



COOK ISLANDS INVESTMENT CORPORATION  
**STATEMENT OF CORPORATE INTENT**  
————— 2018-2021 —————

# PROFILE

<b>ENTITY</b>	Cook Islands Investment Corporation
<b>ADDRESS</b>	MFEM Building, PO Box 51, Avarua, Rarotonga, Cook Islands
<b>WEB ADDRESS</b>	<a href="http://www.ciiconline.com">www.ciiconline.com</a>
<b>OWNERSHIP</b>	Crown owned entity, established under the Cook Islands Investment Corporation Act 1997
<b>BOARD</b>	Chairman, Mr Michael Henry Director, Ms Caren Rangī Director, Mr Malcolm Sword
<b>EXECUTIVE MANAGEMENT</b>	Chief Executive Officer, Mr Petero Okotai General Manager, Mr Tamarii Tutangata Chief Financial Officer, Mr Allan Jensen
<b>SUBSIDIARIES (100% OWNED)</b>	Cook Islands Government Property Corporation Airport Authority Ports Authority Te Aponga Uira o Tumu te Varovaro Cook Islands Broadcasting Corporation Bank of Cook Islands Holdings Corporation Bank of Cook Islands Limited Banana Court Limited Cook Islands Telecommunications Holdings Limited Cook Islands Telecommunication Assets Limited Aitutaki Power Supply Limited To Tatou Vai Limited Avaroa Cables Limited Suwarrow Development Corporation Limited* Development Finance Limited*
<b>ASSOCIATES</b>	CIIC Seabed Resources Limited [50% owned] Telecom Cook Islands Limited (T/A Bluesky) [40% owned]

# CONTENTS

<b>PROFILE</b>	<b>2</b>
<b>MILESTONES</b>	<b>4</b>
<b>DELIVERING FOR THE COOK ISLANDS</b>	<b>6</b>
<b>PURPOSE</b>	<b>7</b>
<b>VISION</b>	<b>7</b>
<b>OUR CONTRIBUTION TO GOVERNMENT PRIORITIES</b>	<b>8</b>
<b>OPERATING ENVIRONMENT</b>	<b>10</b>
<b>FINANCIAL FORECAST</b>	<b>14</b>
<b>KEY PERFORMANCE AREAS</b>	<b>16</b>
<b>OUR SOES AND CCES</b>	<b>26</b>
<b>OUR CONTRIBUTION TO THE COOK ISLANDS</b>	<b>28</b>
<b>APPENDIX 1: DETAILED FINANCIALS</b>	<b>30</b>
<b>APPENDIX 2: ACCOUNTING POLICIES</b>	<b>32</b>
<b>APPENDIX 3: GLOSSARY</b>	<b>33</b>

# MILESTONES

(CONT.)

## RECENT MILESTONES ACHIEVED

A small sample of recent milestones and achievements.

### LAND REVIEWS

The Legal and Land Division of CIIC has diligently worked to resolve the majority of historical land rental and warrant matters on Rarotonga and Aitutaki, most of which had been outstanding for over 30 years. These land matters relate to land that the Crown has the right to occupy (lease) or land that was taken by warrant, and CIIC has made it a priority to address these long standing issues in ensuring that CIIC continue their partnerships with landholders going forward in good faith and the government continue the historical partnerships that have allowed government to provide services for the public. Each land matter requires in-depth research, extensive consultation and negotiation with landowners and processing through the Land Court.



### TEREORA COLLEGE

The Prime Minister of the Cook Islands the Hon. Henry Puna, along with the Prime Minister of New Zealand, Rt. Hon. Jacinda Ardern, officially opened the new Student Research & Administration and Technology Blocks at Tereora College on Thursday the 8th of March 2018. The 14 million dollar project was co-funded with the New Zealand (as a gift presented to the Cook Islands as part of the 50th Constitution celebrations) and Cook Islands government and was managed by CIIC's Specials Project Unit.

### STRENGTHENING CORPORATE GOVERNANCE

CIIC has put in place a formal development program for its directors working with the New Zealand Institute of Directors to develop essential governance training. Alongside director development the CIIC has invested in executive development with the hosting of its first executive education program of its kind with faculty from the Oxford Business School Negotiations program in the Pacific.



### APII NIKAO

The PM of the Cook Islands, Hon. Henry Puna, along with the Ambassador for the People's Republic of China to the Cook Islands Her Excellency Wu Xi, opened Apii Nikao School on Friday the 4th of May 2018. The school can cater for 500 students. The Special Projects Unit managed this project. The project cost was approximately \$15m and was funded predominately by the Chinese Government.

## UPCOMING MILESTONES

A small sample of upcoming milestones.

### ASSET MANAGEMENT

Crown assets and their efficient management is a significant responsibility, both operationally and financially, across government agencies. CIIC has recently recruited a dedicated Asset Management Officer and secured significant technical assistance from the New Zealand government. CIIC will be launching at the commencement of 2018/19 a comprehensive programme in asset management (AM) across the country aimed at mainstreaming the management of public assets within the next two years.



### AITUTAKI SOLAR

Aitutaki Power Supply (APS) is a subsidiary of CIIC. APS, with the OPM's Renewable Energy Team, will be installing a solar farm beside the APS power station. The first stage of this project is expected to be completed by the end of 2018 and is expected to generate approx. 30% of Aitutaki's power needs.



### SUBMARINE CABLE

A subsidiary of CIIC, Avaroa Cable Limited is managing the Cook Islands Manatua cable project on behalf of the Cook Islands Government. The project will bring faster and more affordable internet to the Cook Islands. The project is funded by NZ Aid, and an ADB loan. The Manatua Submarine cable will link Samoa and French Polynesia and includes spurs to the Cook Islands (Rarotonga and Aitutaki) and Niue. The project is expected to be concluded in late 2020. There will be significant work undertaken over the next 2 years (including constructing a landing station, policy, pricing) to bring this project to fruition.



### TO TATOU VAI

A subsidiary of CIIC, To Tatou Vai (TTV) Limited will be managing water and sanitation on behalf of the Cook Islands. TTV will acquire the water and sanitation assets in the near future. This includes the recently concluded Te Mato Vai Stage 1 works and the recently commenced Stage 2 works incorporating the upgrade of 10 intakes around Rarotonga. CIIC has established a Board to manage this entity and TTV are currently recruiting a CEO.







# DELIVERING FOR THE COOK ISLANDS

## Kia orana kotou katoatoa,

We are proud to present the Cook Islands Investment Corporation (CIIC) Statement of Corporate Intent (SCI). The CIIC SCI covers the period from June 2018 through to 2021.

The SCI contains the organisation's strategy, vision, achievements, financial targets and key performance areas.

The SCI shares with you the many accomplishments that CIIC has achieved in recent times, including the completion of two cornerstone projects; Tereora College and Apii Nikao Schools. These assets will ensure our children are well equipped for their futures

and will serve the Cook Islands for many generations to come.

The SCI shares with you the CIIC and wider Group plans for the future. The organization has been strengthened and realigned to meet the numerous challenges and capitalize on the opportunities for the Cook Islands. E tau te rave angaanga i tana tutaki. If you work hard you will be rewarded. The organization and Group are ready to achieve what has been outlined to deliver for the Cook Islands.

Kia orana e kia manuia.

[signature]

30 June 2018

**Mr Michael Henry**  
Chairman

[signature]

30 June 2018

**Mr Petero Okotai**  
Chief Executive Officer

[signature]

30 June 2018

**Mr Tamarii Tutangata**  
General Manager

## PURPOSE

This Statement of Corporate Intent outlines the driving vision for the Cook Islands Investment Corporation (CIIC/the Corporation), our mission, priorities and strategic objectives for the next three years. It is a document for our

stakeholder to understand what we have been doing (in the last year) what we are going to do (over the next three years) and what our priorities are (key performance areas).

