1,400	539	2,200	1,431
Bond deposits	23	-	28	1
Net increase in client term deposit	3,903	-	1,601	-
Crown appropriation and POBOC	353	352	-	-
Net decrease in call deposits	919	-	2,305	-
	<u>46,562</u>	<u>3,444</u>	<u>43,417</u>	<u>3,491</u>
Cash was applied to:				
Crown appropriation used for capital	102	102	258	258
Payments to suppliers and employees	27,107	2,566	26,540	2,001
Interest paid	1,728	-	1,722	-
Income tax paid	2,192	109	1,161	287
Net increase in loans portfolio	6,870	-	1,388	-
Customer bonds returned	2	2	-	-
	<u>38,001</u>	<u>2,779</u>	<u>31,069</u>	<u>2,546</u>
Net cash inflows / (outflows) from operating activities	<u>8,561</u>	<u>665</u>	<u>12,348</u>	<u>945</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Cash was provided from:				
Aid funding for capital projects	2,184	-	-	-
Repayment of related party advances	8	594	-	69
Sales of fixed assets and investments	1,510	-	139	-
Net withdrawals from term deposits	3,090	235	30	218
Effect of exchange rate fluctuations	346	-	54	-
Rounding	-	1	-	-
Reclassification of term deposit to cash held	880	-	-	-
	<u>8,018</u>	<u>830</u>	<u>223</u>	<u>287</u>
Cash was applied to:				
Advances to related parties	34	-	-	-
Purchase of fixed assets	11,461	26	20,104	4
Net investment in term deposits	1,246	-	4,192	-
	<u>12,741</u>	<u>26</u>	<u>24,296</u>	<u>4</u>
Net cash inflows / (outflows) from investing activities	<u>(4,723)</u>	<u>804</u>	<u>(24,073)</u>	<u>283</u>

These accounts should be read in conjunction with the Notes to the Financial Statements on pages 22 to 58 and the Audit Report on pages 11 to 13



COOK ISLANDS INVESTMENT CORPORATION

STATEMENT OF CASH FLOWS (continued)

FOR THE YEAR ENDED 30 JUNE 2013

	Group 2013 \$000	Parent 2013 \$000	Group 2012 \$000	Parent 2012 \$000
CASH FLOWS FROM FINANCING ACTIVITIES				
Cash was provided from:				
Government funding for capital projects	396	-	762	-
Term debt issued	5,860	-	16,164	-
Advance from related party	-	961	-	-
	<u>6,256</u>	<u>961</u>	<u>16,926</u>	<u>-</u>
Cash was applied to:				
Term debt repayment	2,556	-	2,338	-
Repayment related party advances	3	-	40	-
Dividend paid	1,685	431	2,911	1,157
Funds held in trust returned	-	-	157	157
	<u>4,244</u>	<u>431</u>	<u>5,446</u>	<u>1,314</u>
Net cash inflows / (outflows) from financing activities	<u>2,012</u>	<u>530</u>	<u>11,480</u>	<u>(1,314)</u>
Net increase / (decrease) in cash held	5,850	1,999	(245)	(86)
Add opening cash brought forward	15,931	789	25,420	875
Less 2011 deposits maturing beyond 3 months now not considered cash	-	-	(9,244)	-
Ending cash carried forward	<u>21,781</u>	<u>2,788</u>	<u>15,931</u>	<u>789</u>
Cash is made up of:				
Cash on hand	962	-	2,240	-
Bank accounts	12,892	292	13,029	148
Short term deposits (less than 3 months)	7,927	2,496	662	641
Ending cash	<u>21,781</u>	<u>2,788</u>	<u>15,931</u>	<u>789</u>

These accounts should be read in conjunction with the Notes to the Financial Statements on pages 22 to 58 and the Audit Report on pages 11 to 13



COOK ISLANDS INVESTMENT CORPORATION

STATEMENT OF CASH FLOWS (continued)

FOR THE YEAR ENDED 30 JUNE 2013

	Group 2013 \$000	Parent 2013 \$000	Group 2012 \$000	Parent 2012 \$000
RECONCILIATION OF NET SURPLUS / (DEFICIT) TO NET CASH FLOWS FROM OPERATING ACTIVITIES				
Reported Surplus / (Deficit)	1,560	600	4,144	968
Add / (less): Non cash items				
Depreciation	7,425	22	7,054	38
Bad and doubtful debts	(114)	(25)	402	15
Community service cost recovery from dividend	(307)	-	(350)	-
Unrealised foreign exchange loss	(190)	-	(54)	-
Gain / (loss) on sale of fixed assets	(494)	3	(40)	-
Deferred tax recognised	(182)	-	(383)	-
Equity accounted earnings of associate	(548)	-	(156)	-
Impairment in value of assets	2,645	-	212	-
Impairment of investment	2	-	16	-
Amortisation lease commission	-	-	3	-
	<u>8,237</u>	<u>-</u>	<u>6,704</u>	<u>53</u>
Add / (less): Movements in working capital items				
Increase / (decrease) in creditors	(1,153)	100	1	(268)
Increase / (decrease) in income taxation liability	(551)	33	1,072	(43)
Increase / (decrease) in deferred revenue liability	2,270	247	293	(85)
Increase / (decrease) in customer bonds	(2)	(2)	1	1
Increase / (decrease) in related party payables	-	-	(2)	-
Increase / (decrease) in bank customer deposits	4,822	-	3,906	-
(Increase) / decrease in related party receivables	(167)	(133)	34	34
(Increase) / decrease in receivables	835	(2)	(1,909)	(1)
(Increase) / decrease in aid funding receivables	-	-	(16)	(16)
(Increase) / decrease in inventories	(354)	12	(892)	4
(Increase) / decrease in dividend receivable	(200)	(192)	150	301
(Increase) / decrease in bank loan portfolio	(6,869)	-	(1,388)	-
(Increase) / decrease in loan interest receivable	(179)	-	-	-
(Increase) / decrease in deposit interest receivable	36	-	-	-
(Increase) / decrease in future income tax benefit	(24)	-	-	-
	<u>(1,536)</u>	<u>63</u>	<u>1,250</u>	<u>(73)</u>

These accounts should be read in conjunction with the Notes to the Financial Statements on pages 22 to 58 and the Audit Report on pages 11 to 13



COOK ISLANDS INVESTMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

	Group 2013 \$000	Parent 2013 \$000	Group 2012 \$000	Parent 2012 \$000
RECONCILIATION OF NET SURPLUS / (DEFICIT) TO NET CASH FLOWS FROM OPERATING ACTIVITIES (continued)				
Add / (less): Movements in working capital items related to investing or financing activities				
Increase / (decrease) in deferred tax liability	-	2	-	(3)
Decrease/(increase) in dividend receivable	-	-	250	-
Increase/(decrease) in dividend payable	300	-	-	-
	<u>300</u>	<u>2</u>	<u>250</u>	<u>(3)</u>
Net cash inflows / (outflows) from operating activities	<u>8,561</u>	<u>665</u>	<u>12,348</u>	<u>945</u>

These accounts should be read in conjunction with the Notes to the Financial Statements on pages 22 to 58 and the Audit Report on pages 11 to 13



COOK ISLANDS INVESTMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

1. STATEMENT OF ACCOUNTING POLICIES

Cook Islands Investment Corporation is a corporation domiciled in the Cook Islands and incorporated under the Cook Islands Investment Act 1998. Its financial statements comply with the Act.

Financial statements for Cook Islands Investment Corporation (the "Corporation") and consolidated financial statements are presented. The consolidated financial statements comprise the Corporation and its subsidiaries (the "Group") and the Group's interests in associates.

The financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand (pre NZ International Financial Reporting Standards). Where no financial reporting standard exists in New Zealand in relation to a particular issue, the accounting policies and disclosures adopted have been determined with regard to other forms of authoritative support.

The financial statements are presented in New Zealand dollars.

To ensure consistency with the current period, comparative figures have been restated where appropriate.

General Accounting Policies

The Financial statements are prepared under the historical cost method, as modified by the revaluation of certain assets.

Particular Accounting Policies

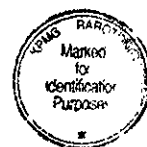
The following particular accounting policies, which significantly affect the measurement of financial performance, financial position and cash flows have been applied:

(i) Principles of Consolidation

The consolidated financial statements have been prepared from the financial statements of the parent entity and its subsidiaries for the year ended 30 June 2013 using the purchase method.

The share capital of the in-substance subsidiaries is included in the equity of the group.

