Cook Islands Investment Corporation

Financial Statements under IPSAS

For the year ended 30 June 2014

Report Contents

Directory

Directors

Cook Islands Investment Corporation

Julian Dashwood	Chairman
Malcolm Swod	Director
Michael Henry	Director
Tamarii Tutangata	Chief Executive Officer

Directors of Subsidiaries

Airport Authority

Harold Arthur Browne	Chairman	appointed 24/07/13, Chairman 26/07/16
Apii Porio	Director	appointed 26/07/16
Tuainekore Marlene Manuela	Director	appointed 1/03/16
Ianis Boaza	Director	appointed 03/09/13
Ned Howard	ex officio officer	appointed 01/07/12
Annie Taripo	Director	appointed 10/09/15
George Taoro Brown	Director	appointed 02/06/15, revoked 26/07/16
Kaitara Nicholas	Director	appointed 07/04/14, passed away 10/08/15
Unakea Kauvai	Director	appointed 24/03/11, revoked 02/06/15
Isaia Willie	Director	appointed 30/03/11, resigned 01/05/14
Aukino Tairea	Director	appointed 07/08/12, revoked 07/04/14
Rosaline Blake	Director	appointed 22/03/13, revoked 03/09/13
Pekamu Maoate	Director	appointed 26/08/11, revoked 23/07/13

Ports Authority

Michael Henry	Chairman
Makiroa Mitchell	
Rakimata Matapuku	
Teariki Matenga	(Resigned 01/05/14)
William Kauvai	
Nooroa (Bim) Tou	General Manager
Lucky Matapuku	
Teariki George	

Te Aponga Uira o Tumu-te-Varovaro

Mata Nooroa
Steve Anderson
Randolf George
Elizabeth Wright Koteka

Cook Islands Broadcasing Corporation
Arthur Taripo
Siona Paku

Cook Islands Government Property Corporation

The Honourable Henry Puna	Chairman
The Honourable Teariki Heather	
The Honourable Kiriau Turepu	
The Honourable Mark Brown	
The Honourable Nandi Glassie	

Banana Court Company Limited

Ian Karika Wilmot	Chairman
Pato Nicholas (deceased)	
Mary Ann Pirake	
Anne Taoro	(Resigned 01/03/16)

Bank of the Cook Islands Holdings Corporation

Jessie Sword	Chairman
Vaine Arioka	Managing Director
Jeanne Matenga	
Kerry Burridge	
Kairangi Samuela (resigned 20 February 2015)	
Richard Neves	
Garth Henderson	
Anne Herman	

Cook Islands Property Corporation (NZ) Limited

Julian Dashwood	Chairman
Malcolm Sword	
Caren Jane Rangi	(Appointed 01/07/15)

Cook Islands Telecommuncation Holdings Limited

Harmon Pou Arere	Chairman
George Lindsay Turia	

Suwarrow Development Corporation Limited
Julian Dashwood (resigned 12 June 2015)
Alfred Morris (resigned 14 September 2015)
Michael John Henry (appointed 14 September 2015)
Tamari'I Tutangata (appointed 14 September 2015)

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Ministry of Finance and Economic Management Building
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Cook Islands
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Auditors
KPMG

Solicitors
Crown Law Office
Tim Arnold
Simpson Grierson

Bankers
Australia and New Zealand Banking Group Limited
Bank South Pacific
Bank of Cook Islands Limited

Annual Report of the Members of the Corporation

The Board of Directors take pleasure in presenting their Annual Report including the Financial Statements of the Corporation for the year ended 30 June 2014.

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.

Results

	Group		Parent	
In thousands of New Zealand Dollars	**30 June 2014**	30 June 2013	**30 June 2014**	30 June 2013
Surplus/(Deficit) after tax	**1,659**	7,356	**1,009**	600
Total assets	**283,344**	268,345	**4,958**	3,755
Owners' equity	**186,015**	185,656	**792**	752

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 $74,745,645 and equity of $70,425,633 at 30 June 2014. It made a tax paid loss of $452,475 this year.

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 $81,417,294 and equity of $15,628,141 at 30 June 2014. It made a tax paid surplus of $998,162 this year.

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 Corporation generated rental revenues on its buildings portfolio. These revenues are transferred to Cook Islands Investment Corporation in accordance with Section 31 (2) of the Cook Islands Investment Corporation Act (1998). All administration and management expenses relating to assets owned by the Corporation are incurred by Cook Islands Investment Corporation.

The Corporation's other major revenue item is the 2014 dividend from Cook Islands Telecommunication Holdings Limited of $1.15 million.

The Corporation has total assets of $52,463,244 and equity of $49,872,244 at 30 June 2014. It incurred a deficit of $748,368 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 $38,131,143 and equity of $15,601,980 at 30 June 2014. It made a loss of $305,969 for 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 2014. It did not trade during the year; consequently there was no profit or loss

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 has total assets of $39,943,313 and equity of $35,297,622 at 30 June 2014. It made a tax paid surplus of $2,592,580 this year.

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 Wellington.

Cook Islands Property Corporation (NZ) Limited has total assets of $717,700 and equity of $80,448 at 30 June 2014. It made a tax paid deficit of $5,109 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 $7,312,000 and equity of $6,362,000 at 30 June 2014. It made a tax paid surplus before dividends payable of $1,605,000 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 $183,431 and equity of $121,134 at 30 June 2014. It made a tax paid surplus of $28,090 for this year.

Accouting Policies

Accounting policies are applied according to generally accepted accounting practice as applied in International Public Sector Accounting Standards (IPSAS). These are the group's first IPSAS financial statements. As part of the transition to IPSAS certain comparatives have been restated

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.

Appointment of Auditors

In compliance with Section 17 of the Cook Islands Investment Corporation Act 1998, KPMG were reappointed as auditor for the 2014 financial year.

For and on behalf of the Members of the Corporation

Director	Director
31st August 2017	31 - 8 - 17
Date	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 12 to 68. The financial statements comprise the statements of financial position as at 30 June 2014, the statements of comprehensive revenue and expenses, 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.

This report is made solely to the shareholders as a body. Our audit work has been undertaken so that we might state to the corporation and group's shareholders those matters we are required to state to them in the auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the corporation and group's shareholders as a body, for our audit work, this report or any of the opinions we have formed.

Members of the Corporation's responsibility for the Corporation and group financial statements

The Members of the Corporation are responsible for the preparation of Corporation and group financial statements in accordance with International Public Sector Accounting Standards (IPSAS) that give a true and fair view of the matters to which they relate and for such internal control as the Members of the Corporation determines 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) and International Standards on Auditing. 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 comprehensive revenue and expenses.

Our firm has also provided other services to the corporation and group in relation to taxation and general accounting services relating to IFRS and IPSAS transition. 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 and group.

Basis for qualified opinion on financial position and comprehensive revenue and expenses

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.

Ownership and completeness of assets

As explained in Note 14, the assets disclosed in the financial statements on pages 37 to 38 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 Members at the time the financial statements were prepared.