## VISION

The vision that we aspire to contribute to is:

***Ta'anga'anga e te akono tau tikai i te au apinga puapinga a te katoatoa no te akameitaki'anga i te ora'anga o te iti tangata Kuki Airani.***

***"Effective and efficient public assets that improve the wellbeing of Cook Islands people."***

By **efficient** and **effective** we mean well managed and operated consistent with modern commercial practices and good governance principles.

By public assets we mean land, properties, infrastructure and utilities that are owned by the Crown, for the benefit of the Cook Islands people. They include:

- Crown and leased land, Government houses and buildings,
- the Ports and Airports of Rarotonga and Aitutaki,
- Te Aponga Uira Power Authority and Aitutaki Power Supply,

- the Bank of the Cook Islands,
- investments in reticulated Water and Sanitation,
- Avaroa Cables,
- Punanga Nui Market; and
- Seabed mineral assets.

By **improving the wellbeing of Cook Islands people** we mean adding value to the lives of Cook Islands people and meeting Government's social policy objectives.

In achieving our vision we recognize two important elements of our business defined by two distinct components of the Corporation.

Lead the governance, growth and development of crown enterprises in the effective and efficient delivery of services to the public.

Lead the effective development and maintenance management of crown assets thus contributing towards ensuring the sustainable improvement of standard of living for all Cook Islanders.

# OUR CONTRIBUTION TO GOVERNMENT PRIORITIES

(CONT.)

The CIIC has a vast scope of responsibilities with technical ownership of all crown assets and contributing to national development across a number of areas.

The 2020 National Vision is:

***“Te oraanga tu rangatira kia tau ki te anoano o te iti tangata, e kia tau ki ta tatou peu Maori e te aotini taporoporoia o te basileia.”***

***“To enjoy the highest quality of life consistent with the aspirations of our people, and in harmony with our culture and environment.”***

The National Sustainable Development Plan (NSDP) is developed from the 2020 National Vision. The NSDP sets out 16 dimensions of the country's development and provides an outline to measure state

progress, with the NSDP goals used as an organizing tool in defining what is important to Cook Islanders.

The NSDP Goals to which the CIIC contribute directly are:



## GOAL 1: IMPROVING WELFARE AND REDUCING ECONOMIC HARDSHIP

CIIC provides public housing often to families that the market does not provide to and fills an important role in providing housing for Cook Islanders.



## GOAL 2: ECONOMIC GROWTH, RESILIENCE AND PRODUCTIVE EMPLOYMENT

The successful delivery of services by our SOE's such as Ports, Airport, and TAU are crucial in the growth and development of the economy.



## GOAL 4: WATER AND SANITATION

CIIC are responsible for the establishment of a corporate crown entity that will manage reticulated water and waste water.



## GOAL 5: INFRASTRUCTURE AND INFORMATION AND COMMUNICATION TECHNOLOGY

CIIC houses the secretariat for the infrastructure committee and is also responsible for the establishment of a State Owned Enterprise to manage the submarine fiber optic cable.



## GOAL 6: ENERGY AND TRANSPORT

CIIC is the parent company for both TAU and Aitutaki Power Supply and working closely with them in efforts to maximize renewable energy conversation.



## GOAL 12: OCEANS AND MARINE RESOURCES

By way of the Cook Islands Government Property Corporation Act 1969, CIIC are owners of the marine resource. As such we sit on the Marae Moana council and ensuring the regulatory framework for deep Sea mineral mining is developed and optimized to reflect the best long term interests of the Cook Islands.



## GOAL 13: CLIMATE CHANGE AND DISASTER RESILIENCE

CIIC has responsibility for the maintenance of government buildings and facilities throughout the Cook Islands as well as being a focal point for government's asset management system. Thus CIIC works to ensure that government facilities and assets are accounted for and are resilient to support Cook Islands communities against the impacts of climate change.



## GOAL 16: GOVERNANCE, LAW AND ORDER

CIIC is responsible for the governance of state owned enterprises and corporate crown entities. This means ensuring entities act in accordance with government policy and putting in place policies and procedures to ensure these entities are effectively managed and act in the best long Term interest of the country.

## SOCIO-ECONOMIC SETTING

The Cook Islands has experienced sustained steady economic growth driven by continued growth in tourism for more than a decade. Coupled with this growth the government has undertaken an ambitious infrastructure development program which includes:

- Te Mato Vai Project (starting 2012)
- National Renewable Energy Program
- Manatua Submarine Fibre Optic Cable
- Mei Te Vai Ki Te Vai (Muri/Rarotonga Sanitation) Project

CIIC plays a critical role in:

1. the development and design of these projects, sitting on the project steering groups and ensuring that infrastructure is designed and built in line with international

best practice, and;

2. establishing statutory entities to operate and effectively managing these infrastructure projects once they are complete, to provide high quality, sustainable service to the public.

CIIC also is pivotal in the implementation of a number of policies including:

- The Corporate Enterprise Policy
- The National Water Policy
- The Renewable Energy Road Map
- The National Infrastructure Plan
- The Joint National Action Plan for Climate Change Mitigation and Disaster Risk Management
- The Cook Islands Seabed Minerals Policy



# OPERATING ENVIRONMENT

(CONT.)

The CIIC was established in 1998 through the Cook Islands Investment Corporation Act at a time when the country was responding to the severe national financial crisis and was driven by the need to downsize and rationalise functions.

The Act explicitly states two functions of CIIC:

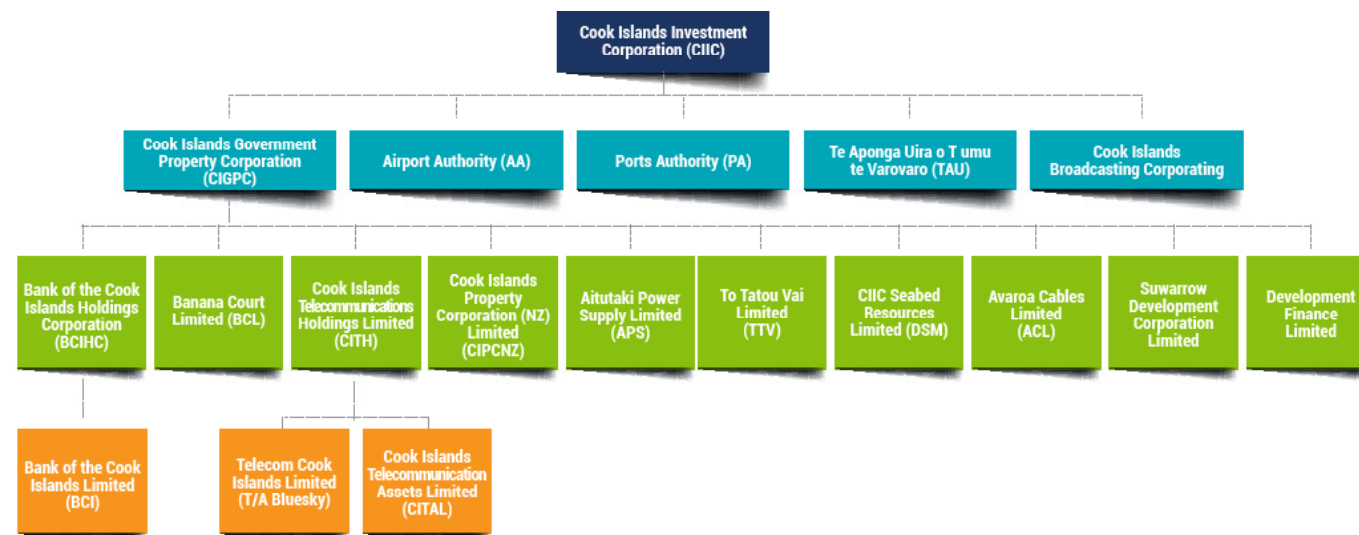
1. Management of statutory entities, and
2. Facilitate the disposal of Assets.

Since the crisis, the economy has rebounded with sustained steady growth which has shifted the emphasis of CIIC's mandate from "disposal" to "development and management"

thus necessitating the need for a significant review of CIIC's institutional arrangements.