The equity method has been used for those associate entities in which the Corporation has a significant, but not a controlling interest. All significant transactions between Group entities are eliminated on consolidation.



COOK ISLANDS INVESTMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2013

Particular Accounting Policies

(ii) Revenue

Revenue shown in the Statement of Financial Performance comprises the amounts received and receivable by the Parent or Group for goods and services supplied to customers in the ordinary course of business. Revenues are stated exclusive of Value Added Tax collected from customers.

Rental income is accounted for on an accruals basis.

Dividend income is recognised when the dividend has been declared.

Crown Appropriation revenue is provided by the Cook Islands Government through the Budget Estimates and approved by the Appropriation Bill. Revenue is intended to be spent within the same financial year. Revenue received but not spent at balance date is recorded as deferred income liability in the Statement of Financial Position.

Aid funding revenue is based on reimbursement of expenditure incurred on nominated projects. Revenue not received at balance date is included in the Statement of Financial Performance by the provision of an aid funding debtor.

(iii) Interest income / fee income / interest expense

- Interest income is recognised on an accrual basis. Interest on loans ceases to be recognised as income in the statement of financial performance when repayment of principal and interest is doubtful.
- Interest expense is accounted for on an accrual basis.
- Fee income is taken to account on an accrual basis. Dormant account fees are charged on accounts which have been dormant greater than two years at a rate of fifteen dollars per quarter. Application fees are recognised when the loan is drawn down.

(iv) Currency of presentation / foreign currency translation

The Financial Statements are stated in New Zealand Dollars (NZD).

Any assets and liabilities denominated in foreign currencies are translated at period end rates, while foreign currency revenue and expense items are translated at the exchange rate current at the date at which these items were recognised in the accounts.



COOK ISLANDS INVESTMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2013

Particular Accounting Policies

(v) Taxation

The parent entity is subject to taxation under the Income Tax Act 1997. In respect of the group subsidiaries that are subject to taxation, the following has been adopted:

- the liability method of accounting for deferred taxation;
- the taxation charge against the surplus for the year is the estimated liability in respect of that surplus after allowance for permanent differences. This is the comprehensive basis for the calculation of deferred taxation; and
- future taxation benefits attributable to timing differences or losses carried forward are recognised in the Statement of Financial Position only where there is virtual certainty that the benefit of the timing differences or losses will be utilised by the subsidiaries.

(vi) Short – term deposits

Short-term cash deposits are purchased with the intent and ability to hold until maturity and are recorded at cost plus accrued interest.

(vii) Receivables

Receivables are stated at estimated realisable value after providing against debts where collection is doubtful.

(viii) Investments

Investments in associate entities are stated at the lower of cost and the fair value of the net tangible assets at acquisition plus the share of post-acquisition increases in reserves.

Investments in subsidiaries are stated at cost less any impairment in value.

Other investments are stated at the lower of cost and net realisable value.

(ix) Banking portfolio investments

Loans are valued at net realisable value, after provisions.

Applicable security is obtained depending on the size and nature of loans.



COOK ISLANDS INVESTMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2013

Particular Accounting Policies

- (x) Provisions for doubtful debts for banking portfolio investments

Provision is made for specific loans where recovery is considered doubtful or they have become non-performing. There is no general provision against loans. All bad debts are written off against specific provisions in the period in which they become classified as irrecoverable.

- (xi) Fixed Assets

Fixed assets are carried at either cost or valuation depending on their asset class with the exception of the other buildings category. Other buildings are held at cost, deemed cost and old valuations. Other buildings transferred to the Group by the Cook Islands Government are included at their deemed cost, being the valuation initially recorded in the 1996/7 statutory accounts of the Government of the Cook Islands less accumulated depreciation. Other assets donated by the Cook Islands Government (ultimate parent) or transferred from Ministries of the Cook Islands Government are recognised at the value nominated by the Ministry of Finance and Economic Management for the Cook Islands or relevant Ministry and are recognised directly in equity as a contribution from owner. Other buildings held at old valuations are not subject to revaluation as continual revaluations cannot be justified for cost-benefit reasons.

Initial Recording

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

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



COOK ISLANDS INVESTMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2013

Particular Accounting Policies

(xi) Fixed Assets (continued)

Revaluation

Other freehold land, leased land, leasehold improvements, marine equipment and tools are carried at cost less accumulated depreciation. Motor vehicles, office equipment, plant and equipment, specialised buildings, power network, airport facilities and port facilities are stated at valuation as determined by an independent Registered Valuer. The Ports assets were last valued in June 2013. Te Aponga Uira O Tumu-te-Varovaro assets are valued every three years, last valued in May 2013. Airport freehold land, buildings and runway are valued at optimised depreciated replacement cost as an estimate of the fair value of these assets based on an independent valuation performed in June 2012. Any increase or decrease in value of a class of assets is recognised directly in equity unless it offsets a previous decrease in value recognised in the Statement of Financial Performance in which case it is recognised in the Statement of Financial Performance. A decrease in value relating to a class of assets is recognised in the Statement of Financial Performance where it exceeds the increase previously recognised in equity.

Included in Plant & Equipment is Power Station spare parts which are not revalued. The carrying value of the asset is assessed at least every 3 years for any indication of impairment. The asset is carried at cost less impairment and is written down by the estimated amount of the impairment and the impairment loss is recognised in the statement of financial performance.

(xii) Depreciation

Depreciation is charged on a straight line basis so as to write off the cost or valuation of the fixed assets to their expected residual value over their estimated useful lives. Other freehold land and airport freehold land is not depreciated. The estimated useful lives are as follows:

Leased land and leasehold improvements	term of the lease
Specialised Buildings and Other Buildings	40-49 years
Furniture and office equipment	10 years
Motor vehicles	4 years
Office equipment	3-5 years
Marine Equipment	5 years
Plant & Equipment and Tools	4-5 years
Power network	20 years
Airport facility	31-99 years
Port facility	6-20 years



COOK ISLANDS INVESTMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2013

Particular Accounting Policies

(xiii) Leased Assets

Finance Leases

Leases under which the group assumes substantially all the risks and rewards incidental to ownership have been classified as finance leases and are capitalised. The asset and corresponding liability are recorded at inception of the lease at the lower of the fair value of the leased asset, and at amounts equivalent to the discounted present value of minimum lease payments including residual values. Finance charges are apportioned over the terms of the respective leases using the actuarial method. Capitalised leased assets are depreciated over their expected lives in accordance with rates established for other similar group assets.

Operating Leases

Operating lease payments are representative of the pattern of benefits derived from the leased assets and accordingly are charged to the Statement of Financial Performance in the periods in which they are incurred.

(xiv) Financial Instruments

The group does not undertake any transactions of an off balance sheet nature.

The nature of activities and management policies with respect to financial instruments:

Liquidity

Within the Group, the Bank of the Cook Islands Limited monitors its liquidity position in accordance with prudential guidelines.

Credit Risk

Credit risk is the risk that a loss may occur from the failure of a counter part to perform according to the terms of a contract.

Within the Group, the Bank of the Cook Islands Limited monitors credit risk through credit policies and security ratio limits. The exposure is monitored on an on-going basis. Security is required in respect of most lending. There are various securities which the Banks hold. These include, but are not limited to, mortgages over lease and occupation rights, personal and company guarantees and Instruments by Way of Security.

The maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position. Concentrations of credit risk exist if a number of counterparties are engaged in similar activities and have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.



COOK ISLANDS INVESTMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2013

(xiv) Financial Instruments (continued)

Interest Rate Risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Within the Group, the Bank of the Cook Islands Limited during their normal course of business is exposed to interest rate risk. This risk is hedged to some extent given that Bank of Cook Islands Limited has interest bearing assets and liabilities. The Banks regularly monitor interest rate levels and differentials.

Currency Risk

Currency risk is the risk of unexpected fluctuations in the exchange rate. Te Aponga Uira O Tumu-te-Varovaro, during its normal course of business, imports fuel, parts and trading inventory and has unhedged borrowings denominated in foreign currencies. As a result of these transactions exposures to fluctuations in foreign currency exchange rates arise. The currencies in which the Authority primarily deals are the United States Dollar, Euro and the Australian Dollar

The Ports Authority has borrowings with the Asia Development Bank that are denominated in US dollars. The borrowings are recorded in NZ dollars at the date of the draw down and are restated using the closing rate at balance date. Any difference in exchange rate fluctuations are recorded in the Statement of Financial Performance.

The Corporation does not hold any other material foreign currency assets or liabilities.