When deciding which assets should be included in the financial statements on pages 37 to 38, the Members have considered, amongst other things, the assets presented in the initial Statement of Corporate Intent dated 29 April 1998 and approved by Cabinet.

Qualified opinion

Members' valuation of selected fixed assets

Except as disclosed in Note 14, 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 14. This is due to difficulties experienced in obtaining information relating to these assets.

This treatment is a departure from IPSAS 17 Property, Plant, and Equipment which notes an appraisal of an asset is normally undertaken by a member of the valuation profession, who holds a recognised and relevant professional qualification.

KPMG

Future lease commitments

As stated in Note 24, the Corporation has not fully disclosed future commitments on its land leases due to incomplete records. This is a departure from IPSAS 13 Leases, which requires full disclosure of all current and non-current lease commitments 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 2013 was also modified in respect of this matter.

Qualified opinion on financial position and comprehensive revenue and expenses

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 12 to 68:

- comply with International Public Sector Accounting Standards;
- present fairly, in all material respects, the financial position of the Corporation and the group as at 30 June 2014 and of the comprehensive revenue and expenses of the Corporation and the group for the year then ended.

Opinion on cash flows

In our opinion the financial statements on pages 12 to 68 present fairly, in all material respects, the cash flows of the Corporation and the group for the year ending 30 June 2014.

KPMG

31 August 2017

Rarotonga

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

In thousands of New Zealand Dollars	***Note***	**Group 2014**	Group 2013 Restated	**Parent 2014**	Parent 2013
Revenue from exchange transactions					
Airport landing fees		**3,997**	3,922	**-**	-
Electricity services		**19,150**	19,313	**-**	-
Fees on banking portfolio assets		**896**	801	**-**	-
Interest on banking portfolio assets		**5,451**	4,827	**-**	-
Port services		**2,515**	2,379	**-**	-
Other income		**46**	3,715	**46**	28
Rental income		**2,893**	2,808	**572**	591
Total revenue from exchange transactions		**34,948**	37,765	**618**	619
Other revenue					
Aid funding		**17**	-	**17**	-
Crown appropriation		**5,897**	4,124	**3,849**	1,922
Deferred revenue		**326**	-	**-**	-
Dividends received		**-**	-	**1,211**	731
Interest income		**1,166**	1,067	**97**	86
POBOC Infrastructure		**75**	13	**75**	13
Sundry income	*5*	**922**	692	**-**	3
Total other revenue		**8,403**	5,896	**5,249**	2,755
Total Revenue		**43,351**	43,661	**5,867**	3,374

The notes on pages 20 to 68 are an integral part of these financial statements

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

In thousands of New Zealand Dollars	***Note***	**Group** **2014**	2013 Restated	**Parent** **2014**	2013
Expenditure					
Personnel costs		**9,091**	8,576	**656**	626
Depreciation and amortisation	14,15,16	**7,389**	6,926	**28**	22
Directors fees and expenses		**271**	223	**65**	56
Increase / (decrease) in provision for doubtful debts		**507**	127	**15**	(25)
Finance costs		**3,610**	2,712	**19**	-
Legal and professional fees		**679**	596	**21**	5
Rental and operating lease costs		**1,487**	117	**94**	13
Office communication		**405**	353	**18**	17
Repairs and maintenance		**5,647**	4,123	**3,219**	1,460
Insurance		**1,086**	991	**213**	184
Fuel		**8,787**	9,789	**-**	-
Other expenses	6	**4,078**	3,199	**257**	244
Total expenditure		**43,037**	37,732	**4,605**	**2,602**
Other gains/(losses)					
Loss on disposal of assets		**(4)**	(248)	**(1)**	(3)
Gain on sale of asset held for sale		**-**	715	**-**	-
Unrealised foreign exchange (loss) / gain		**712**	(190)	**-**	-
Realised foreign exchange gain		**-**	1,004	**-**	-
Revaluation gains		**-**	-	**-**	-
Non lending losses		**-**	(11)	**-**	-
Share of profit of equity accounted investees	20	**1,875**	2,148		
Impairment loss		**-**	(217)	**-**	(25)
Total other gains/(losses)		**2,583**	3,201	**(1)**	(28)
Surplus / (deficit) before income tax		**2,897**	**9,130**	**1,261**	**744**
Income tax expense	18	(1,238)	(1,774)	(252)	(144)
Surplus / (deficit) for the year		**1,659**	**7,356**	**1,009**	**600**
Other comprehensive revenue and expenses for the year, net of income tax		**-**	**-**	**-**	**-**
Total comprehensive revenue and expenses for the year		**1,659**	**7,356**	**1,009**	**600**

The notes on pages 20 to 68 are an integral part of these financial statements

Statement of Financial Position
As at 30 June 2014

In thousands of New Zealand Dollars	Note	Group 2014	Group 2013 Restated	Group 1 July 2012 Restated	Parent 2014	Parent 2013
Assets						
Current assets						
Cash and cash equivalents	8	14,704	13,854	15,269	(188)	292
Term deposits	9	25,921	14,708	17,120	2,448	2,496
Trade receivables	10	3,168	3,418	3,888	65	73
Dividends receivables	11	1,000	800	600	675	192
Inventories	13	6,201	5,435	5,233	17	23
Other receivables		1,450	1,031	398	320	181
Sundry debtors and prepayments		1,102	1,130	2,388	18	16
Related party receivables	11	1,324	167	-	1,252	133
Banking portfolio investments	12	6,741	6,128	5,218	-	-
Property held for sale		-	-	895	-	-
Taxation receivable	18	653	593	-	205	216
Total current assets		62,264	47,264	51,009	4,812	3,622
Non current assets						
Property, plant and equipment	14	160,071	162,334	162,591	130	120
Investment properties	16	6,036	5,378	4,578	-	-
Capital work in progress		464	844	464	-	-
Banking portfolio investments	12	43,475	38,371	32,202	-	-
Future income tax benefit	18	27	24	-	-	-
Deferred tax assets	18	606	551	538	16	13
Intangible assets	15	299	242	77	-	-
Investment in associate	20	5,897	5,422	4,874	-	-
Investment in shares	19	128	128	138	-	-
Term deposits	9	4,077	7,787	842	-	-
Total non-current assets		221,080	221,081	206,304	146	133
Total assets		283,344	268,345	257,313	4,958	3,755