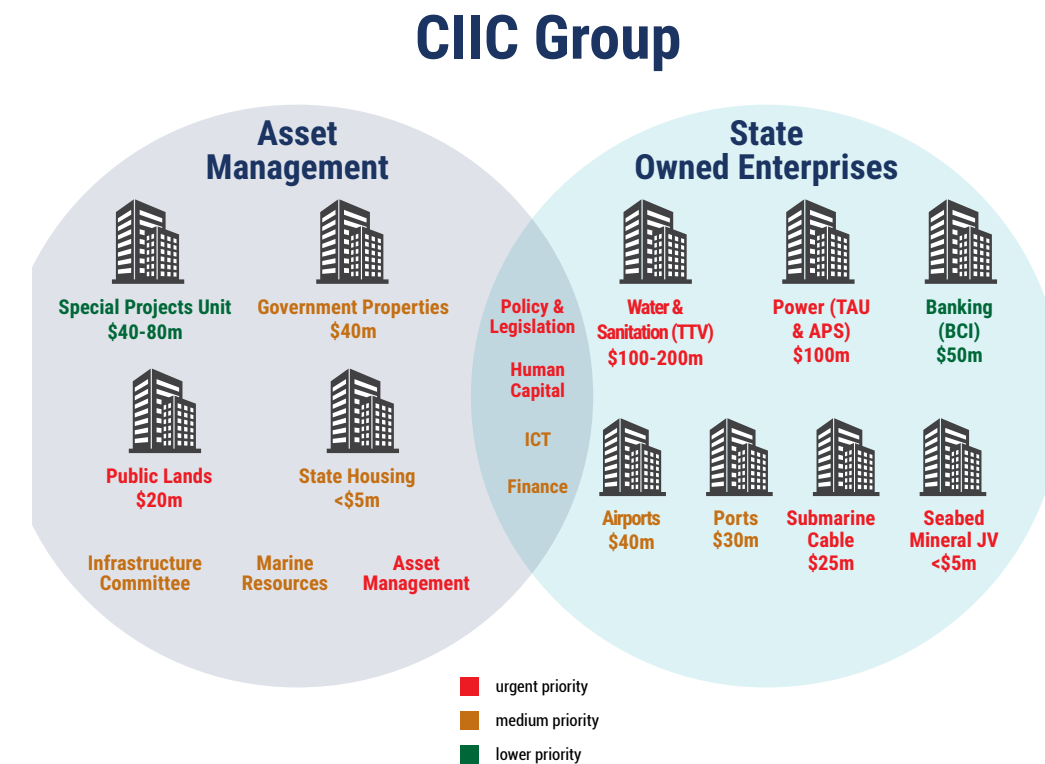
Today, CIIC has a portfolio of assets (book value) of over \$300 million, with a broader responsibility of risks of nearly a billion dollars in the medium term (3-5 years), including a number of large infrastructure projects outlined in this SCI.

Below is an illustration of the portfolio of organisations and various entities (subsidiaries, associates, SOEs and Crown Controlled Entities) across the CIIC Group:



The CIIC Group constellation diagram below outlines:

- its two main functional areas,
- its shared functions
- responsibilities that sit under each functional area, along with their respective priorities



Recognising the diverse environment, responsibilities and priorities that CIIC operates under today, coupled with integrating modern organizational design and management thought, the CIIC's Board in 2017 after consultation with key agencies, reviewed its institutional arrangements to strengthen and align the organization to best serve the people of the Cook Islands.

The realignment and strengthening of CIIC divides its operations into two key components:

1. CIIC - The governance, growth and development of crown enterprises
2. Asset Management (of lands, seas, properties and housing)

The realignment allows delegated responsibility to a new position of General Manager for asset management responsibilities to lead activities in that area allowing the CEO to focus on the responsibilities pertaining to the management and governance of crown enterprises.

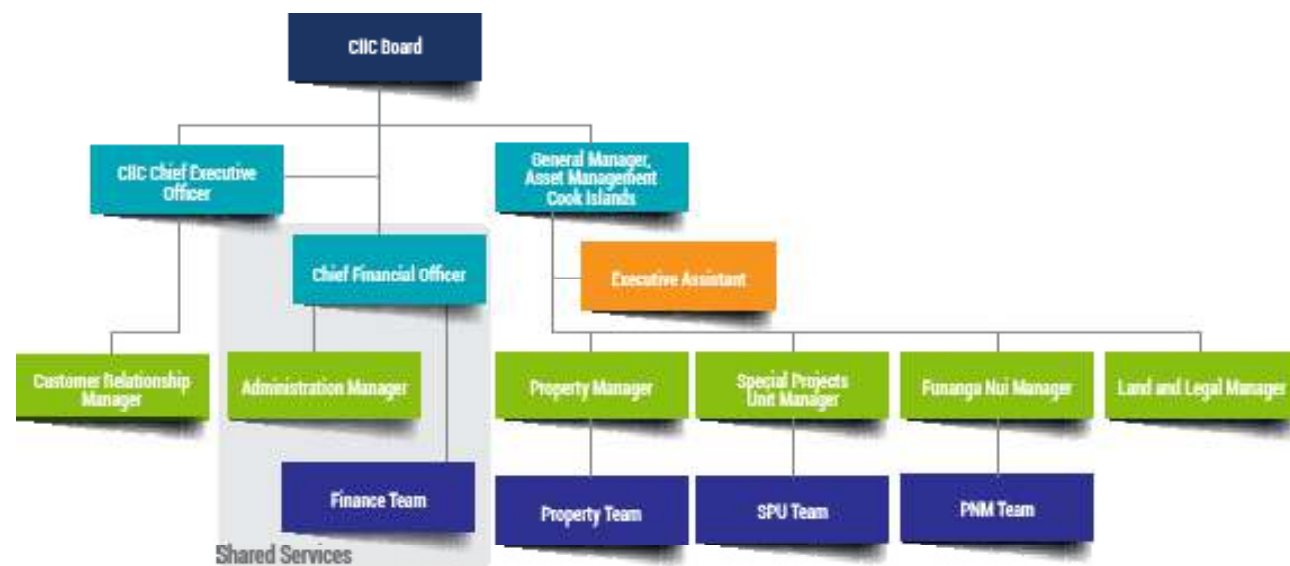
We believe that this new orientation and investment is crucial and its growing responsibilities will allow the organisation to be proactive in responding to the numerous and significant adaptive challenges.

The below organizational chart outlines the human resources employed to fulfill CIIC's responsibilities:



# OPERATING ENVIRONMENT

(CONT.)



The Crown Enterprise division of the business is led by the CEO, Petero Okotai. The division is responsible for governance, growth and development (incubation) of Crown enterprises.

The Asset Management division of the business is led by the GM, Tamarii Tutangata. The division is responsible for asset management of CIIC (Crown land, seas, properties and housing). The Property Team is responsible for maintenance of Crown buildings and facilities management. The Special Projects Unit is responsible for the development (design and build) of selected Crown infrastructure projects. The Punanga Nui Market Team is responsible for the management of the Punanga Nui market. The Land/Legal Team is responsible for legal

matters of Crown land and the enterprise.

The Shared Services division of the business is led by the CFO, Allan Jensen. The division is responsible for supporting both the Crown Enterprise and Asset Management divisions. The division is resourced with a Finance and Administration Team.

CIIC operates a robust risk management system. The Board schedules on its detailed annual workplan an organizational risk deep dive session quarterly. This is undertaken at a Parent organizational level and a Group level.