Fair Values

The fair value of all financial assets and liabilities is the equivalent of their carrying values. Interest rates are reviewed on a quarterly basis to ensure they are kept in line with market interest rate movements.

Segmental Reporting

The Group operates in two geographical segments being the Cook Islands and New Zealand. The group operates primarily in the property investment and management sectors. It also operates in the utilities sector, consisting of ports and airport services, power supply and banking.

(xv) Statement of Cash Flows

The following are the definitions of the terms used in the Statement of Cash Flows:

- a) Cash is considered to be cash on hand, cash at bank and short term deposits in banks with maturity less than 3 months, net of bank overdrafts.
- b) Investing activities are those activities relating to the acquisition, holding and disposal of fixed assets and of investments. Investments can include securities not falling within the definition of cash.
- c) Financing activities are those activities, which result in changes in the size and composition of the capital structure of the Group.
- d) Operating activities include all transactions and other events that are not investing or financing activities.



COOK ISLANDS INVESTMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2013

(xvi) 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.

(xvii) Inventories

Inventories are stated at the lower of cost or net realisable value. Cost is determined on a weighted average basis.

(xviii) Use of judgements and estimates

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. In particular refer to Note 11- Fixed Assets.

All dollar amounts in the financial statements and notes are expressed and rounded to thousands.

All dollar amounts in narratives are expressed in whole numbers.

There have been no changes in accounting policies and the method in which they are applied during the year.



COOK ISLANDS INVESTMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2013

	Group 2013 \$000	Parent 2013 \$000	Group 2012 \$000	Parent 2012 \$000
2. OPERATING REVENUE				
<u>Trading revenue</u>				
Electricity services	19,313	-	20,005	-
Interest on banking portfolio assets	4,362	-	3,947	-
Airport landing fees	3,939	-	3,817	-
Port Services	2,379	-	2,190	-
Rental income	2,895	591	2,893	628
Fees on banking portfolio assets	1,093	-	1,016	-
Other income	27	28	21	104
	34,008	619	33,889	732
 <u>Other revenue</u>				
Crown appropriation	4,124	1,922	3,175	1,127
Equity accounted earnings of associate	2,148	-	1,956	-
Other interest	1,067	86	1,228	37
Aid funding	-	-	8	8
Gain on sale of fixed assets	715	-	41	-
Dividend received	-	731	-	1,130
Sundry revenue	665	3	626	2
Realised foreign exchange gain	1,004	-	269	-
POBOC	13	13	-	-
	9,736	2,755	7,303	2,304
Total operating revenue	43,744	3,374	41,192	3,036



COOK ISLANDS INVESTMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2013

	Group 2013 \$000	Parent 2013 \$000	Group 2012 \$000	Parent 2012 \$000
3. SURPLUS / (DEFICIT) BEFORE TAXATION				
Surplus / (deficit) before taxation	3,241	744	5,994	1,209
After charging				
Audit fees	325	120	296	120
Other fees paid to auditors	11	-	2	-
Increase / (decrease) in provision for doubtful debts	(135)	(25)	364	15
Depreciation:				
• Leased Land	14	-	14	-
• Specialised Buildings	772	-	745	-
• Other Buildings	1,511	-	1,506	-
• Leasehold Improvements	14	-	5	-
• Motor Vehicles	391	3	475	8
• Furniture and Office Equipment	245	4	225	9
• Plant and Equipment	781	15	819	21
• Power Network Infrastructure	1,502	-	1,442	-
• Airport Facilities Infrastructure	1,578	-	1,510	-
• Port Facilities Infrastructure	615	-	313	-
Directors fees and expenses	223	56	230	55
Foreign exchange loss/(gain)	190	-	215	-
Loss on sale of fixed assets	494	3	13	7
Impairment of fixed assets	2,645	25	224	-
Interest expense	1,903	-	1,759	-
Rental and operating lease costs	92	13	187	86
Office communication	353	17	378	14
Repairs and maintenance	4,123	1,461	2,804	698
Payroll expense	8,417	626	8,211	549
Insurance	991	184	942	181
Fuel	9,789	-	10,368	-
Discount	471	-	-	-
Other Expenses	3,188	128	2,151	64
Total	40,503	2,630	35,198	1,827

4. REMUNERATION OF AUDITORS

Amounts received, or due and receivable, by auditors for:

Auditing the Financial Statements:

KPMG	259	120	230	120
PERCA	66	-	66	-
	325	120	296	120

Other Services:

KPMG – accounting and tax advisory	16	-	2	-
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COOK ISLANDS INVESTMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2013

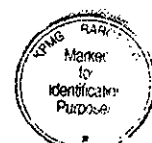
	Group 2013 \$000	Parent 2013 \$000	Group 2012 \$000	Parent 2012 \$000
5. INCOME TAX EXPENSE				
The income tax expense has been calculated as follows:				
Net surplus / (deficit) before taxation	3,241	744	5,994	1,209
Add / (less):-				
Surplus for tax exempt entity	(117)	-	(177)	-
Add back dividend income from within group paid to tax exempt entity	1,839	-	1,780	-
Equity accounted earnings from associate	(548)	-	(156)	-
	<u>4,415</u>	<u>744</u>	<u>7,441</u>	<u>1,209</u>
 Prima facie taxation at 20%	 883	 149	 1,488	 242
Add / (less):				
Adjustment for tax at other rates	(61)	-	(1)	-
Tax losses utilised	36	-	4	-
Taxable income not recognised in accounts	135	-	226	-
Non-deductible expenses	847	-	133	-
Non-assessable income	(159)	(5)	-	-
 Income tax expense	 <u>1,681</u>	 <u>144</u>	 <u>1,850</u>	 <u>242</u>
 <u>The income tax expense is represented by:</u>				
Income taxation payable (Note 9)	1,863	142	2,255	245
Deferred taxation (Note 16)	(182)	2	(405)	(3)
	<u>1,681</u>	<u>144</u>	<u>1,850</u>	<u>242</u>

Income Tax Losses carried forward:

Individual entities within the Group have combined carried forward tax losses of \$133,137 (2012: \$255,240). These tax losses are unable to be offset. These tax losses have no expiry date, provided there is 40% continuity in ownership.

The parent entity has no carried forward tax losses (2012: Nil).

Within the group, Cook Islands Government Property Corporation are exempt from taxation under the Income Tax Act 1997.



COOK ISLANDS INVESTMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2013

	Group 2013 \$000	Parent 2013 \$000	Group 2012 \$000	Parent 2012 \$000
6. ACCOUNTS RECEIVABLE				
Trade receivables	5,088	167	5,559	116
Less: Provision for doubtful debts	1,670	94	1,671	77
	<u>3,418</u>	<u>73</u>	<u>3,888</u>	<u>39</u>
7. RELATED PARTIES				

Included within the bank balances of the parent entity is an account with the Bank of the Cook Islands Limited of \$12,710 (2012: \$12,617).

Related party receivables

Current:

Government of the Cook Islands	167	133	-	-
Cook Islands Property Corporation (NZ) Limited	-	-	-	594
	<u>167</u>	<u>133</u>	<u>-</u>	<u>594</u>

The balances are repayable on demand, are unsecured and do not bear interest.

Dividends receivable

Telecom Cook Islands Limited	800	-	600	-
Te Aponga Uira O Tumu Te Varovaro	-	192	-	-
	<u>800</u>	<u>192</u>	<u>600</u>	<u>-</u>

In accordance with the requirements of the Cook Islands Government Property Corporation Act 1969, the dividend receivable from Telecom Cook Islands Limited is paid directly to the ultimate shareholder, the Cook Islands Government, and therefore the dividend cashflow does not flow through Cook Islands Investment Corporation.



COOK ISLANDS INVESTMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2013

	Group 2013 \$000	Parent 2013 \$000	Group 2012 \$000	Parent 2012 \$000
7. RELATED PARTIES (continued)				

Related party payables

Current:

Government of the Cook Islands	14,196		7,430	-
Cook Islands Property Corporation (NZ) Limited	-	105	-	-
	<u>14,196</u>	<u>105</u>	<u>7,430</u>	<u>-</u>

Included in customer deposits are deposits from Cook Islands Government, Cook Islands Government Departments and other entities ultimately owned by the Cook Islands Government. These deposits total \$23,180,951 (2012: \$18,426,383). Interest rates on these balances range from 2.85% to 5.65%. (2012: 2.5% to 7.5%)

Dividends payable

Cook Islands Government	700	192	400	-
	<u>700</u>	<u>192</u>	<u>400</u>	<u>-</u>

Related party payables

Non Current:

Government of the Cook Islands	-	-	3,500	-
Cook Islands Broadcasting Corporation	-	40	-	40
Cook Islands Government Property Corporation	-	1,359	-	503
	<u>-</u>	<u>1,399</u>	<u>3,500</u>	<u>543</u>

The balances payable to the Government of the Cook Islands have fixed repayment terms are unsecured and interest rates on these range from 4.40% to 5.65%. (2012: 4.25% to 5.75%). The remaining balances do not have fixed repayment terms, are unsecured and no interest is payable.