The notes on pages 20 to 68 are an integral part of these financial statements

In thousands of New Zealand Dollars	Note	Group 2014	Group 2013 Restated	Group 1 July 2012 Restated	Parent 2014	Parent 2013
Equity						
Capital contribution and retained earnings		**186,015**	185,656	179,890	**792**	752
Total Equity		**186,015**	185,656	179,890	**792**	752
Liabilities						
Current liabilities						
Trade and other payables	17	**6,913**	4,711	8,044	**580**	424
Banking customer deposits	21	**57,230**	46,264	37,612	**-**	-
Customer bonds		**777**	732	710	**30**	31
Bank loan	22	**895**	623	480	**-**	-
Deferred revenue liability		**569**	504	257	**569**	504
Deposit held on fixed asset sale		**-**	-	100	**-**	-
Derivative liability		**206**	-	-	**-**	-
Employee entitlements	7	**901**	979	129	**38**	30
Income in advance		**418**	-	-	**-**	-
Related party payables	11	**707**	839	642	**140**	105
Capital project liability		**320**	301	301	**320**	301
Dividends payable	11	**1,625**	700	400	**675**	192
Income tax payable	18	**199**	370	251	**-**	-
Total current liabilities		**70,760**	**56,023**	**48,926**	**2,352**	**1,587**
Non current liabilities						
Banking customer deposits	21	**1,894**	1,216	5,053	**-**	-
Deferred taxation liability	18	**1,511**	1,662	1,794	**-**	-
Deferred revenue liability		**16**	18	1,604	**16**	17
Employee entitlements	7	**28**	-	84	**-**	-
Bank loan	22	**23,121**	23,770	19,962	**-**	-
Related party payables	11	**-**	-	-	**1,798**	1,399
Total non current liabilities		**26,570**	**26,666**	**28,497**	**1,814**	**1,416**
Total liabilities		**97,331**	**82,689**	**77,423**	**4,166**	**3,003**
Total equity and liabilities		**283,346**	**268,345**	**257,313**	**4,958**	**3,755**

The notes on pages 20 to 68 are an integral part of these financial statements

Statement of Changes in Equity
For the year ended 30 June 2014

Group

In thousands of New Zealand Dollars		**Capital contributions & retained earnings**	**Total equity**
Balance at 1 July 2012		179,885	**179,885**
Effect of transition adjustments	28	5	**5**
Restated balance at 1 July 2012		179,890	**179,890**
Changes in net assets/equity for 2013:			
Tax benefit on dividends paid		208	**208**
Surplus/(Deficit) for the year		7,356	**7,356**
Total recognised revenue and expenses for the year		7,564	**7,564**
Transactions with owners of the Parent:			
Equity injection by owners		395	**395**
Dividends		(2,193)	**(2,193)**
Total contributions by and distributions to owners of the Parent		(1,798)	**(1,798)**
Restated balance at 30 June 2013		185,656	**185,656**
Balance at 1 July 2013		**185,656**	**185,656**
Changes in net assets/equity for 2014:			
Tax benefit on dividends paid		**242**	**242**
Surplus/(Deficit) for the year		**1,659**	**1,659**
Total recognised revenue and expenses for the year		**1,901**	**1,901**
Transactions with owners of the Parent:			
Equity injection by owners		**577**	**577**
Dividends		**(2,119)**	**(2,119)**
Total contributions by and distributions to owners of the Parent		**(1,542)**	**(1,542)**
Balance at 30 June 2014		**186,015**	**186,015**

The notes on pages 20 to 68 are an integral part of these financial statements

Statement of Changes in Equity
For the year ended 30 June 2014

Parent

In thousands of New Zealand Dollars	**Capital contributions & retained earnings**	**Total equity**
Balance at 1 July 2012	737	**737**
Effect of transition adjustments	-	-
Restated balance at 1 July 2012	737	**737**
Changes in net assets/equity for 2013:		
Surplus/(Deficit) for the year	600	**600**
Total recognised revenue and expenses for the year	600	**600**
Transactions with owners of the Parent:		
Dividends	(585)	**(585)**
Total contributions by and distributions to owners of the Parent	(585)	**(585)**
Restated balance at 30 June 2013	752	**752**
Balance at 1 July 2013	**752**	**752**
Changes in net assets/equity for 2014:		
Surplus/(Deficit) for the year	**1,009**	**1,009**
Total recognised revenue and expenses for the year	**1,009**	**1,009**
Transactions with owners of the Parent:		
Dividends	**(969)**	**(969)**
Total contributions by and distributions to owners of the Parent	**(969)**	**(969)**
Balance at 30 June 2014	**792**	**792**

The notes on pages 20 to 68 are an integral part of these financial statements

Statement of Cashflows

For the year ended 30 June 2014

In thousands of New Zealand Dollars		Group		Parent	
	Note	**2014**	**2013**	**2014**	**2013**
Cash flows from operating activities					
Cash receipts from customers		29,699	30,674	594	665
Crown funding		4,985	4,751	2,885	1,800
POBOC Infrastructure		-	-	51	352
Dividend received		-	-	729	539
Interest received		6,617	5,309	97	86
Aid funding		17	2,184	17	-
Net increase in client deposits		11,644	4,822	-	-
Net investment in banking portfolio		(6,055)	(6,870)	-	-
Cash paid to suppliers and employees		(28,970)	(26,534)	(4,479)	(2,668)
Interest paid		(2,952)	(1,728)	-	-
Income tax paid		(1,396)	(2,229)	(147)	(109)
Net cash from operating activities		13,589	10,379	(253)	665
Cash flows from investing activities					
Net acquisition/disposal of property, plant and equipment		(4,707)	(10,053)	353	(26)
Net acquisition/sale of intangibles		(181)	-	-	-
Proceeds from term deposits		(7,503)	(4,541)	38	(1,619)
Loans to related parties		1,162	1,366	-	594
Net cash from investing activities		(11,229)	(13,228)	391	(1,051)
Cash flows from financing activities					
Repayment of bank loans		(896)	3,304	-	-
Proceeds from related parties		(132)	5	-	962
Repayment of related party advances		-	-	(35)	-
Equity returned to the Cook Islands Government		-	-	-	(432)
Dividends paid		(1,194)	(1,685)	(583)	-
Net cash from financing activities		(2,222)	1,624	(618)	530
Net (decrease)/increase in cash and cash equivalents		138	(1,225)	(480)	144
Effect of exchange rate fluctuation		712	(190)	-	-
Cash and cash equivalents at the beginning of the year		13,854	15,269	292	148
Cash and cash equivalents at the end of the year		14,704	13,854	(188)	292
Made up of:					
Bank balances and on-call deposits	8	14,704	13,854	(188)	292
Total cash and cash equivalents		14,704	13,854	(188)	292

The notes on pages 20 to 68 are an integral part of these financial statements

Statement of Cashflows (continued)