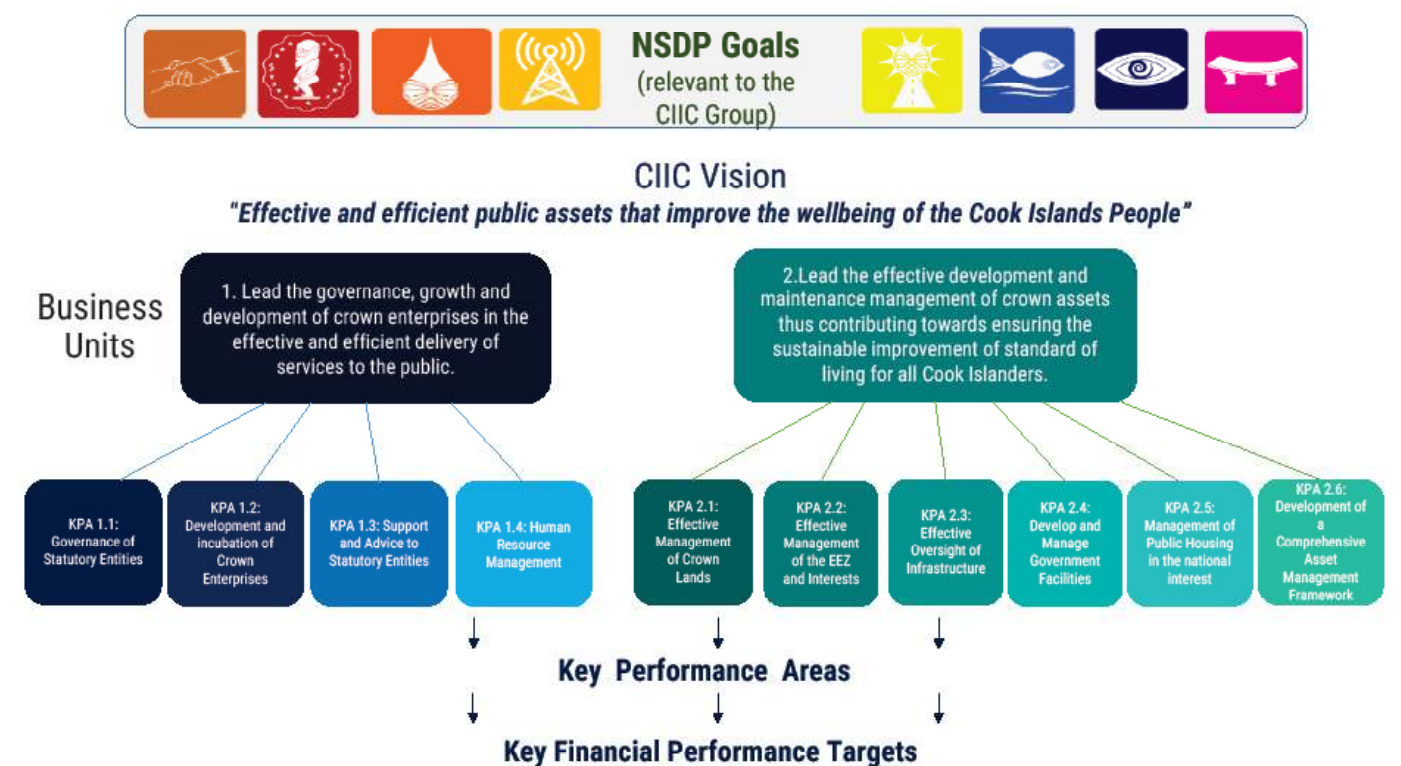
Risks are measured according to its likelihood and severity. The below diagram illustrates the risk rating methodology. CIIC's key risks are illustrated in the below table

Likelihood	Consequence				
	Insignificant	Minor	Moderate	Major	Catastrophic
Almost Certain	1	2	3	4	5
Likely	2	3	4	5	6
Possible	3	4	5	6	7
Unlikely	4	5	6	7	8
Rare	5	6	7	8	9

Risk	Rating
Broad functions of CIIC & priorities thereof	High
Natural disasters	High
Parent Funding from Government	High
Political stability	Significant
Inter-group and inter-division alignment	Significant
Human resource	Significant
Access to debt funding for growth	Significant
Economic downturn	Significant

Work is being undertaken to ensure that a robust and effective risk culture is embedded across all levels within the organization.

The relationship between the Government's NSDP goals, CIIC's strategy, key performance areas and key financial performance targets is illustrated in the diagram below:





# FINANCIAL FORECAST

(CONT.)

The CIIC Group's financial performance targets are aligned to its strategy. The CIIC Group vision is to contribute to the "effective and efficient public assets that improve the wellbeing of Cook Islands people." The financial performance targets therefore centre on achieving good returns for its activities (return on equity), coupled with providing wider benefits to the community (community service costs as a % of revenue) and prudent fiscal management (debt to assets). The financial performance targets also align to the entities across the Group.

The key financial performance targets of the CIIC Group are as follows:

Group	Note	2017 Actual	2018 Fcast	2019 Budget	2020 Budget	2021 Budget
Return on equity	1	4.9%	5.5%	5.5%	5.5%	5.5%
CSC / revenue %	2	6%	6%	5%	5%	5%
Debt to assets	3	40%	<45%	<45%	<45%	<45%

The above table shows that:

- In recent years, the CIIC Group has delivered steady profits (returns) and cash flows, while continuing to provide community services at its own cost and investing in critical infrastructure for the Cook Islands.
- The CIIC Group's medium term return goals are to achieve returns on equity of 5.5% (slightly up on existing levels of 5%), a bold target considering the capital expenditure expansion being planned across the Group.
- The CIIC Group's medium term financial stewardship goals is to keep debt levels under 45% (slightly up on existing levels of 40%), though again a bold target considering the capital expenditure expansion being planned across the Group.

The key financial performance targets of CIIC the Parent are predicated on CIIC's functional deliverables (to develop and maintain government land and buildings), which are distinct to that of the wider group. The financial performance targets are therefore predicated on what the corporation delivers to the wider community and financial prudence.

The key financial performance targets of the CIIC Parent are as follows:

Group	Note	2017 Actual	2018 Fcast	2019 Budget	2020 Budget	2021 Budget
CSC / revenue %	2	2%	5%	5%	5%	5%
Current ratio	4	1.2	>1.2	>1.2	>1.2	>1.2
Debtors days	5	84	>50	>50	>50	>50

The above table shows that:

- In recent years, the CIIC Parent has delivered community services at its own cost (community service costs). CIIC Parent's medium term return goal is to maintain its existing levels of community service cost levels.
- Managed its cash reserves effectively, albeit with high level of debtor days.
- CIIC Parent's medium term financial stewardship goals are to keep its current ratio at its existing levels and to significantly improve debtor collection rates.

CIIC Group dividends to the Crown has historically been predicated on 35% of net profit after tax at an SOE level and these have been paid direct from its SOEs directly to the Crown each financial year. Recently, a policy was developed prescribing dividend parameters between CIIC and the Crown, however protocols have yet to be developed.

The below table shows actual and projected tentative dividends to be paid to the Crown, based on a business as usual model and conservative estimates of SOE earnings.

Parent (000's)	Note	2017 Actual	2018 Fcast	2019 Budget	2020 Budget	2021 Budget
Dividends paid to Crown		2,336	3,200	2,500	2,500	2,500

CIIC intends to engage with the Crown about formalizing dividend protocols for the CIIC Group.

It is proposed that the dividend protocol will:

- be at a Group level,
- provide a robust earning stream to the Crown,
- optimise performance and re-investment, and
- ensure the Parent, CIIC is resourced equitably and effectively to drive the sector forward.

CIIC, through CIGPC and its SOEs and CCEs, manages a broad range of investments, properties, business operations and other assets. The acquisition and disposal of assets is part of the normal course of business of statutory corporations. CIIC will authorise the purchase of fixed assets that are required to maintain the safety standards and the sustainable operations of the corporation and its subsidiaries. All major asset sales will be made with due regard to Part VII of the CIIC Act. Asset sales in the normal course of business are included as part of the capital expenditure budgets. CIIC recognises its obligations under section 27 of the Act and believes the intentions set out in this statement will result in full compliance with that section of the Act. There is no intention, at this point in time, to sell any assets that provide essential public services or are substantially a monopoly.