COOK ISLANDS INVESTMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2013

7. RELATED PARTIES (continued)

Material related party income and expenditure:

- (a) The Group entities undertake numerous transactions with other Government entities. These transactions are not material, are conducted at commercial rates and have therefore not been disclosed separately.
- (b) The Group provides electricity to various Government entities through its wholly owned subsidiary, Te Aponga Uira O Tumu-te-Varovaro. The group paid \$512,247 (2012: \$590,220) for these services.
- (c) The Group provides telecommunication services to various Government entities through its associate, Telecom Cook Islands Limited. The group paid \$353,021 (2012: \$181,755) for these services.
- (d) Many of the properties owned by Cook Islands Government Property Corporation are tenanted by Ministries of the Government of the Cook Islands. In general, rental income is not received for the use of these assets, as Government Ministries are not appropriated for this cost.
- (e) The properties owned by Cook Islands Property Corporation (NZ) Limited and tenanted by the Ministry of Foreign Affairs and Immigration are also not generating revenue.
- (f) Government appropriation income was received by the Airport Authority of \$2,201,688 (2012: \$2,047,997) and also by the parent entity of \$2,024,042 (2012: \$1,126,604).
- (g) Capital project liability relates to project funding received by CIIC from Cook Islands Government and other funding agencies for which the completed asset is to be returned to Crown. Total capital project liability at 30 June 2013 is \$301,443 (2012: \$301,443).
- (h) Bank of the Cook Islands Limited paid interest of \$Nil (2012: \$3,566) to the Government of the Cook Islands on the term loan on lent from Asian Development Bank.
- (i) Cook Islands Government Property Corporation made a revenue transfer of \$618,782 (2012: \$732,158) to the Corporation in accordance with Section 31 (2) of the Cook Islands Investment Corporation Act 1998. The transfer has been recognised as revenue within the Statement of Financial Performance of the Corporation.



COOK ISLANDS INVESTMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2013

7. RELATED PARTIES (continued)

- (j) Equity injections for the Group during the year included:
Multi Sports Complex – Waste Water Project \$102,083
- (k) Asset funding for the Group during the year included:
Airport Authority - VIP lounge upgrade \$293,368
- (l) The parent received dividends of \$731,283 (2012: \$1,130,000) from subsidiaries. These dividends were then paid to the shareholder, Cook Islands Government. The group received a tax benefit of \$207,782 (2012:\$296,000) in relation to dividends paid to the parent ,Cook Islands Investment Corporation, a tax paying entity.

Group	Parent	Group	Parent
2013	2013	2012	2012
\$000	\$000	\$000	\$000

8. INVENTORIES

Trading Stock	3,795	-	3,467	-
Spare parts	17	-	26	-
Fuels	1,270	-	1,444	-
Other	353	23	296	36
	<u>5,435</u>	<u>23</u>	<u>5,233</u>	<u>36</u>

Fuel held at Triad is included in inventory as it is the property of Te Aponga Uira O Tumute-Varovaro (TAU), in accordance with the current fuel supply contract with BP South West Pacific, whereby the authority purchases fuel from the flange at Triad and stores it in the Triad tanks. An employee of TAU is located at the depot for the day to day management of this fuel.

Impairment

Inventory held at the TAU power station is carried at cost less any impairment. In May 2013, the fair value of inventory was assessed by Greenough Bell and Associates, independent registered valuers, on the basis of optimised depreciated replacement cost.



COOK ISLANDS INVESTMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2013

	Group 2013 \$000	Parent 2013 \$000	Group 2012 \$000	Parent 2012 \$000
9. INCOME TAXATION PAYABLE / (RECEIVABLE)				
Income tax payable - 1 July 2012	145	(211)	(653)	(168)
On surplus for the period (Note 5)	1,863	142	2,255	245
Income tax paid	(2,192)	(146)	(1,161)	(287)
Tax on dividend receivable	(38)	-	-	-
Tax effect of dividends paid	(208)	-	(296)	-
Income tax payable/(receivable) - 30 June 2013	<u>(430)</u>	<u>(216)</u>	<u>145</u>	<u>(211)</u>
This is made up of:				
Tax payable	-	-	145	-
Tax receivable	(406)	(216)	-	(211)
Future income tax benefit	(24)	-	-	-
Income tax payable/(receivable) - 30 June 2013	<u>(430)</u>	<u>(216)</u>	<u>145</u>	<u>(211)</u>

10. BANKING PORTFOLIO INVESTMENTS

Within the Group Bank of Cook Islands Limited hold banking portfolio investments. The following is a summary of the loans portfolio by industry sector as at 30 June.

	Total		Due within One Year		Over One Year	
	2013 \$000	2012 \$000	2013 \$000	2012 \$000	2013 \$000	2012 \$000
Agriculture	77	73	22	19	55	54
Fishing	21	26	9	7	12	19
Pearls	5	2	4	2	1	-
Consumer	7,461	7,074	2,995	2,762	4,466	4,312
Business	10,971	3,787	1,433	757	9,538	3,030
Housing	20,520	22,633	1,522	1,770	18,998	20,863
Staff	2,314	2,336	157	151	2,157	2,185
Tourism	6,221	4,408	690	433	5,531	3,975
	<u>47,590</u>	<u>40,339</u>	<u>6,832</u>	<u>5,901</u>	<u>40,758</u>	<u>34,438</u>
LESS						
Provision for doubtful loans:	2,815	2,730	704	683	2,111	2,047
Net portfolio	<u>44,775</u>	<u>37,609</u>	<u>6,128</u>	<u>5,218</u>	<u>38,647</u>	<u>32,391</u>



COOK ISLANDS INVESTMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2013

10. BANKING PORTFOLIO INVESTMENTS (continued)

The loan portfolio primarily comprises housing, consumer, tourism and business development loans. Housing loans attract interest rates of 6.4% to 16.25% (2012: 8.5% to 16.50%) whereas 8.85% - 13.00% (2012: 8.5% to 16.50%) applies to developmental (including business) loans. Interest rates of 9.25% - 16.50% (2012: 9.50% to 16.50%) are applicable on consumer loans.

11. FIXED ASSETS

<u>30 June 2013</u>	Cost / Valuation \$000	Accum Depn. \$000	Net Book Value \$000
Group			
Other freehold land	428	-	428
Airport freehold land	10,985	-	10,985
Leased land	1,081	87	994
Specialised buildings	17,118	1,427	15,691
Other buildings	59,274	18,715	40,559
Leasehold improvements	125	49	76
Specialised Motor vehicles	4,669	3,066	1,603
Other Motor vehicles	305	191	114
Specialised Furniture and office equipment	219	119	100
Other Furniture and office equipment	3,421	2,881	540
Specialised Plant and equipment	16,907	3,534	13,373
Other Plant and equipment	2,199	665	1,534
Marine equipment	18	18	-
Infrastructure			
- Power network	9,458	157	9,301
- Airport facilities	51,789	3,120	48,669
- Port facilities	32,565	1,338	31,227
- Capital work in progress	1,018	-	1,018
	<u>211,579</u>	<u>35,367</u>	<u>176,212</u>
Parent			
Motor vehicles	128	92	36
Furniture and equipment	258	174	84
	<u>386</u>	<u>266</u>	<u>120</u>



COOK ISLANDS INVESTMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2013

11. FIXED ASSETS

	Cost / Valuation \$000	Accum Depn \$000	Net Book Value \$000
<u>30 June 2012</u>			
Group			
Other freehold land	428	-	428
Airport freehold land	10,985	-	10,985
Leased land	1,081	73	1,008
Specialised buildings	15,715	841	14,874
Other buildings	59,446	17,267	42,179
Leasehold improvements	91	34	57
Specialised Motor vehicles	4,324	2,953	1,371
Other Motor vehicles	200	181	19
Specialised Furniture and office equipment	255	157	98
Other Furniture and office equipment	3,161	2,783	378
Specialised Plant and equipment	17,195	5,308	11,887
Other Plant and equipment	2,108	504	1,604
Marine equipment	18	18	-
Infrastructure			
- Power network	9,699	1,074	8,625
- Airport facilities	51,789	1,542	50,247
- Port facilities	6,034	723	5,311
- Capital work in progress	23,886	-	23,886
Tools	1	-	1
	<u>206,416</u>	<u>33,458</u>	<u>172,958</u>
Parent			
Motor vehicles	94	90	4
Furniture and office equipment	289	182	107
	<u>383</u>	<u>272</u>	<u>111</u>



COOK ISLANDS INVESTMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2013

11. FIXED ASSETS

Valuation Basis:

Details of the valuation basis of each significant class of fixed assets within the Group as at 30 June 2013 are set out below:

	Net Book Value 2013 \$000	Net Book Value 2012 \$000
<u>Airport Freehold Land</u>		
Airport Authority	10,985	10,985

The Airport Authority revalued its fixed assets in June 2012. The valuation was completed by Mr Dougal Smith (MNZPI), an independent valuer from New Zealand on an optimised depreciated replacement cost basis.