For the year ended 30 June 2014

In thousands of New Zealand Dollars	Group		Parent	
	2014	**2013** Restated	**2014**	**2013**
Surplus for the year after tax	**1,659**	7,356	**1,009**	600
Depreciation & amortisation	**7,389**	6,926	**28**	22
Doubtful dets	**507**	127	**15**	(25)
(Gains)/losses on asset disposal	**4**	(248)	**1**	3
Foreign exchange losses/(gains)	**(712)**	190	**-**	-
Net increase in future income tax benefit	**(3)**	(24)	**-**	-
Net increase in deferred tax assets	**(55)**	(13)	**(3)**	2
Net increase in deferred tax liabilities	**(151)**	(132)	**-**	-
Working capital adjustments				
(Increase) / decrease in receivables & prepayments	**10**	833	**2**	(4)
Increase / (decrease) in payables & other accruals	**2,197**	962	**170**	100
(Increase) / decrease in work in progress	**(301)**	1	**(128)**	-
(Increase) / decrease in bank loan portfolios	**(6,055)**	(7,193)	**-**	-
(Increase) / decrease in inventories	**(766)**	(354)	**6**	12
Increase / (decrease) in deferred income liability	**62**	(2,986)	**70**	247
Increase / (decrease) in income in advance	**418**	-	**-**	-
Increase / (decrease) in net tax payable	**11**	(551)	**12**	33
Increase / (decrease) in customer deposits	**11,644**	4,858	**-**	-
Increase / (decrease) in bank loan	**519**	2,394		
Increase / (decrease) in related party payables	**(1,119)**	(167)	**(952)**	(133)
(Increase) / decrease in dividends receivables	**(1,875)**	(1,600)	**(483)**	(192)
Increase / (decrease) in derivative liability	**206**	-	**-**	-
Net cash flows from operating activities	**13,589**	**10,379**	**(253)**	**665**

The notes on pages 20 to 68 are an integral part of these financial statements

Notes to the financial statements

Notes to the financial statements

Note 1 Reporting entity

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.

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.

Note 2 Basis of preparation

a) Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS).

These financial statements are the first financial statements presented in accordance with IPSAS. The accounting policies have been consistently applied to all the years presented. The date of adoption of IPSAS is 1 July 2013, and transitional information and material adjustments on transition are disclosed in note 28.

b) Basis of measurement

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

The statement of cash flows is prepared using the direct method. The consolidated financial statements are prepared on an accrual basis.

c) Functional and presentation currency

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.

Note 3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by Group entities. Reference should be made to Note 28 which details the transition adjustments required to move the Group and Parent from Old New Zealand GAAP to International Public Sector Accounting Standards (IPSAS). All comparatives have been restated.

Notes to the financial statements (continued)

Note 3 Significant accounting policies (continued)

a) Consolidation

Controlled entities

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.

b) Investment in associates

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.

c) Revenue recognition

Interest income

Interest income is accrued using the effective interest rate method. The effective interest rate discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

Fee and commission

Fees and commission income and expense that are integral to the effective interest rate of a financial asset or financial liability are included in the measurement of the effective interest. For example, loan establishment fees, together with related direct costs, are deferred and recognised as an adjustment to the effective interest rate on a loan once drawn.

Fees and commissions that relate to the execution of a significant act are recognised when the significant act has been completed.

Fees charged for providing ongoing services (for example, maintaining and administering existing facilities) are recognised as income over the period the service is provided.

Dormant account fees are charged on accounts which have been dormant greater than two years at a rate of fifteen dollars per quarter.

Rental income

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease.

Insurance proceeds

Proceeds from insurance claims are recognised as revenue when claims have been assessed and approved. This revenue is measured at the fair value of the amount received or receivable.

d) Expense recognition

Expenses are recognised in surplus or deficit on an accrual basis.

Notes to the financial statements (continued)

Note 3 Significant accounting policies (continued)

d) Expense recognition (continued)

Salaries & wages

Salaries & wages are recognised on an accrual basis and include employer contributions for the government superannuation scheme.

Interest expense

Interest expense on financial liabilities measured at amortised cost is recognised in the Statement of Comprehensive Revenue & Expenses as it accrues using the effective interest method.

Lease payments

Leases entered into by the Group as lessee are operating leases, and the operating lease payments are recognised as an expense in the Statement of Comprehensive Revenue & Expenses on a straight-line basis over the lease term.

e) Taxes

Tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in changes in net assets/equity.

Current tax is the expected tax payable or receivable on the taxable surplus or deficit for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

A tax benefit is recognised in equity for dividends paid by Cook Islands tax paying entities to another Cook Islands tax payer.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and
- temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

In determining the amount of current and deferred tax the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Notes to the financial statements (continued)

Note 3 Significant accounting policies (continued)

NON FINANCIAL ASSETS

f) Investment Property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at cost less accumulated depreciation.

Residential buildings held for the primary purpose of providing low income housing have been classified as property, plant, and equipment.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

g) Property, plant and equipment

All property, plant and equipment is held at cost. Cost of buildings has been determined from historical cost or deemed cost based on previous valuations performed as follows:

i 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 deemed cost being 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.

ii For all other items of property, plant and equipment the cost 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.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the following:

- the cost of materials and direct labour;
- any other costs directly attributable to bringing the assets to a working condition for their intended use;
- when the group has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and
- capitalised borrowing costs.

Depreciation

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

Leased land and leasehold improvements	term of the lease
Buildings	40 years
Furniture and fittings	10 years
Motor vehicles	4 years
Office equipment	3-5 years
Marine equipment	5 years
Harbours	20 years
Runways	20 years

Notes to the financial statements (continued)

Note 3 Significant accounting policies (continued)

g) Property, plant and equipment (continued)

Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.
An asset's carrying amount is written down immediately to its recoverable amount, or recoverable service amount, if the asset's carrying amount is greater than its estimated recoverable amount or recoverable service amount.
The Group derecognises items of property, plant and equipment and/or any significant part of an asset upon disposal or when no future economic benefits or service potential is expected from its continuing use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the surplus or deficit when the asset is derecognised.

When an asset is acquired in a non-exchange transaction for nil or nominal consideration it is initially measured at fair value. For new assets, fair value is usually determined by reference to the retail price of the same or similar assets at the time the asset was received. For used assets, fair value is usually determined by reference to market inflation for assets of a similar type condition and age. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in surplus or deficit.

Subsequent costs
Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance is expensed as incurred.

h) Leases

Group as a lessee
Operating leases are those leases that do not transfer substantially all the risks and benefits relating to ownership of the leased item to the group. Operating lease payments are recognised as an expense in surplus or deficit on a straight-line basis over the lease term.

The group does not hold any finance leases.

Group as a lessor
Leases in which the group does not transfer substantially all the risks and benefits of ownership of an asset are classified as operating leases. Initial direct costs that are incurred in determining an operating lease are added to the carrying amount of the leased asset and recognised over the lease term.

Rent received from an operating lease is recognised as revenue on a straight-line basis over the lease term.

i) Intangible assets

Intangible assets include costs incurred in acquiring and building software and computer systems (software). Software is amortised using the straight-line method over its expected useful life.

At each reporting date, the intangible assets are reviewed for indicators of impairment if any such indication exists, the recoverable amount of the assets are estimated and compared against the existing carry value. The recoverable amount is the higher of an assets fair value less costs to sell and its value in use. Where the existing carrying value exceeds the recoverable amount, the difference is charged to the Statement of Comprehensive Revenue & Expenses.

Costs incurred in planning or evaluating software proposals, or in maintaining systems after implementation are not capitalised.

Notes to the financial statements (continued)

Note 3 Significant accounting policies (continued)

j) Impairment of non-financial assets

At each reporting date, the group reviews the carrying amounts of its non-financial assets (other than deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the assets recoverable amount is estimated.