## Understanding our financial targets:

- Return on equity (ROE):** Illustrates the return generated from shareholder capital. The higher the percentage, the more money or value the Group generates for its shareholder, the Cook Islands Government. People will generally compare this number to what they could earn if their money was put in the bank. A 5 to 6% return may be considered reasonable when considering the nature of this Group. Firstly, the Group has key deliverables other than purely delivering a profit return, ie. the Group is expected to deliver services to the community and these costs are not recoverable. Secondly, the majority of the Group is predicated on long term infrastructure assets, generally generating lower, however a certain return level (compared to higher risk, higher return investments).
- Community Service Costs / revenue %:** Illustrates how much the Group gives back to the community. An important part of CIIC's functions and its Statutory Entities is to contribute back to the community. Translating the % into every \$100 can be a good descriptor to the general public for example, in 2017, for every \$100 of revenue, the CIIC Group spent \$6 towards community service costs, such as providing power for street lighting, Churches, providing outer Island banking etc.. The return on equity % should be read in conjunction with the CSC / revenue %.
- Current ratio:** Mainly used to give an idea of an entity's ability to pay back its liabilities (debt and accounts payable) with its assets (cash, marketable securities, inventory, and accounts receivable). As such,

the current ratio can be used to make a rough estimate of a company's financial health. A current ratio greater than 1 is considered a minimum requirement. A current ratio significantly higher than 1, may be considered not the best use of funds, as returns are usually higher on non-current assets (term investments and the like).

- Debt to assets:** The debt to total assets ratio is an indicator of financial leverage. It indicates the percentage of total assets that are financed by creditors, liabilities or debt. The debt to total assets ratio is calculated by dividing total liabilities by its total assets. The view of acceptable debt to assets levels vary according to company and industry. Public companies tend to favour lower levels of debt compared to private enterprise. However, utility, infrastructure organisations tend to carry large debt levels to finance high capital expenditure requirements, which are offset by reliable revenue streams.
- Debtor days:** Describes how quickly cash is being collected from debtors or people that owe us money. The longer it takes for a company to collect, the greater the number of debtor days. Debtor days can also be referred to as the Debtor collection period. Retail organisations typically have low debtor days (ie <15 days) as their credit terms are generally cash or 7 days. Wholesale businesses generally have debtor days of 30 – 40 days, with credit terms generally of 20th of the month following. There are improvements required to address CIIC's debtor portfolio and debtor days.



# KEY PERFORMANCE AREAS

(CONT.)

## 1. The governance, incubation and development of crown enterprises in the effective and efficient delivery of services to the Public

### 1.1 Governance of Statutory Entities

One of CIIC's core functions is the "management and control of statutory entities" as stated in the 1998 CIIC Act. This is a specific and crucial role as these entities are 'quasi-governmental organizations that are intentionally kept at arm's length from the government and Cabinet so that they can independently pursue their legislated mandates.

CIIC aims to be proactive in the management of these investments by creating structures and systems for the sustainable management and maintenance of these assets.

CIIC have also rolled out a "Corporate Development Program to strengthen governance for all entities (full details are contained in the Corporate Development Program Manual).

A summary of key performance activities as follows:

- **Legislative and policy**
  - 2017/18
    - > Refine CIIC & SOE Acts
  - 2019/20
    - > Standardise financial policies
- **Human resource development**
  - 2017/18
    - > Establish director database
- **Performance management framework**
  - 2017/18
    - > Establish KPIs for all statutory entities
  - 2018/19
    - > Implement Performance Management Framework

### 1.2 Development and incubation of Crown Enterprises

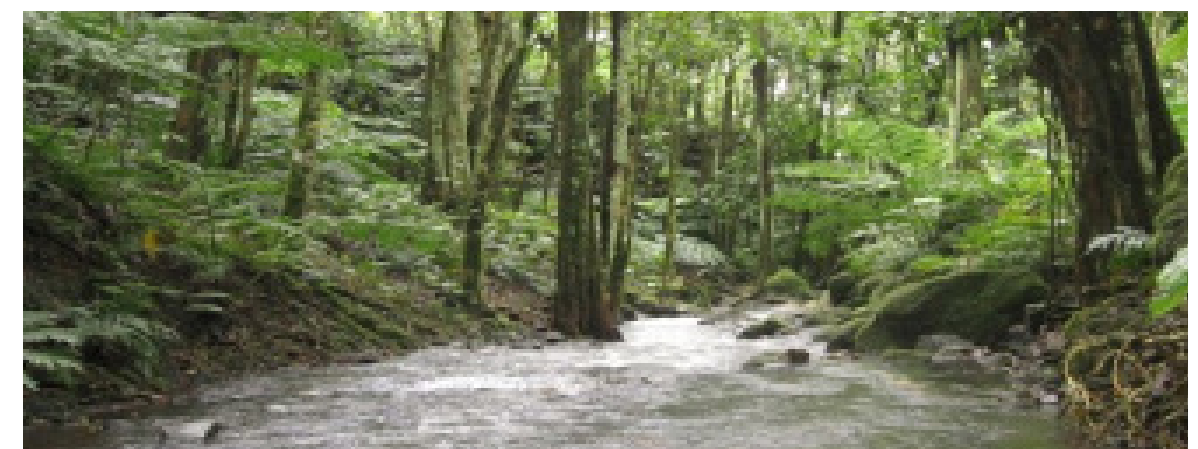
The Crown has a diverse portfolio of interests that sit under CIIC. It is CIIC's role to ensure these assets are developed and managed in the most effective and efficient manner. CIIC's responsibilities have grown with the incorporation of a water and waste water services entity, the advancement of DSM (Including the establishment of a joint venture representing Cook Island interests) and the establishment of a new SOE for the new submarine fibre-optic cable.

What this means for CIIC in practice is:

- taking the lead role in the development (through incorporation and legislation),
- the development of the institutional frameworks,
- liaising and negotiation with relevant stakeholders (ministers, government agencies, landowners etc) in developing a viable environment for operations (e.g. To Tatou Vai)
- identify opportunities and facilitate sharing of resources across the broader CIIC group.

A summary of key performance activities as follows:

- **New entity establishment**
  - 2017/18
    - > Integrate PNM
    - > Integrate APS
    - > Establish TTV
    - > Establish ACL
  - 2018/19, 2019/20
    - > Refine TTV
    - > Refine ACL
- **Business development**
  - 2017/18, 2019/20, 2020/21
    - > Deep sea mineral BD



# KEY PERFORMANCE AREAS

(CONT.)

## 1.3 Support and Advice to Statutory Entities

In ensuring the effective management of statutory entities the CIIC has a role in not only regulating their performance but also assisting them in providing advice and facilitating their range of services. This includes assistance to improve their effectiveness day to day (through strategic advice and support) but also in managing major and key risks.

### 2017-18

- CIIC is now facilitating monthly meetings with all CEO's from statutory entities and bi-monthly meetings with senior financial staff of the entities

### Future Outlook (2018-2020)

- Further collaboration on Planning and Budgeting
- Collective effort to develop a commercial credit and borrowing facility for statutory entities (distinct from government's public debt)
- Support APS and TAU in their efforts to implement Renewable Energy in Aitutaki and Rarotonga respectively
- Development of PPP (Public Private Partnership) Policy for SOE's and the broader Cook Islands Government

A summary of key performance activities follows:

- **Collaboration**
  - 2017/18
    - > CEO and CFO forums established
- **Procurement**
  - 2017/18
    - > Boardbooks and insurance programmes
  - 2018/19
    - > Other procurement initiatives pursued
- **Financing**
  - 2017/18
    - > Develop PPP policy
  - 2018/19
    - > Collaborate on planning and budgeting
    - > Develop commercial credit strategy
  - 2019/20
    - > Develop group treasury

## 1.4 Human Resource Management

As stated in the preceding KPA, CIIC has a role in not only regulating statutory entity performance but also assisting the Group to organize its collective scale in providing advice and facilitating a range of services, including Human Resource Management.

### 2017-18

- CIIC continued with its program of professional development of directors with the NZ Institute of Directors risk essentials" workshop training program,
- In early 2018 CIIC also facilitated the hosting of a "negotiations workshop" with faculty from the Oxford Said business school, the first part of an executive development program.