Other Freehold Land

Cook Islands Property Corporation (NZ) Limited	428	428
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Freehold land owned by Cook Islands Government Property Corporation and Cook Islands Property Corporation (NZ) Limited is valued at cost.

Leased Land

Cook Islands Government Property Corporation	994	1,008
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Cook Islands Government Property Corporation leased land is stated at the value initially recorded in the 1996/97 statutory accounts for the Government of the Cook Islands, less accumulated depreciation.

Specialised Buildings

Airport Authority	11,175	11,559
Ports Authority	1,743	748
Te Aponga Uira O Tumu-te-Varovaro	2,773	2,567
	<u>15,691</u>	<u>14,874</u>



COOK ISLANDS INVESTMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2013

11. FIXED ASSETS

The Airport Authority's buildings were valued by Dougal Smith, in June 2012 on an optimised depreciated replacement cost basis.

The Ports Authority buildings were valued by independent registered valuers, Greenough, Bell & Associates of Auckland, New Zealand in June 2013 on an existing use basis. This firm also performed a valuation on the basis of optimised depreciated replacement cost for the buildings of Te Aponga Uira O Tumu-te-Varovaro in May 2013.

	Net Book Value 2013 \$000	Net Book Value 2012 \$000
<u>Other Buildings</u>		
Cook Islands Government Property Corporation		
- Rental houses	1,350	1,407
- Rarotonga Hospital Administration Block	800	828
- Court House	2,977	3,072
- Auditorium and surrounding buildings	8,085	8,422
- Police headquarters	2,924	3,010
- Multi Sports Complex	7,388	7,522
- Other	15,980	16,762
Cook Islands Property Corporation (NZ) Limited	146	151
Bank of the Cook Islands Holdings Corporation	909	1,005
	40,559	42,179

Rental houses were valued by John McElhinney of Rarotonga, a registered independent valuer in May 1999, these houses are stated at deemed cost. The Rarotonga Hospital Administration Block is stated at cost less accumulated depreciation.

Other buildings owned by Cook Islands Government Property Corporation are stated at the valuation initially recorded in the 1996/97 statutory accounts for the Government of the Cook Islands, less accumulated depreciation.

The building owned by Cook Islands Property Corporation (NZ) Limited is stated at cost less accumulated depreciation.

Buildings owned by Bank of the Cook Islands Holdings Corporation are stated at cost less accumulated depreciation. A valuation was performed in August 2006 by Colliers International.



COOK ISLANDS INVESTMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2013

11. FIXED ASSETS

	Net Book Value 2013 \$000	Net Book Value 2012 \$000
<u>Specialised Motor vehicles</u>		
Airport Authority	649	851
Ports Authority	499	325
Te Aponga Uira O Tumu-te-Varovaro	455	195
	<u>1,603</u>	<u>1,371</u>

Greenough, Bell & Associates valued the Ports Authority vehicles in May 2010 on an existing use basis. This firm also performed valuations on the vehicles of Te Aponga Uira O Tumu-te-Varovaro in May 2013.

The Airport Authority's vehicles were valued by Dougal Smith in June 2012 on an optimised depreciated replacement cost basis.

<u>Other Motor vehicles</u>		
Bank of the Cook Islands Holdings Corporation	78	14
Cook Islands Investment Corporation	36	5
	<u>114</u>	<u>19</u>

Other motor vehicles are stated at cost less accumulated depreciation.

<u>Specialised Furniture and office equipment</u>		
Ports Authority	43	35
Te Aponga Uira O Tumu-te-Varovaro	57	63
	<u>100</u>	<u>98</u>

The Ports Authority furniture and office equipment assets were valued by Greenough, Bell & Associates, in May 2013 on an existing use basis. This firm also revalued, on the basis of optimised depreciated replacement cost, the furniture and office equipment owned by Te Aponga Uira O Tumu-te-Varovaro in May 2013. These assets are included within the accounts based on these valuations.



COOK ISLANDS INVESTMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2013

11. FIXED ASSETS (continued)

	Net Book Value 2013 \$000	Net Book Value 2012 \$000
<u>Other Furniture and office equipment</u>		
Bank of the Cook Islands Holdings Corporation	528	360
Cook Islands Investment Corporation	12	18
	<u>540</u>	<u>378</u>

Other furniture and office equipment is stated at cost less accumulated depreciation.

<u>Specialised Plant and equipment</u>		
Airport Authority	2,343	2,643
Ports Authority	877	614
Te Aponga Uira O Tumu-te-Varovaro	10,153	8,630
	<u>13,373</u>	<u>11,887</u>

The Airport Authority plant and equipment assets were valued by Dougal Smith in June 2012 on an optimised depreciated replacement cost basis.

The Ports Authority plant and equipment assets were valued by Greenough, Bell & Associates, in May 2013 on an existing use basis. This firm also revalued, on the basis of optimised depreciated replacement cost, the plant and equipment owned by Te Aponga Uira O Tumu-te-Varovaro in May 2013. These assets are included within the accounts based on these valuations.

<u>Other Plant and equipment</u>		
Cook Islands Investment Corporation	72	89
Cook Islands Government Property Corporation	1,462	1,515
	<u>1,534</u>	<u>1,604</u>

Other plant and equipment is stated at cost less accumulated depreciation.

Power Network

Property, plant and equipment were valued as at 31 May 2013 by Greenough, Bell & Associates on the basis of optimised depreciated replacement cost.

The valuation provided an increase to the Asset Revaluation Reserve of \$4,204,309.



COOK ISLANDS INVESTMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2013

11. FIXED ASSETS (continued)

Airport Facilities

The Airport Authority revalued its fixed assets in June 2011. The valuation was completed by Mr Dougal Smith (ANZIV), an independent valuer from New Zealand.

The identified assets have been valued at fair value. Optimised depreciated replacement cost has been used as an estimate of the fair value of the assets, where the estimate of the fair value cannot be reliably determined using market based evidence. This valuation was applied in 2012, resulting in an upwards revaluation of \$15.3m being booked in the year ended 30 June 2012. No further adjustments have been made.

Port Facilities

The port facilities in Rarotonga including property, plant, equipment wharf structures and various buildings were valued on an existing use basis by Greenough, Bell & Associates in May 2013.

The valuation provided an increase to the Asset Revaluation Reserve of \$929,567. All other assets are stated at cost less depreciation.

Completeness and Valuation of Assets:

The list of fixed assets may not be a complete presentation of assets falling under the ownership of the Corporation and Group. In addition some assets have been recorded at nil value due to the absence of adequate and reliable information.

Restrictions on Disposals:

Fixed assets held within Cook Islands Government Property Corporation cannot be disposed of without the prior consent of Cabinet.

Transfer of assets from Ministries

These assets are recorded at the value nominated by the Ministry of Finance and Economic Management for the Cook Islands or relevant Ministry and are recognised directly in equity as a contribution from owner.