The group's assets that do not generate separate cash inflows are tested for impairment as part of testing the overall group's assets.

Impairment losses are recognised in profit or loss.

For assets an impairment loss is reversed only to the extent that the assets carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognised.

FINANCIAL ASSETS

The Group does not have any financial assets classified as financial assets at fair value through surplus or deficit, held-to-maturity investments or available-for-sale financial assets. The Group only holds financial assets classified as loans and receivables.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognised in the surplus or deficit.

Recognition

Financial assets are measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

k) Cash and cash equivalents

Cash and cash equivalents include cash holdings, foreign currency cash holdings, short term cash investments and are carried at amortised cost in the Statement of Financial Position.

j) Loans

Within the Group, Bank of the Cook Islands ("the Bank") issues loans. These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the group does not intend to sell immediately or in the near term. They arise when the Bank provides money to a debtor with no intention of trading the loans and advances. After initial recognition they are measured at amortised cost using the effective interest method less any impairment loss.

Loans include direct finance provided to customers such as current accounts and term loans.

m) Term deposits

This comprises interest-bearing deposits held with other banks and are measured at amortised cost in the Statement of Financial Position.

n) Income tax receivable

This comprises income tax receivable as income tax payments made exceed the current tax due. This will be settled by receipt of refund or used to meet future income tax payments and is measured at amortised cost in the Statement of Financial Position.

Notes to the financial statements (continued)

Note 3 Significant accounting policies (continued)

o) Other receivables

Other receivables includes accrued interest on term deposits and welfare receivables but excludes prepayments These are carried at amortised cost in the Statement of Financial Position.

Identification and measurement of impairment

Financial assets are regularly reviewed for impairment. Credit impairment provisions are raised for exposures that are known to be impaired. Exposures are impaired and impairment losses are recorded if, and only if, there is objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of the asset and prior to the reporting date, and that loss event, or events, has had an impact on the estimated future cash flows of the individual loan or the collective portfolio of loans that can be reliably estimated.

Objective evidence that financial assets are impaired includes:

-Significant financial difficulty of the borrower or issuer;

-default on payments by borrower;

-restructuring of a loan

-decline in economic conditions

Impairment is assessed for loans at an individual level.

The estimated individual impairment losses are measured as the difference between the asset's carrying amount and the estimated future cash flows discounted to their present value. As this discount unwinds during the period between recognition of impairment and recovery of the cash flow, it is recognised in interest income. The process of estimating the amount and timing of cash flows involves considerable management judgement. These judgements are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

The provision for loan impairment is deducted from loans in the Statement of Financial Position and the movement for the reporting period is reflected in the Statement of Comprehensive Revenue and Expenses.

When a loan is uncollectible, either partially or in full, it is written off against the related provision for loan impairment. Subsequent recoveries of amounts previously written off are taken to the Statement of Comprehensive Revenue and Expenses.

Where impairment losses recognised in previous periods have subsequently decreased or no longer exist, such impairment losses are reversed in the Statement of Comprehensive Revenue and Expenses.

Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

FINANCIAL LIABILITIES

Recognition

Financial liabilities are measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

Classification & measurement

All financial liabilities are classified as other financial liabilities and are measured at amortised cost using the effective interest rate and include: trade and other payables, banking customer deposits, related party payables, dividend payable, and income tax payable.

Notes to the financial statements (continued)

Note 3 Significant accounting policies (continued)

FINANCIAL LIABILITIES (continued)

p) Employee benefits

Long-term employee benefits

The group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognised in profit or loss in the period in which they arise

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

q) Provisions

The Group recognises provisions when there is a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. The amount recognised is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation at the reporting date. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

r) Dividends

Dividends or similar distributions are recognised only when the shareholder's or the Group's right to receive payments is established.

Derecognition

Financial liabilities are derecognised when the obligation specified in the contract is discharged cancelled or expires.

PRESENTATION

s) Offsetting of income and expenses

Income and expenses are not offset unless required or permitted by an accounting standard. This generally arises in the following circumstances:

- where gains and losses arise from a group of similar transactions such as foreign exchange gains and losses.
- where amounts are collected on behalf or third parties where the group is, in substance, acting as an agent only, or
- where costs are incurred on behalf of customers from whom the group is reimbursed.

t) Offsetting of financial assets and liabilities

Assets and liabilities are offset and the net amount reported in the Statement of Financial Position only where there is:

- a current enforceable legal right to offset the asset and liability, and
- an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Notes to the financial statements (continued)

Note 3 Significant accounting policies (continued)

u) Statement of cash flows

For cash flow statement presentation purposes, cash and cash equivalent includes cash on hand, deposits held at call with other financial institutions, and other short term, highly liquid, investments that are readily convertible to cash and which are subject to an insignificant risk of changes in value.

Certain cash flows have been netted in order to provide more meaningful disclosure as many of the cash flows are received and disbursed on behalf of customers and reflect the activities of the customer rather than those of the group. These include customer loans and advances customer deposits and related party balances.

v) Value added tax

Income, expenses and assets are recognised net of the amount of value added tax (VAT) except where the amount of VAT incurred is not recoverable from the Revenue Management Division (RMD). In these circumstances, the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense

Receivables and payables are stated with the amount of VAT included. The net amount of VAT recoverable from, or payable to the RMD is included as, other assets or other liabilities in the Statement of Financial Position

Cash flows are included in the Statement of Cash Flow on a net basis. The VAT components of cash flows arising from investing and financing activities, which are recoverable from, or payable to, the RMD are classified as operating cash flows.

w) Contingent liabilities

A contingent liability is a liability of sufficient uncertainty that it does not qualify for recognition as a provision, but there is a possible obligation that is higher than remote.

x) Related parties

The Group regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Group, or vice versa. Members of key management are regarded as related parties and comprise the directors and senior management of the Cook Islands Investment Corporation and Group.

CRITICAL ESTIMATES AND JUDGEMENTS USED IN APPLYING ACCOUNTING POLICIES

These 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.

An explanation of the judgements and estimates made by the Group in the process of applying its accounting policies, that have the most significant effect on the amounts recognised in the financial statements are set out below.

Credit provisioning

The accounting policy relating to measuring the impairment of loans and advances requires the Bank to assess impairment at least at each reporting date. The credit provisions raised represent management's best estimate of the losses incurred in the loan portfolio at balance date based on their experienced judgement.

Notes to the financial statements (continued)

Note 3 Significant accounting policies (continued)

Credit provisioning (continued)

There is no general provision against loans due to the fact that historically specific provisions provided under FSC guidelines have over provided provisions materially equivalent to what the general provision would be under the accounting standards.

The use of such judgements and reasonable estimates is considered by management to be an essential part of the process and does not impact on reliability.

Management regularly reviews and adjusts the estimates and methodologies as improved analysis becomes available. Changes in these assumptions and methodologies could have a direct impact on the level of provision and impairment charge recorded in the financial statements.

Refer to Note 12 for details of credit impairment provisions.