### Future Outlook (2018-2020)

- Development of a joint Human Resource Management and remuneration framework
- Further Executive Development and training

A summary of key performance activities follows:

- **Strategic HR Management**
  - 2017/18
    - > Develop Group Rem guidelines
    - > Collaborate on establishing Group HRM approach
  - 2018/19
    - > Identify strategic pathways
- **Executive development and training**
  - 2017/18
    - > Negotiations workshop
  - 2019/20
    - > Key profession strategy





# KEY PERFORMANCE AREAS

(CONT.)

## 2. Lead the effective development and maintenance management of Crown assets thus assisting in ensuring the sustainable improvement of standard of living for all Cook Islanders.

### 2.1 Effective Management of Crown Lands

The Crown has a significant holding of warranted lands as well as leased lands. It is CIIC's responsibility to best manage these interests for the long term interests of the Crown in order to be able to provide adequate and affordable land for all public services ranging from the provision of adequate roads and running water through to the land required for schools and hospitals.

#### 2017-2018

- CIIC continues its review of land rentals in order to clean up the long historical back log of rent reviews
- Negotiations with landowners

A summary of key performance activities is set out as follows:

- **Review land rentals and cleanup historic backlog**
  - 2017/18
    - > Complete 99% of Rarotonga Crown land lease backlog
  - 2018/19
    - > Complete 50% of Pa Enea Crown land lease backlog
  - 2019/20
    - > Complete 75% of Pa Enea Crown land lease backlog
  - 2020/21
    - > Complete 95% of Pa Enea Crown land lease backlog
- **Confirm rental arrangements for land on road corridors**
  - 2018/19
    - > Complete 99% of Rarotonga road corridors
  - 2019/20
    - > Complete 50% of Pa Enea road corridors
  - 2018/19
    - > Complete 95% of Pa Enea road corridors



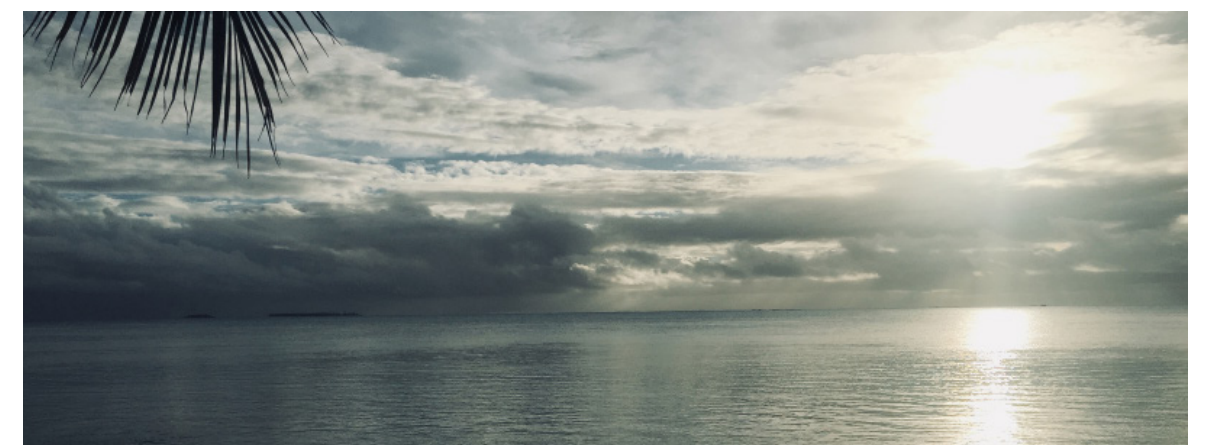
### 2.2 Effective Management of the Exclusive Economic Zone and Interests

CIIC under its act is also responsible for the ownership of the marine interests of the Cook Islands, which includes not only the Cook Islands exclusive economic zone but an interest in the international waters of the Clarion Clipperton Fracture Zone (CCFZ).

Implicit in this relationship is managing the relationship with SBMA as well as responsibilities on the 'Marae Moana' Council.

A summary of key performance activities is set out as follows:

- **Deep Sea Minerals Working Group**
  - 2017/18
    - > Refine working group
    - > Refine TOR
  - 2018/19
    - > Ensure reservation of areas for the Cook Islands
    - > Develop sector strategy
    - > Support policy and legislation amendments
- **Business development**
  - 2018/19
    - > Complete setup of JV
    - > Feasibility and BD
  - 2019/20, 2020, 2021
    - > Feasibility, BD, exploration





# KEY PERFORMANCE AREAS

(CONT.)

## 2.3 Effective Oversight of Infrastructure

The CIIC is mandated by Cabinet to be the secretariat for the National Infrastructure Committee (IC). An effective management structure is critical to the successful implementation of all projects in the Cook Islands. The success of any project hinges on the planning and review of the project together with the quality of communications, coordination and discussions that takes place between all those involved. The Infrastructure Committee was established to focus on the delivery of all Infrastructure Projects and make decisions regarding the management and commissioning of individual projects. The role of this committee is to oversee all capex projects that the CIG is involved in and ensure that projects are carried out in accordance with plans and budgets. In this we liaise with MFEM budget committee in the development of annual budgets as well as reporting to the National Sustainable Development Committee

The secretariat is responsible for preparing and distributing papers, coordinate meetings and drafting minutes.

A summary of key performance activities is set out as follows:

- **Infrastructure Committee**
  - 2017/18
    - > Refine working group
  - 2018/19
    - > Refine TOR
    - > Champion revised NIIP
  - 2019/20
    - > Champion various long term plans under NIIP

## 2.4 Develop and Manage Government Facilities for a responsive and productive public sector

The CIIC is responsible for the management and up keep of government's facilities although i management and routine maintenance may be delegated as in the case of facilities in the Pa Enuu. With the establishment of the Special Projects Unit (SPU), CIIC has taken onboard the responsibility for the development of selected government buildings and facilities.

### 2017-2018

The SPU managed the development of two of the largest construction projects since the BSA in 2008/9 in the Rebuild of Apii Nikao and Tereora College Reconstruction Stage 1.

### Future Outlook 2018-2020

SPU has been tasked with the development of a facility that would physically centralize most of government's departments with fit for purpose modern facilities to improve the effectiveness and efficiency of public services and rationalizing the use of Crown Land. This will be a multi-year (4+) project likely to be split into three phases, with preparatory work to be undertaken in the coming year.

A summary of key performance activities follows:

- **New Government Facilities**
  - 2017/18
    - > Complete Tereora Stage 1
    - > Complete Apii Nikao
  - 2018/19
    - > Develop Tereora College Stage 2 plan
    - > Complete detailed brief and initial design of Vaikapuangi
  - 2019/20
    - > Commence Vaikapuangi
    - > Complete detailed brief and initial design of Tereora College Stage 2
  - 2020/21
    - > Commence Tereora College Stage 2
- **Government Repair Programme**
  - 2018/19
    - > Start 3 Building Repair Programme
  - 2019/20, 2020, 2021
    - > Enhanced Government repair programme



# KEY PERFORMANCE AREAS

(CONT.)

## 2.5 Management of Public Housing in the national interest

CIIC are responsible for the management of the stock of residential properties owned by the crown. It has fallen to CIIC to determine how to best manage and maintain that stock taking into consideration the needs of representation (parliament), social obligations (the economically disadvantaged or displaced/ Pa Enea) and the critical housing needs of government (doctors, teachers etc).

### 2018 key highlights

- Continued renovations of the housing stock, improving the standard of living
- Cook Islands Housing study – to assess the housing needs of the country

### 2018 -2020 Outlook

- Development and implementation of a National housing policy (with OPM) and continued renovations to current housing stock
- Construction of 3-5 further houses to add to the housing stock

A summary of key performance activities is set out as follows:

- **Renovation of Crown Owned Housing Stock**
  - 2017/18, 2018/19, 2019/20, 2020/21
    - > Complete 5 house renovations
- **National Housing Study**
  - 2018/19
    - > Conclude National Housing Study
- **Construction of new Crown housing stock**
  - 2018/19
    - > Relocate 2 and build 1 new house
  - 2019/20, 2020/21
    - > Build 3 new houses pa

## 2.6 Development of a Comprehensive Asset Management framework for the entire Public Sector

Asset Management framework is crucial for the adequate physical management and maintenance of government assets but also proper financial management. The CIG and CIIC first invested in an asset management system with the acquisition of the Asset Finda software in 2014 and associated training and implementation. However CIIC and the CIG are looking to strengthen this investment.