	Group 2013 \$000	Group 2012 \$000
Asset Revaluation Reserve		
Opening Balance - 1 July 2012	68,323	53,542
Write off reserve relating to disposals	(113)	-
Revaluation adjustments	5,164	14,781
Transfer from Capital Reserve	4,586	-
Closing Balance - 30 June 2013	<u>77,960</u>	<u>68,323</u>



COOK ISLANDS INVESTMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2013

12. INVESTMENTS IN IN-SUBSTANCE SUBSIDIARIES

The principal activities of the in-substance subsidiaries are:

<i>Entity</i>	<i>Country of incorporation</i>	<i>Principal activity</i>
Airport Authority	Cook Islands	Airport operator
Banana Court Company Limited	Cook Islands	Property manager
Bank of the Cook Islands Holdings Corporation	Cook Islands	Banking
Cook Islands Broadcasting Corporation	Cook Islands	Lessor of broadcasting equipment
Cook Islands Government Property Corporation	Cook Islands	Property owner and investor
Cook Islands Property Corporation (NZ) Limited	New Zealand	Property owner and manager
Cook Islands Telecommunication Assets Limited	Cook Islands	Non trading
Cook Islands Telecommunication Holdings Ltd	Cook Islands	Holding company
Development Finance Limited	Cook Islands	Non trading
Ports Authority	Cook Islands	Port operator
Suwarrow Development Corporation Ltd	Cook Islands	Non trading
Te Aponga Uira O Tumu-te-Varovaro	Cook Islands	Power generator



COOK ISLANDS INVESTMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2013

	Group 2013 \$000	Parent 2013 \$000	Group 2012 \$000	Parent 2012 \$000
13. INVESTMENT IN ASSOCIATE				
<u>Carrying Amount of Associate</u>				
Carrying amount at beginning of year	4,874	-	4,718	-
Equity accounted earnings of associate	548	-	156	-
	<u>5,422</u>	<u>-</u>	<u>4,874</u>	<u>-</u>
<u>Income from Associate is made up of:</u>				
Equity accounted earnings of associate	548	-	156	-
Dividend income from associate	1,600	-	1,800	-
	<u>2,148</u>	<u>-</u>	<u>1,956</u>	<u>-</u>

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

At 30 June 2012 investment in associate comprises:

	Percentage interest	Balance date
Telecom Cook Islands Limited	40%	30 June

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

14. INVESTMENTS IN SHARES

Asian Development Bank	128	-	128	-
Pacific Forum Line Limited	-	-	10	-
	<u>128</u>	<u>-</u>	<u>138</u>	<u>-</u>



COOK ISLANDS INVESTMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2013

	Group 2013 \$000	Parent 2013 \$000	Group 2012 \$000	Parent 2012 \$000
15. SUNDRY CREDITORS AND ACCRUALS				
Employee entitlements	733	30	738	24
Lease provisions	280	-	280	-
Other	2,193	184	1,777	174
	<u>3,206</u>	<u>214</u>	<u>2,795</u>	<u>198</u>

The lease provision relates to outstanding rent reviews and lease payments to land owners expected to be settled within the next 12 months. The provision is estimated based on the current status of negotiations with landowners and other available information.

16. DEFERRED TAXATION AND FUTURE INCOME TAX BENEFIT

Deferred tax asset - 1 July 2012	538	15	391	12
Deferred tax recognised in the Statement of Financial Performance (Note 5)	12	(2)	147	3
Deferred tax asset - 30 June 2013	<u>550</u>	<u>13</u>	<u>538</u>	<u>15</u>
Deferred tax liability - 1 July 2012	(1,378)	-	(1,636)	-
Deferred tax recognised in the Statement of Financial Performance (Note 5)	170	-	258	-
Deferred Tax Liability- 30 June 2013	<u>(1,208)</u>	<u>-</u>	<u>(1,378)</u>	<u>-</u>

17. BANKING CUSTOMER DEPOSITS

Current	32,907	30,825
Term:		
One to two years	1,216	1,553
	<u>34,123</u>	<u>32,378</u>

Customer deposits yield interest rates between 1.40% and 4.76% (2012: 1.33% and 4.63%), and are unsecured.



COOK ISLANDS INVESTMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2013

	Group 2013 \$000	Parent 2013 \$000	Group 2012 \$000	Parent 2012 \$000
18. TERM LIABILITIES REPAYABLE WITHIN 12 MONTHS				
Bank loans	708	-	480	-
	<u>708</u>	<u>-</u>	<u>480</u>	<u>-</u>

The current portion of term loans is secured in the same manner, and bears the same rate of interest, as the term portion set out in Note 19.

19. TERM LIABILITIES

Bank loans	26,055	-	23,105	-
	<u>26,055</u>	<u>-</u>	<u>23,105</u>	<u>-</u>

Term liabilities fall due for repayment in the following periods:

Bank loans

One to two years	601	-	585	-
Two to three years	1,257	-	1,152	-
Three to five years	3,344	-	2,461	-
Beyond five years	20,853	-	18,907	-
	<u>26,055</u>	<u>-</u>	<u>23,105</u>	<u>-</u>

Airport Authority

The Airport Authority borrowed from ANZ Bank the amount of \$8.1 million to refinance its loan held with Westpac Bank and to assist with capital expenditure programs. The loan was not fully drawn at balance date.

The ANZ Bank loan has a 5 year term and a variable interest rate is applicable at 5.99% per annum. The loan is repayable by monthly instalments of \$68,308.65 which is inclusive of interest and is based on a 15 year amortisation term with balloon payment at the end of term.



COOK ISLANDS INVESTMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2013

19. TERM LIABILITIES (continued)

Airport Authority (continued)

The loan is secured by registered mortgage debenture over the assets and undertakings of the Airport Authority. The loan agreement contains a financial covenant that requires the amount of EBITDA generated less dividend paid to be greater than 2x annual debt servicing commitments at all times. Covenant will be measured annually in arrears. The Airport is in compliance with this covenant at 30 June 2013.

Ports Authority

The Asian Development Bank (ADB) approved two loans (L2472-COO and L2473-COO) on 20 November 2008 for the funding of the Avatiu Port Development Project. The ADB signed the loan agreements for these two loans with the Government of the Cook Islands on 5 May 2009 and the Government on-lent to the Ports Authority by way of a subsidiary loan agreement signed on 31 July 2009.

ADB further approved and signed a supplementary loan (L2739-COO) to loans L2472-COO and L2473-COO on 24 March 2011 and 30 December 2011 respectively with the Government of the Cook Islands as additional funding of the Avatiu Port Development Project. The Government on-lent the funds to the Ports Authority by effect of the subsidiary Loan agreement signed on 31 July 2009.

ADB also approved and signed the Climate Change Grant Fund agreement (G0249-COO) on 24 March 2011 and 30 December 2011 respectively with the Government of the Cook Islands as part of the funding of the Avatiu Port Development Project. The Government would on-provide the funds to the Ports Authority by effect of the subsidiary loan agreement signed on 31 July 2009.

The borrowings were drawn down through the Cook Islands Government. The interest rates for the three loans which were offered to the Cook Islands Government are the same rates in the subsidiary loan agreement between Government and the Ports Authority. The interest rate for Loan 2472 is aligned to the London Interbank Offered Rate (LIBOR) and Loan 2473 is 1% per annum for the 8 year grace period and 1.5% per annum thereafter.

The Ports Authority is responsible for any changes in the amount payable due to exchange rate fluctuations. Accordingly, all exchange rate risk is carried by the Ports Authority. The borrowings are recorded in NZD at the exchange rate at the date of the draw down and are restated using the closing rate at balance date. Any difference in exchange rate fluctuations are recorded in the Statement of Financial Performance. The first draw down was made on 25 May 2010.

Loan 2472 of USD\$8.6 million is fixed for a period of 25 years plus a 5 year interest grace period with repayments commencing on 15 May 2014. Loan 2473 of SDR\$4.5 million is fixed for a period of 24 years plus an 8 year interest grace period with repayments commencing on 15 May 2017.

Loan 2739 is supplementary to L2473 and L2472 for USD\$4.7 million and is fixed for a period of 20 years plus a 5 year interest grace period with repayments commencing on 15 May 2016.



COOK ISLANDS INVESTMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2013

19. TERM LIABILITIES (continued)

Ports Authority

In May 2013 to manage its foreign currency risk, the Ports Authority and the Cook Islands Government have exercised its right under the ADB loan Conversions option, to convert its London Interbank Offered Rate (LIBOR) loans L2472 and L2739 from US\$ currency to be denominated in NZ\$ currency. This enables Ports Authority to manage its finance costs using a mix of fixed and floating rate debt, and provide more certainties on its repayment options.

The ADB Grant (G0249) of US\$800,000 is payable to Ports Authority conditional for the Project to climate proof the new wharf structures from wave actions and forces, design the wharf so that it can be raised from future rising sea levels and design the anchorage points for the fendering system, which works was completed during the period.