OTHER JUDGEMENTS

Deferred tax assets

The Bank has judged, based on current and recent past performance and budget/business plans in place, that there will be sufficient taxable income in the future to utilise taxable differences that are expected to reverse in the foreseeable future and has therefore recognised a deferred tax asset. Refer to note 18.

Yield related fees

The group has reviewed all fees and has judged that loan establishment fees are integral to the yield of the product. These fees have been included as part of the calculation of the effective interest rate.

Member's valuation of selected fixed assets

Certain fixed assets have been included in the Statement of Financial Position based on valuations performed by the Members. This is due to difficulties experienced in obtaining information relating to these assets. This treatment is a departure from IPSAS 17 Property, Plant, and Equipment. The audit report of these financial statements is qualified in this regard. Refer to note 14.

Note 4 New standards and interpretations not yet adopted

There are currently no International Public Sector Accounting Standards (IPSAS's) issued but not yet effective that would require disclosure under IPSAS 3 Accounting policies, changes in accounting estimates and errors.

Notes to the financial statements (continued)

Note 5 Sundry Income

In thousands of New Zealand Dollars	Group 30 June 2014	30 June 2013 Restated	Parent 30 June 2014	30 June 2013
Sundry revenue	**478**	407	**-**	3
Insurance recovered	**399**	-	**-**	-
Social responsibility cost recoveries	**45**	285	**-**	-
	922	692	**-**	3

Note 6 Other expenses

	Group 30 June 2014	30 June 2013 Restated	Parent 30 June 2014	30 June 2013
Advertising	**94**	69	**2**	3
Discount on electricity	**709**	471	**-**	-
Electricity	**2**	11	**-**	-
Fees paid to group auditor - audit services	**319**	259	**115**	120
Fees paid to group auditor - non audit services	**71**	11	**-**	-
Fees paid to other auditors - audit services	**64**	66	**-**	-
Motor vehicle expenses	**191**	157	**13**	12
Payment on behalf of Crown	**75**	-	**75**	-
Staff training expenses	**198**	240	**-**	3
Travel expenses	**88**	82	**7**	8
Other operating expenses	**2,267**	1,833	**45**	98
Total Other expenses	**4,078**	3,199	**257**	244

Non-audit services include IFRS transition assistance and tax compliance services.

Note 7 Employee entitlements

	Group 30 June 2014	30 June 2013 Restated	Parent 30 June 2014	30 June 2013
Current				
Accrued salaries and wages	**23**	46	**3**	30
Annual leave	**878**	933	**35**	-
Current employee entitlements	**901**	979	**38**	30
Non-current				
Annual leave	**28**	-	**-**	-
Non-current employee entitlements	**28**	**-**	**-**	**-**
Total employee entitlements	**929**	**979**	**38**	**30**

Notes to the financial statements (continued)

Note 8 Cash and cash equivalents

In thousands of New Zealand Dollars	Group 30 June 2014	Group 30 June 2013 Restated	Parent 30 June 2014	Parent 30 June 2013
Cash on hand	1,885	962	-	-
Cash at bank	12,819	12,892	(188)	292
Total cash and cash equivalents	14,704	13,854	(188)	292

Note 9 Term Deposits

In thousands of New Zealand Dollars	Group 30 June 2014	Group 30 June 2013 Restated	Parent 30 June 2014	Parent 30 June 2013
Less than 12 months	25,921	14,708	2,448	2,496
Over 12 months	4,077	7,787	-	-
Total term deposits	29,998	22,495	2,448	2,496

Short term deposits are made for varying periods, depending on the immediate cash requirements of the Group and earn interest at the respective short term deposit rate.

Note 10 Receivables from exchange transactions

In thousands of New Zealand Dollars	Group 30 June 2014	Group 30 June 2013 Restated	Parent 30 June 2014	Parent 30 June 2013
Current receivables	4,973	5,088	174	167
Less: impairment allowance	(1,805)	(1,670)	(109)	(94)
Total receivables from exchange transactions	3,168	3,418	65	73

As at 30 June 2014, the ageing analysis of current exchange receivables is as follows:

Group

In thousands of New Zealand Dollars	Total	Neither past due or impaired	<30 days	30-60 days	>60 days
As at 30 June 2013					
Rental debtors	3,353	1,522	808	565	458
Other exchange	65	14	-	-	51
Total	3,418	1,536	808	565	509

In thousands of New Zealand Dollars	Total	Neither past due or impaired	<30 days	30-60 days	>60 days
As at 30 June 2014					
Rental debtors	3,106	1,704	858	268	276
Other exchange	62	11	-	-	51
Total	3,168	1,715	858	268	327

Notes to the financial statements (continued)

Note 11 Related parties

In thousands of New Zealand Dollars	Group 30 June 2014	Group 30 June 2013 Restated	Parent 30 June 2014	Parent 30 June 2013
Related party receivables				
Government of the Cook Islands	1,267	167	1,252	133
Ministry of Foreign Affairs And Immigration	57	-	-	-
Total related party receivables	1,324	167	1,252	133

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

In thousands of New Zealand Dollars	Group 30 June 2014	Group 30 June 2013 Restated	Parent 30 June 2014	Parent 30 June 2013
Dividends receivable				
Telecom Cook Islands Limited	1,000	800	675	192
Total dividends receivable	1,000	800	675	192

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.

Notes to the financial statements (continued)

Note 11 Related parties (continued)

	Group		Parent	
In thousands of New Zealand Dollars	**30 June 2014**	30 June 2013 Restated	**30 June 2014**	30 June 2013
Related party payables - Current				
Government of the Cook Islands	707	839	70	105
Cook Islands Property Corporation (NZ) Limited	-	-	70	-
Total related party payables - current	707	839	140	105

	Group		Parent	
In thousands of New Zealand Dollars	**30 June 2014**	30 June 2013 Restated	**30 June 2014**	30 June 2013
Related party payables - Non current				
Government of the Cook Islands	-	-	-	-
Cook Islands Government Property Corporation	-	-	1,758	1,359
Cook Islands Broadcasting Corporation	-	-	40	40
Total related party payables - non current	-	-	1,798	1,399

	Group		Parent	
In thousands of New Zealand Dollars	**30 June 2014**	30 June 2013 Restated	**30 June 2014**	30 June 2013
Dividends payable				
Government of the Cook Islands	1,625	700	675	-
Total dividends payable	1,625	700	675	-

The related party balances do not have fixed repayment terms, are unsecured and no interest is payable.

Group entities undertake numerous transactions with other Government entities. These transactions are not mateial and have therefore not been disclosed separately.