### 2018 highlights

- Recruitment of Asset Management Officer
- Recruitment of TA through NZ for the update and stock take of the assets, capacity building upgrading of the Asset management and integration with the new Financial Management Information System.

### 2018-2020 Outlook

- Continued implementation of the TA
- Sustainable improvement of Asset management
- Full integration of Asset Management system with FMIS

A summary of key performance activities is set out as follows:

- **Asset Management System**
  - 2017/18
    - > Recruit AMO
    - > Secure NZ GFA re AM TA
  - 2018/19
    - > Commence AM TA
  - 2019/20
    - > Conclude AM TA
  - 2020/21
    - > Integrate AM with FMIS
    - > Resource AM post TA





# OUR SOES AND CCES

(CONT.)

Each of the SOEs and CCEs prepare their respective SCIs. Summarized below are the key components of their respective SCIs.



## AIRPORT AUTHORITY

### KEY ACHIEVEMENTS:

- For the first time in its history, the authority recorded a net profit in the 2016/17 financial year. The historic deficits have been attributed to its large depreciation expense of the runway, however this has been offset in recent times with growth in tourism and innovations in business development
- Improved the reliability of precision approach aids at Rarotonga international airport by installing a new Instrument Landing System and Precision Approach Lighting system for Rarotonga
- Ongoing infrastructure maintenance through the replacement of aged runway expansion joint seals.

### OUTLOOK:

- Review of funding appropriations in relation to departure tax and upper air space fees.
- Continued improvement / replacement of aged runway expansion joint seals.
- Investment in the upgrade of the terminal and airport facilities.
- Investment in the extension of the runway.



## BANK OF THE COOK ISLANDS

### KEY ACHIEVEMENTS:

- The Bank has strengthened its financial position, delivering stable returns, coupled with prudent financial management.
- The launch of the BCI Vaka Debit Mastercard (featuring an image of double-hulled voyaging vaka Marumarua Atua) was a significant step in expanding its service offering to existing and new customers.
- The Bank has continued to grow its consumer market with technological investments that improves improved service offering, delivery and security

### OUTLOOK:

- Continued strengthening of its financial performance.
- Capitalising on and building relationships to gain greater market share and become Cook Islands' bank of choice.
- Continuing to invest in technology to improve the Bank's market offering.



## PORTS AUTHORITY

### KEY ACHIEVEMENTS:

- The Authority posted a consolidated net profit of \$156k in the 2016/17 financial year for the first time since the completion of the Avatiu Port redevelopment in 2012.
- Prudent treasury management to reduce the loan terminal date by approximately four years.
- Contracting of local company Rarotonga Welding & Steel Construction Limited in August 2016 to commission a new barge for Aitutaki deployed in October 2017 named "Avatapu".
- Improved security at the Avatiu Wharf facility.

### OUTLOOK:

- Diversify operations to increase revenue streams.
- Investment in the Aitutaki Orongo Development Project which will involve deepening and widening the existing Arutanga harbour channel and basin to provide safer berth for yachts and cruise ships and accommodate inter-island shipping.
- Concerted effort to reduce debt levels.



## TE APONGA UIRA (TAU)

### KEY ACHIEVEMENTS:

- Te Aponga Uira (TAU) maintains one of the best service quality records in the Pacific Region and continues to record reasonable profits.
- New technological advances, including the implementation of a new Enterprise Resource Planning and Financial Management Information System.

### OUTLOOK:

- Grow revenue base through expanding use of electricity (more appliances) and by offering new products to customers (Electric Vehicle Charging)
- Investment in renewable energy to achieve equitable, shared benefits for the people and businesses in the Cook Islands



# OUR CONTRIBUTION TO THE COOK ISLANDS

(CONT.)

There are numerous direct and indirect benefits (community service obligation costs) that CIIC and its statutory entities provide to the Cook Islands.

A small fraction of the costs in delivering these benefits are tied to specific POBOCs / contributions. It is estimated that the CIIC Group spends \$5 in every \$100 of revenue on community service obligation costs. The CIIC

Group is committed to sustaining that level into the future. We have listed below some examples of benefits CIIC's statutory entities contribute to the community.

Some examples of these contributions are:



## BANKING SERVICES

The Bank of Cook Islands (BCI) provide banking services on Rarotonga and to the Pa Enea (outer Islands).

The Pa Enea (outer islands) services come at a cost and are un-economic to operate as a result of low customer and transaction levels.

The Bank of Cook Islands also sponsors a range of causes throughout the Cook Islands, including the Young Enterprise Scheme with Cook Islands Chamber of Commerce, Year 10 Business Challenge with Ministry of Education, Gold Sponsor for Tourism Awards, Annual Gold Sponsor for Te Maeva Nui and various sporting codes and performing arts events.



## POWERING THE COUNTRY

Te Aponga Uira (TAU) provides street lighting to Rarotonga. Aitutaki Power Supply (APS) also provides street lighting to its island of Aitutaki. APS has supported Churches on Aitutaki for a number of years. TAU is a major sponsor for a number of community and sporting events. These are a few examples of many initiatives TAU and APS delivers to their respective communities.



## OUR GATEWAY

The Airport Authority manages the gateway to the Cook Islands. The Airport Authority receives a modest level of funding from the Government to undertake its operations, in essence providing a subsidy for the greater good of the nation. The airport provides a crucial service to the community in the form of fire response and protection.



## OUR SEAPORT

The Ports Authority is responsible for ensuring the effective inward and outward flow of passengers and products, essential to our economy and modern way of life. In giving to the community, the Port Authority provides free berthage for interisland shipping, ensuring our Pa Enea are connected to each other and the rest of the World.



# APPENDIX 1: DETAILED FINANCIALS

(CONT.)

The key financial results and ratios of the CIIC Group are set out in the following table:

Group (000's)	Note	2017 Actual	2018 Fcast	2019 Budget	2020 Budget	2021 Budget
Total revenue		55,493	51,853	53,884	57,574	59,161
Total revenue excl. approp & aid		42,895	47,175	49,206	52,896	54,483
EBITDA	1	22,428	25,946	28,293	29,093	29,966
NPBT	2	10,020	12,030	14,516	16,890	17,489
Community service costs		2,400	2,400	2,800	2,800	2,800
Total assets		344,210	361,210	411,210	468,210	490,210
Total shareholder funds		206,387	218,387	262,387	308,387	319,387
Total liabilities		137,823	142,823	148,823	159,823	170,823
Total staff costs		9,816	10,959	11,647	12,363	13,107
Total employees		230	260	275	290	290
Total FTEs	3	184	208	220	232	232
Operating cash-flows		21,000	24,518	26,865	27,665	28,538
Equity injection by owners		2,160	1,000	1,000	1,000	1,000
Total dividends paid		2,336	2,500	2,500	2,500	2,500
Revenue mvmt excl & aid growth	4	13%	10%	4%	4%	3%
Revenue per FTE	5	\$233	\$227	\$224	\$228	\$235
CSC / revenue %	6	6%	6%	5%	5%	5%
EBITDA per FTE	7	\$122	\$125	\$129	\$125	\$129
Asset growth	8	10%	5%	14%	14%	5%
Return on assets	9	2.9%	3.3%	3.5%	3.6%	3.6%
Return on equity	10	4.9%	5.5%	5.5%	5.5%	5.5%
Debt to assets	11	40%	40%	36%	34%	35%
Current ratio	12	0.84	1.00	1.00	1.00	1.00

The Group financial forecasts shows significant growth to the Group's asset base over the next 3 years, with corresponding growth in top line and bottom line earnings. The asset growth is derived from the introduction of a number of entities including Aitutaki Power Supply, To Tatou Vai, Avaroa Cables. In addition to these new entities, a number of existing SOEs have large maintenance and growth capital expenditure planned in the coming years.