20. DEFERRED REVENUE

Deferred revenue includes \$6,640,370 (2012: \$4,617,297) of grants received from the Governments of Cook Islands, New Zealand and Australia, to assist with the development of the port facility in Rarotonga. The revenue will be recognised over the estimated life of the infrastructure in accordance with International Accounting Standard 20 – Accounting for Government Grants.

There is \$503,969 (2012: \$254,673) provided by the Cook Islands Government to be spent on renovating Government buildings.

There is a further lease liability from the sale of property leases by Cook Islands Government Property Corporation \$16,675 (2012: \$18,609)



COOK ISLANDS INVESTMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2013

21. SEGMENTAL INFORMATION

Year ended 30 June 2013

Industry Segments

The Group operates primarily in the property investment and management sectors. It also operates in the utilities sector, consisting of ports and airport services, power supply, and banking.

	Segment Revenues \$000	Segment Results \$000	Segment Assets \$000
Industry Segments:			
Banking	6,548	1,766	67,212
Communications	2,160	1,837	6,607
Power Supply	20,200	667	43,425
Property management	6,671	(2,508)	81,943
Transport	8,165	(202)	76,165
Consolidated	43,744	1,560	275,352
Geographic Segments:			
Cook Islands	43,719	831	274,733
New Zealand	25	729	619
Consolidated	43,744	1,560	275,352

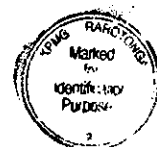


COOK ISLANDS INVESTMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2013

21. SEGMENTAL INFORMATION (continued)

Year ended 30 June 2012

	Segment Revenues \$000	Segment Results \$000	Segment Assets \$000
Industry Segments:			
Banking	6,004	1,214	59,402
Communications	1,969	1,606	5,769
Power Supply	20,855	3,339	38,816
Property management	4,603	(1,510)	79,964
Transport	7,761	(501)	78,799
Events Management	-	(4)	-
Consolidated	41,192	4,144	262,750
Geographic Segments:			
Cook Islands	41,127	4,171	261,199
New Zealand	65	(27)	1,551
Consolidated	41,192	4,144	262,750



COOK ISLANDS INVESTMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2013

NOTE 22: INTEREST RATE REPRICING SCHEDULE

Group 30 June 2013

	Weighted Average Interest	Note	Total	0-6 months	6-12 months	1-5 years	Over 5 years	Non Sensitive
Assets								
Cash on hand and at bank	9.70%		13,854	13,854			-	-
Short term deposits	4.44%		22,496	14,335	2,834	5,327	-	-
Sundry debtors	N/A		1,374	-	-	-	-	-
Banking portfolio investments	10.41%	7,10	44,775	44,775	-	-	-	1,374
Intangible Asset	N/A		110	-	-	-	-	-
Fixed assets	N/A	11	176,212	-	-	-	-	110
Taxation Receivable	N/A	9	406	-	-	-	-	176,212
Dividends receivable	N/A	7	800	-	-	-	-	406
Inventories	N/A	8	5,435	-	-	-	-	800
Accounts receivable	N/A	6	3,418	-	-	-	-	5,435
Related Party Receivable	N/A	7	167	-	-	-	-	3,418
Investment in associate	N/A	13	5,422	-	-	-	-	167
Investment in shares	N/A	14	128	-	-	-	-	5,422
Work in progress receivable	N/A		181	-	-	-	-	128
Deferred tax asset	N/A	16	550	-	-	-	-	181
Future Income Tax Benefit	N/A		24	-	-	-	-	550
Total assets			275,352	72,964	2,834	5,327	-	24
Liabilities & Equity								
Sundry creditors and accruals	N/A	15	3,206	-	-	-	-	3,206
Accounts & VAT payable	N/A		1,543	-	-	-	-	1,543
Related party payable	4.99%	7	14,196	12,696	1,500	-	-	-
Banking customer deposits	3.58%	7,17	34,123	22,055	10,855	1,213	-	-
Bank loan	0.80%	7,18,19	26,763	18,969	-	7,794	-	-
Dividends payable	N/A	7	700	-	-	-	-	-
Customer bonds	N/A		732	-	-	-	-	700
Deferred revenue	N/A	20	7,161	-	-	-	-	732
Deferred taxation liability	N/A	16	1,208	-	-	-	-	7,161
Capital project liability	N/A	7	301	-	-	-	-	1,208
Long service leave accrual	N/A		94	-	-	-	-	301
Equity	N/A		185,325	-	-	-	-	94
Total liabilities & equity			275,352	53,720	12,355	9,007	-	200,270
Interest Rate Gap			-	19,244	(9,521)	(3,680)	-	(6,043)

Group 30 June 2012

	Weighted Average Interest	Note	Total	0-6 months	6-12 months	1-5 years	Over 5 years	Non Sensitive
Assets								
Cash on hand and at bank	0.70%		15,931	15,931	-	-	-	-
Short term deposits	4.90%		16,458	7,320	6,706	2,432	-	-
Sundry debtors	N/A		1,200	-	-	-	-	-
Banking portfolio investments	10.88%	7,10	37,609	37,609	-	-	-	1,200
Property held for sale	N/A		895	-	-	-	-	-
Fixed assets	N/A	11	172,958	-	-	-	-	895
Climate change grant debtor	N/A	7	999	-	-	-	-	172,958
Dividends receivable	N/A	7	600	-	-	-	-	999
Inventories	N/A	8	5,233	-	-	-	-	600
Accounts receivable	N/A	6	3,888	-	-	-	-	5,233
Investment in associate	N/A	13	4,874	-	-	-	-	3,888
Investment in shares	N/A	14	138	-	-	-	-	4,874
Term deposits	6.83%		842	-	-	842	-	138
Work in progress receivable	N/A		180	-	-	-	-	-
Deferred tax asset	N/A	16	538	-	-	-	-	180
VAT receivable	N/A		407	-	-	-	-	538
Total assets			262,750	60,860	6,706	3,274	-	191,910
Liabilities & Equity								
Sundry creditors and accruals	N/A	15	2,879	-	-	-	-	2,879
Accounts & VAT payable	N/A		5,168	-	-	-	-	5,168
Related party payable	4.36%	7	10,930	7,430	-	3,500	-	-
Banking customer deposits	4.63%	7,17	32,378	32,378	-	-	-	-
Bank loan	4.23%	7,18,19	23,585	16,343	-	-	7,242	-
Dividends payable	N/A	7	400	-	-	-	-	-
Customer bonds	N/A		710	-	-	-	-	400
Deferred revenue	N/A	20	4,891	-	-	-	-	710
Deferred taxation liability	N/A	16	1,378	-	-	-	-	4,891
Capital project liability	N/A	7	301	-	-	-	-	1,378
Taxation payable	N/A	9	145	-	-	-	-	301
Deposit held on fixed asset	N/A		100	-	-	-	-	145
Equity	N/A		179,885	-	-	-	-	100
Total liabilities & equity			262,750	56,151	6,706	3,500	7,242	179,885
Interest Rate Gap			-	4,709	-	(226)	(7,242)	(3,947)



COOK ISLANDS INVESTMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2013

NOTE 22: INTEREST RATE REPRICING SCHEDULE (continued)

Parent 30 June 2013

	Weighted Average Interest	Note	Total	0-6 months	6-12 months	1-2 years	Over 5 years	Non Sensitive
Assets								
Cash on hand and at bank	1.25%		292	292	-	-	-	-
Short term deposits	3.98%		2,496	2,496	-	-	-	-
Sundry debtors	N/A		16	-	-	-	-	-
Fixed assets	N/A	11	120	-	-	-	-	16
Related party receivables	N/A	7	133	-	-	-	-	120
Accounts receivable	N/A	6	73	-	-	-	-	133
Dividends receivable	N/A	7	192	-	-	-	-	73
Deferred tax asset	N/A	16	13	-	-	-	-	192
Inventories	N/A	8	23	-	-	-	-	13
Tax receivable	N/A	9	216	-	-	-	-	23
Work in progress receivable	N/A		181	-	-	-	-	216
Total assets			3,755	2,788	-	-	-	967
Liabilities & Equity								
Sundry creditors and accruals	N/A	15	214	-	-	-	-	214
Accounts & VAT payable	N/A		240	-	-	-	-	240
Related party payable	N/A	7	1,504	-	-	-	-	1,504
Customer bonds	N/A		31	-	-	-	-	31
Dividends payable	N/A	7	192	-	-	-	-	192
Deferred revenue	N/A	21	521	-	-	-	-	521
Capital project liability	N/A		301	-	-	-	-	301
Equity	N/A		752	-	-	-	-	752
Total liabilities & equity			3,755	-	-	-	-	3,755
Interest Rate Gap			-	2,788	-	-	-	(2,788)