Notes to the financial statements (continued)

Note 11 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 $495,073 (2013: $523,729) for these services.

c) The Group provides telecommunication services to various Government entities through its associate, Telecom Cook Islands Limited. The group paid $404,801 (2013: $353,021) 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 $2,047,997 (2013: $2,201,688) and also by the parent entity of $3,848,895 (2013: 2,024,0142)

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 2014 is $320,451 (2013: $301,443)

h) Cook Islands Government Property Corporation made a revenue transfer of $617,666 (2013:$618,782) 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.

i) Equity injections for the Group in 2014 was $576,740 (2013: $395,451) being assets from Cook Islands Investment Corporation consisting of land, completed buildings and extensions transferred to the parent during the year.

j) The parent received dividends of $1,211,251 (2013: $731,283) from subsidiaries. These dividends were then paid to the shareholder, Cook Islands Government. The group received a tax benefit of $242,250 (2013: $207,782) in relation to dividends paid to the parent, Cook Islands Investment Corporation, a tax paying entity.

Notes to the financial statements (continued)

Note 12 Banking portfolio investments

The following is a summary of the loans portfolio by industry sector as at 30 June 2014:

Group *In thousands of New Zealand Dollars*	**Total 2014**	Total 2013	**Due within One Year 2014**	Due within One Year 2013	**Over One Year 2014**	Over One Year 2013
Agriculture	**65**	76	22	21	43	55
Fishing	**7**	21	7	8	0	13
Pearls	**3**	5	3	4	1	1
Consumer	**7,805**	7,461	3,378	2,996	4,428	4,465
Business	**13,827**	10,971	1,600	1,433	12,226	9,538
Housing	**23,329**	20,521	1,761	1,523	21,567	18,998
Staff	**2,281**	2,314	354	157	1,927	2,157
Tourism	**6,347**	6,221	478	690	5,869	5,531
	53,664	47,590	**7,603**	6,832	**46,061**	40,758
LESS:						
Provision for Doubtful loans	**1,627**	1,613				
Provision for non-performing interest	**1,449**	1,202				
Deferred income	**372**	276				
Net Portfolio as at 30 June	**50,216**	44,499				
Split by:						
Current	**6,741**	6,128				
Non - current	**43,475**	38,371				
	50,216	44,499				

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

Housing 4.54% to 15.99% (2013: 6.40% to 16.25%)
Development (including Business) - 8.60% to 12.75% (2013: 8.85% to 13.00%)
Consumer - 8.99% to 16.50% (2013: 9.25% to 16.50%)
Government - 10.50% (2013: 10.50%)

The following significant individual counter-party exposures existed at balance date:

Group *In thousands of New Zealand Dollars*	**30 June 2014**			30 June 2013		
Percent of Equity Range	# Counter Parties	Loan Balance	Percentage of Bank's Equity	# Counter Parties	Loan Balance	Percentage of Bank's Equity
5 - 10%	**2**	1,885	**12.07%**	1	**972**	6.34%
+10%	**2**	4,585	**29.35%**	2	**4513**	29.45%

Notes to the financial statements (continued)

Note 12 Banking portfolio investments (continued)

Provision for Losses on Banking Portfolio Investments

Group

In thousands of New Zealand Dollars	**30 June 2014**	30 June 2013 Restated
The total charge of provisions was made up as follows:		
PROVISIONS FOR DOUBTFUL LOANS		
Opening balance	**1,613**	1,790
Bad debts written out of provisions	**(76)**	(141)
Write off of non-performing loan interest	**-**	82
Provisions for doubtful loans	**90**	(118)
Balance at end	**1,627**	1,613
Net increase/(decrease) in provision for doubtful loans		
PROVISIONS FOR NON-PERFORMING INTEREST		
Opening balance	**1,202**	940
Interest accrued on non-performing loans	**247**	262
Balance at end	**1,449**	1,202

Note 13 Inventories

	Group		Parent	
In thousands of New Zealand Dollars	**30 June 2014**	30 June 2013 Restated	**30 June 2014**	30 June 2013
Trading stock	**4,364**	3,795	**17**	23
Spare parts	**33**	17	**-**	-
Fuels	**1,487**	1,269	**-**	-
Other	**317**	354	**-**	-
Total inventories	**6,201**	5,435	**17**	23

Notes to the financial statements (continued)

Note 14 **Property, plant and equipment**

In thousands of New Zealand Dollars

GROUP

In thousands of New Zealand Dollars	Airport freehold land	Leased land	Buildings	Leasehold improve-ments	Motor Vehicles	Furniture and equipment	Office equipment	Plant & equipment	Capital WIP	Power network	Airport facilities	Port facilities	TOTAL
Cost													
At 1 July 2012	10,985	1,081	70,541	65	4,408	667	1,835	20,817	23,393	16,297	51,789	5,459	207,337
Additions	-	-	150	-	187	48	119	683	8	530	-	4,789	6,514
Disposals	-	-	(186)	-	(12)	(4)	(62)	(209)	-	(289)	-	-	(762)
At 30 June 2013	10,985	1,081	70,505	65	4,583	711	1,892	21,291	23,401	16,538	51,789	10,248	213,089
Additions	-	290	711	-	178	29	196	2,121	381	620	267	134	4,927
Disposals	-	-	(9)	-	(124)	-	(11)	(121)	-	-	-	-	(265)
Transfers/adjustments	-	-	663	-	-	-	-	-	(68)	-	-	-	595
At 30 June 2014	10,985	1,371	71,870	65	4,637	740	2,077	23,291	23,714	17,158	52,056	10,382	218,346

Notes to the financial statements (continued)

Note 14 **Property, plant and equipment (continued)**

In thousands of New Zealand Dollars

	Airport freehold land	Leased land	Buildings	Leasehold improve-ments	Motor Vehicles	Furniture and equipment	Office equipment	Plant & equipment	Capital WIP	Power network	Airport facilities	Port facilities	TOTAL
Depreciation and impairment													
At 1 July 2012	-	73	17,596	34	2,967	417	1,466	11,191	-	9,079	1,542	147	44,512
Disposals	-	-	(13)	-	(5)	(4)	(58)	(152)	-	(242)	-	-	(474)
Depreciation	-	14	1,840	4	355	33	168	1,321	-	807	1,578	597	6,717
At 30 June 2013	-	87	19,423	38	3,317	446	1,576	12,360	-	9,644	3,120	744	50,755
Disposals	-	-	(8)	-	(89)	-	(11)	(118)	-	-	-	-	(226)
Transfers	-	-	663	-	-	-	-	-	-	-	-	-	663
Depreciation	-	14	1,832	3	364	55	170	1,404	0	789	1,592	860	7,083
At 30 June 2014	-	101	21,910	41	3,592	501	1,735	13,646	-	10,433	4,712	1,604	58,275

In thousands of New Zealand Dollars

	Airport freehold land	Leased land	Buildings	Leasehold improve-ments	Motor Vehicles	Furniture and equipment	Office equipment	Plant & equipment	Capital WIP	Power network	Airport facilities	Port facilities	TOTAL
Net Book Values													
At 30 June 2012	10,985	1,008	52,945	31	1,441	250	369	9,626	23,393	7,218	50,247	5,312	162,591
At 30 June 2013	10,985	994	51,082	27	1,266	265	316	8,931	23,401	6,894	48,669	9,504	162,334
At 30 June 2014	10,985	1,270	49,960	24	1,045	239	342	9,645	23,714	6,725	47,344	8,778	160,071

Notes to the financial statements (continued)