The key financial results and ratios of the CIIC Parent are set out in the following table:

Parent (000's)	Note	2017 Actual	2018 Fcast	2019 Budget	2020 Budget	2021 Budget
Total revenue		12,448	5,500	5,500	5,500	5,500
Total revenue excl. approp & aid		527	500	500	500	500
EBITDA	1	607	550	550	550	550
NPBT	2	572	500	500	500	500
Community service costs		250	250	250	250	250
Total assets		14,599	20,000	22,000	24,000	24,000
Total shareholder funds		849	900	950	1,000	1,000
Total liabilities		13,750	19,100	21,050	23,000	23,000
Total staff costs		700	1,000	1,100	1,200	1,200
Total employees		25	40	43	46	46
Total FTEs	3	23	38	41	44	44
Operating cash-flows		3,085	550	550	550	550
Equity injection by owners		-	-	-	-	-
Total dividends paid		439	500	500	500	500
Revenue mvmt excl & aid growth	4	0%	(5%)	0%	0%	0%
CSC / revenue %	6	2%	5%	5%	5%	5%
Current ratio	12	0.84	1.00	1.00	1.00	1.00

Notes:

- EBITDA** = Earnings Before Interest Tax Depreciation and Amortisation
- NPBT** = Net Profit Before Tax
- FTE** = Full Time Equivalents
- Revenue movement**: Illustrates the growth of the Group from a revenue perspective.
- Revenue per FTE**: Illustrates how much each full time employee generates at a top-line level.
- CSC / revenue**: Illustrates how much the Group gives back to the community.
- EBITDA per FTE**: Illustrates how much each full time employee contributes to the bottom-line (productivity).
- Asset growth**: Illustrates the growth of the Group from an asset perspective.
- Return on assets**: Illustrates the return generated from asset value.
- Return on equity**: Illustrates the return generated from shareholder capital.
- Debt to assets**: The debt to total assets ratio is an indicator of financial leverage. It tells you the percentage of total assets that were financed by creditors, liabilities, debt. The debt to total assets ratio is calculated by dividing a corporation's total liabilities by its total assets.
- Current ratio**: Mainly used to give an idea of a company's ability to pay back its liabilities (debt and accounts payable) with its assets (cash, marketable securities, inventory, accounts receivable). As such, current ratio can be used to make a rough estimate of a company's financial health.

# APPENDIX 2: ACCOUNTING POLICIES

Cook Islands Investment Corporation is domiciled in the Cook Islands and incorporated under the Cook Islands Investment Act 1998. Its financial statements comply with the Act. The consolidated financial statements comprise the Corporation and its subsidiaries (the "Group") and the Group's interests in associates. The Corporation is an in-substance subsidiary of the Cook Islands Government. The consolidated financial statements of the Group have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS).

The Group financial statements are prepared on the historical cost basis modified for the revaluation of certain assets.

The consolidated financial statements are presented in New Zealand dollars, which is the functional and reporting currency of the Group and all values are rounded to the nearest thousand (\$000) except where indicated otherwise.

The controlled entities are all those entities (including special purpose entities) over which the controlling entity has the power to govern the financial and operating policies. Controlled entities are fully consolidated from the date on which control is transferred to the controlling entity. They are de-consolidated from the date that control ceases. Inter-group transactions, balances and unrealized gains and losses on transactions between members of the group are eliminated in full. The accounting policies of the controlled entities are consistent with the policies adopted by the controlling entity.

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity. Investments in associates and jointly controlled entities are accounted for using the equity method and are recognised initially at cost. The cost of the investment includes transaction costs.

The consolidated financial statements include the Group's share of the surplus or deficit,

after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of the investment, including any long-term investments that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

The Group financial statements are prepared in accordance with IPSAS. However, there are a number of critical accounting treatments which include complex or subjective judgments and estimates that may affect the reported amounts of assets and liabilities in the financial statements. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Further detail in respect of the accounting policies for the Group is set out in the Cook Islands Investment Corporation Annual Group Financial Statements for the year ended 30 June 2017. No significant changes in accounting policies are envisaged between the above policies and the budget and forecast information included in that document.

# APPENDIX 3: GLOSSARY

Definitions of key terms and acronyms.

<b>AA</b> – Airport Authority	<b>FMIS</b> – Financial Management System
<b>ACL</b> – Avaroa Cable Limited	<b>NZ</b> – New Zealand
<b>ADB</b> – Asian Development Bank	<b>FTE</b> – Full Time Equivalents
<b>APS</b> – Aitutaki Power Supply	<b>GFA</b> – Grant Funding Agreement
<b>AMCI</b> – Asset Management Cook Islands	<b>GM</b> – General Manager
<b>AM</b> – Asset Management	<b>HRM</b> – Human Resource Management
<b>AMO</b> – Asset Management Officer	<b>IC</b> – Infrastructure Committee
<b>BCI</b> – Bank of the Cook Islands	<b>JV</b> – Joint Venture
<b>BCIH</b> – Bank of the Cook Islands Holding Company	<b>KPA</b> – Key Performance Area
<b>BCL</b> – Banana Court Limited	<b>KPI</b> – Key Performance Indicator
<b>BD</b> – Business Development	<b>MFEM</b> – Ministry of Finance and Economic Management
<b>Capex</b> – Capital Expenditure	<b>OPM</b> – Office of the Prime Minister
<b>CCE</b> – Crown Controlled Entity	<b>NPBT</b> – Net Profit Before Tax
<b>CCZ</b> – Clarion Clipperton Zone	<b>NSDP</b> – National Sustainability Plan
<b>CCFZ</b> – Clarion Clipperton Fracture Zone	<b>NIIP</b> – National Infrastructure Investment Plan
<b>CEO</b> – Chief Executive Officer	<b>PA</b> – Ports Authority
<b>CFO</b> – Chief Financial Officer	<b>Pa Enuā</b> – Grouping of Islands
<b>CI</b> – Cook Islands	<b>PM</b> – Prime Minister
<b>CIG</b> – Cook Islands Government	<b>PNM</b> – Punanga Nui Market
<b>CIBC</b> – Cook Islands Broadcasting Corporation	<b>POBOC</b> – Payments on Behalf of the Crown
<b>CIGPC</b> – Cook Islands Government Property Corporation	<b>PPP</b> – Public Private Partnership
<b>CIIC</b> – Cook Islands Investment Corporation	<b>Rem</b> – Remuneration
<b>CIIC Act</b> – Cook Islands Investment Corporation Act 1998	<b>ROE</b> – Return on Equity
<b>CIPCNZ</b> – Cook Islands Property Corporation (NZ) Limited	<b>SCI</b> – Statement of Corporate Intent
<b>CITH</b> – Cook Islands Telecommunications Holdings Limited	<b>SOE</b> – State Owned Enterprise
<b>CITAL</b> – Cook Islands Telecommunications Assets Limited	<b>SPU</b> – Special Projects Unit
<b>CSC</b> – Community Service Costs	<b>TA</b> – Technical Assistance
<b>CSO</b> – Community Service Obligation Costs	<b>TAU</b> – Te Aponga Uira o Tumu te Varovaro
<b>DSM</b> – Deep Sea Minerals	<b>TMM</b> – Te Marae Moana
<b>EBITDA</b> – Earnings Before Interest Tax and Depreciation	<b>TOR</b> – Terms of Reference
<b>EEZ</b> – Exclusive Economic Zone	<b>TSA</b> – Indoor (Telecom) Sports Arena
	<b>TTV</b> – To Tatou Vai
	<b>Vaikapuangi</b> – a cluster of Government properties on Takuvaine Road



## COOK ISLAND INVESTMENT CORPORATION



Po Box 51  
Avarua  
Rarotonga

Phone: +(682) 29-391  
Fax: +(682) 29-381  
Web: [www.ciiconline.com](http://www.ciiconline.com)