Parent 30 June 2012

	Weighted Average Interest	Note	Total	0-6 months	6-12 months	1-2 years	Over 5 years	Non Sensitive
Assets								
Cash on hand and at bank	3.65%		789	789	-	-	-	-
Short term deposits	4.20%		235	235	-	-	-	-
Sundry debtors	N/A		23	-	-	-	-	-
Fixed assets	N/A	11	111	-	-	-	-	23
Related party receivables	N/A	7	594	-	-	-	-	111
Accounts receivable	N/A	6	39	-	-	-	-	594
Deferred tax asset	N/A	16	15	-	-	-	-	39
Inventories	N/A	8	36	-	-	-	-	15
Tax receivable	N/A	9	216	-	-	-	-	36
Work in progress receivable	N/A		181	-	-	-	-	216
Total assets			2,239	1,024	-	-	-	1,215
Liabilities & Equity								
Sundry creditors and accruals	N/A	15	198	-	-	-	-	198
Accounts & VAT payable	N/A		154	-	-	-	-	154
Related party payable	N/A	7	543	-	-	-	-	543
Customer bonds	N/A		32	-	-	-	-	32
Deferred revenue	N/A	21	274	-	-	-	-	274
Capital project liability	N/A		301	-	0	-	-	301
Equity	N/A		737	-	-	-	-	737
Total liabilities & equity			2,239	-	-	-	-	2,239
Interest Rate Gap			-	1,024	-	-	-	(1,024)



COOK ISLANDS INVESTMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2013

23. FINANCIAL AND CONTRACTUAL COMMITMENTS

Bank of the Cook Islands Limited

At balance date the Bank had approved loan facilities, which had not been disbursed to the value of \$1,575,154 (2012: \$1,215,905).

Cook Islands Government Property Corporation

Cook Islands Government Property Corporation is a party to long term land leases. Most of these leases are for 20-30 year terms and are perpetually renewable. It has not been possible to disclose the future commitments due to the incomplete nature of the Corporation's records on its leases.

Te Aponga Uira O Tumu-te-Varovaro

During the normal course of business Te Aponga imports fuel, equipment, parts and trading inventory. As a result of these transactions exposures to fluctuations in foreign currency exchange rates arise. The currencies in which Te Aponga primarily deals are the USD, Euro and the Australian Dollar.

Te Aponga had no forward exchange contracts outstanding at balance date.

Te Aponga had the following foreign currency assets and liabilities:

Foreign Currency	Currency	NZD 2013	NZD 2012
Cash at bank	USD	4,074,193	102,291
Cash at bank	AUD	1,288	1,375
Cash at bank	EUR	6,817	6,327
Trade Creditor	EUR	308,143	6,747
Trade Creditor	AUD	77,523	111,776
Trade Creditor	FJD	4,201	-

There are no funds committed for future capital expenditure as at 30 June 2013 (2012: Nil).

Airport Authority

The authority has a lease for the hire of a baggage X-ray unit with an annual cost of \$42,360.

The lease is for five years commencing 22nd November 2011. Future obligations have been included in note 24.



COOK ISLANDS INVESTMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2013

24. OPERATING LEASE OBLIGATIONS

Obligations payable after balance date on operating leases not subject to cancellation (excluding Cook Islands Government Property Corporation land leases - see Note 25) are as follows:

	Group 2013 \$000	Group 2012 \$000
Within one year	100	57
One to two years	100	57
Two to five years	232	172
Beyond five years	1,005	1,003
	<u>1,437</u>	<u>1,289</u>

25. CONTINGENT LIABILITIES

The Group entities are currently aware of the contingent liabilities listed below. Various contingent liabilities may have arisen in the subsidiaries prior to the establishment of the Corporation of which the directors have not been advised.

Uncalled Capital

Asian Development Bank – the Corporation has a further 88 uncalled shares. The shares have a par value of USD\$13,500 each.

Land Warrant

In 2008 the Corporation initially entered into a Lease for 60 years for a parcel of land situated on Tepuka Section 106C. It paid consideration of \$525,875 to the Church for the granting of the Lease. The purpose of obtaining the Lease was to construct an indoor multi sports complex. The funding of the same was from Chinese Aid. As a result of challenges to the legal validity of the Lease by descendants of historical landowners the Government took the land by Warrant pursuant to Section 357 of the Cook Islands Act 1915. In taking the land by warrant the Government was legally obliged to compensate the CIC Church as Landowners for the compulsory acquisition. An application to determine compensation and seeking some \$2.75m was filed in the High Court. That application has not been heard.

If and when the Court determines the amount of compensation, this will become a crown liability pursuant to Section 24 of the Crown Proceedings Act 1950 and there will be no opportunity to fall back on the Lease position. Consequently the Corporation has prepared a briefing paper for Government to re-consider its options including revoking the warrant taking the land before compensation is determined and /or paid and falling back onto the Lease.



COOK ISLANDS INVESTMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2013

25. CONTINGENT LIABILITIES (continued)

Cabinet resolved, CM(11) 0371, on 12th September 2011 to revoke the warrant and continue with its Lease the consideration of which has been paid in full. The compensation application was called in the October Land Court session where the corporation believed that the proceedings would be struck out save as to costs. Instead the matter was adjourned for submission to be filed and served by the Church on or before 31st January 2012 and for the Corporation to respond taking the land was revoked or whether the Lease remained extinguished having been extinguished when the land was taken by warrant. If the latter then the Corporation does not have a lease nor owns the land by warrant (i.e. has no legal interest in the land) but will have to pay legal costs of approximately \$60,000.

To date there has been some correspondence with the church but they have not filed a submission.

The Corporation may cover the Church's legal costs in order to bring the proceedings to an end. This is estimated to be up to \$40,000.

In relation to the Australian maritime surveillance houses on the Tepuka land in late 2011 the Church requested that the Corporation enter into a new lease for the houses or vacate the properties. The Church has requested \$960,000 for new leases plus \$450,000 for back rentals from 1999. The Corporation dispute both these claims and their position is that these houses were never surrendered in 1999 and both parties have acted at all times as if there was no surrender of these properties in 1999. The Corporations through its lawyer has written to the Church outlining its position and supporting evidence. To date there has been no response from the Church's lawyer on this.

There were no further contingent liabilities as at balance date.

26. ULTIMATE OWNER

The ultimate owner of the Corporation is the Government.

27. GOING CONCERN

Within the Group, the Bank of Cook Islands manages it's liquidity by ensuring there are sufficient cash reserves maintained at all times to meet liquidity requirements likely to arise, taking into consideration historical trends. The Bank has the right to redeem term deposits within 48 hours if required to meet client withdrawal requirements.

Cook Islands Government has provided a letter of support stating that they aren't aware of any immediate intention to claim payment from Cook Islands Property Corporation (NZ) Limited of any part of the \$637,252 owed.

These financial statements have been prepared on the going concern basis. The Corporation is ultimately dependent on the support of the Government. In addition, the liquidity of the Corporation is inherently dependent on the proceeds from the management and disposal of its assets, the value and potential returns of which are uncertain. Despite this, there are no known matters that suggest the support of the Government will be withdrawn or that the proceeds from the asset management and disposal process will be insufficient to meet the requirements of the Corporation for the foreseeable future. The going concern basis is therefore considered appropriate.



COOK ISLANDS INVESTMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2013

28. ASSET HELD FOR SALE

An offer to purchase the Symonds St Property for \$1,610,000 was accepted during the 2012 period. A deposit of \$100,000 was received prior to 2012 year end. Final settlement and possession took place on 26th October 2012. A related party, the Cook Islands Consulate was able to occupy the top floor of Symonds Street, rent free, until 30th June 2013.

As at 30th June 2012, the company still held legal title of the property and continued to receive rental income from Symonds St. As such the sale of the property was not recognised in the 2012 financial statements, however the asset was reclassified to held for sale in line with SSAP-17 Accounting for Investment Property & Properties Intended for Sale.

Until the sale was finalised during 2013, the property continued to be measured at carrying value being the lower of carrying value and fair value.

There are no assets held for sale at 30 June 2013.

29. SUBSEQUENT EVENTS

On 20th October 2013, a group of classrooms at Avatea School, Nikao were destroyed by fire.

Subsequently \$448,325 (incl VAT) has been received from Willis Insurance in relation to the Avatea School fire claim.

There have been no other events subsequent to balance date which would materially affect the financial statements.