Note 14 Property, plant and equipment (continued)

In thousands of New Zealand Dollars

PARENT

	Plant and equipment	Motor vehicles	TOTAL
Cost			
At 1 July 2012	289	94	383
Additions	-	34	34
Disposals	(31)	-	(31)
Transfers/adjustments	-	-	-
At 30 June 2013	258	128	386
Additions	**1**	**37**	**38**
Disposals	**(22)**	-	**(22)**
Transfers/adjustments	-	-	-
At 30 June 2014	**237**	**165**	**402**
Depreciation and impairment			
At 1 July 2012	(182)	(90)	(272)
Disposals	27	-	27
Depreciation	(19)	(2)	(21)
Impairment	-	-	-
Transfers/adjustments	-	-	-
At 30 June 2013	(174)	(92)	(266)
Disposals	**22**	-	**22**
Depreciation	**(16)**	**(12)**	**(28)**
Impairment	-	-	-
Transfers/adjustments	-	-	-
At 30 June 2014	**(168)**	**(104)**	**(272)**
Net Book Values			
At 30 June 2012	**107**	**4**	**111**
At 30 June 2013	**84**	36	**120**
At 30 June 2014	**69**	**61**	**130**

Notes to the financial statements (continued)

Note 14 Property, plant and equipment (continued)

Determination of Cost:

Buildings are measured at cost. Cost is based on historical costs or deemed cost based on previous valuations as detailed below:

- Rental houses were valued at $1.8 million (2013: $1.9miilion) by John McElhinney of Rarotonga, a registered valuer, in May 1999. The valuation includes buildings only and no attempt has been made to place a valuation on the land. This May 1999 valuation is the deemed cost applied for these rental houses.
- The Rarotonga Hospital Administration Block is measured at cost less accumulated depreciation.
- The Court House, Police Headquarters and Multi Sports Complex are recorded at the value nominated by the Ministry of Finance and Economic Management for the Cook Islands being the cost of construction.
- All other Cook Islands Government Property Corporation buildings are stated at deemed cost being valuations performed by members and initially recorded in the 1996/97 statutory accounts for the Government of the cook Islands less accumulated depreciation.
- The Mulgrave Street property in Wellington owned by Cook Islands Property Corporation (NZ) Limited was valued by Darroch Limited in August 2010, for insurance purposes providing depreciated replacement cost of $602,000. An earlier valuation by DTZ New Zealand in October 2008 placed a market value of $1,500,000 for land and buildings in Mulgrave Street. This property is held at cost in the financial statements.
- The building owned by Bank of the Cook Islands Limited is valued at cost less accumulated depreciation. This building was valued at $1,900,000 by Jones Lang LaSelle Hotels Limited in May 2014. The remaining term of the BCI House lease is 13 years.

Leased Land

Cook Islands Government Property Corporation leased land is stated at deemed cost being the initial value recorded in the 1996/97 statutory accounts for the Government of the Cook Islands less depreciation where applicable.

Restrictions on Disposals

Fixed assets held by Cook Islands Government Property Corporation and its subsidiaries cannot be disposed of without prior consent of Cabinet.

Ownership and completeness of assets

These assets disclosed in these financial statements 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 Members at the time the financial statements were prepared.

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 based on the cost of construction and are recognised directly in equity as a contribution from owner.

Members' valuation of selected fixed assets

Except as disclosed elsewhere in this note, 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. This is due to difficulties experienced in obtaining information relating to these assets.

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

Notes to the financial statements (continued)

Note 15 Intangible Assets

GROUP
In thousands of New Zealand Dollars

	Carrying Amount
Cost	
At 1 July 2012	1,662
Additions	222
At 30 June 2013	1,884
Additions	181
At 30 June 2014	2,065
Amortisation and impairment	
At 1 July 2012	1,585
Amortisation for the year	57
At 30 June 2013	1,642
Amortisation for the year	124
At 30 June 2014	1,766
Net book values	
At 30 June 2012	77
At 30 June 2013	242
At 30 June 2014	299

Intangible assets include costs incurred in acquiring and building software and computer systems (software). Software is amortised using the straight line method over its expected useful life.

Note 16 Investment property

Group *In thousands of New Zealand Dollars*	**30 June 2014**	30 June 2013 Restated
Opening balance 1 July	5,378	4,579
Additions / (Disposals)	840	919
Depreciation	(182)	(120)
Closing balance at 30 June	6,036	5,378

Notes to the financial statements (continued)

Note 17 Trade and other payables

In thousands of New Zealand Dollars	**Group 30 June 2014**	30 June 2013 Restated	**Parent 30 June 2014**	30 June 2013
Trade and other payables from exchange transactions				
Trade creditors	**1,250**	1,258	**351**	211
Audit fees	**402**	328	**154**	164
Other fees owed to auditors	**41**	-	**-**	-
Interest accrual	**603**	464	**-**	-
Provisions	**1,830**	280	**-**	-
Motor vehicle registration	**239**	275	**-**	-
Other payables and accruals	**2,303**	1,821	**18**	20
Total trade and other payables from exchange transactions	**6,668**	4,426	**523**	395

Trade creditors and other accruals are non-interest bearing and are normally settled on 30-day terms.

Trade and other payables from non-exchange transactions				
Value added tax	**245**	285	**57**	29
Total trade and other payables from non-exchange transactions	**245**	285	**57**	29
Total trade and other payables	**6,913**	**4,711**	**580**	**424**

Provisions

In thousands of New Zealand Dollars	**Group 30 June 2014**	30 June 2013	**Parent 30 June 2014**	30 June 2013
Opening land lease provision	**280**	280	**-**	-
Additional provision made in the period	**1,300**	-	**-**	-
Closing land lease provision	**1,580**	**280**	**-**	-
Opening other provision	**-**	-	**-**	-
Additional provision made in the period	**250**	-	**-**	-
Closing other provision	**250**	-	**-**	-
Total Provision	**1,830**	**280**	**-**	-

Included in Provisions is land lease provision related to outstanding rent reviews and lease payments to landowners that are expected to be settled within the next 12 months. The Group has estimated the provision based on the current status of negotiations with landowners and other available information.

Notes to the financial statements (continued)

Note 18 Taxes

In thousands of New Zealand Dollars	Group **2014**	Group 2013 Restated	Parent **2014**	Parent 2013
Income tax receivable				
Income tax receivable (payable) c/f 1 July	**593**	-	**216**	211
Reclassified as tax receivable	**(175)**	(168)	**-**	-
Income tax on current year surplus	**(1,229)**	(1,531)	**(255)**	(142)
Income tax paid	**1,177**	2,106	**-**	147
Income tax benefit on dividends paid	**242**	208	**244**	-
Future income tax benefit	**(3)**	(24)	**-**	-
Income tax overstated in prior year	**48**	2	**-**	-
Income tax receivable 30 June	**653**	593	**205**	216
Future income tax benefit 1 July	**24**	-	**-**	-
Current year movement	**3**	24	**-**	-
Future income tax benefit 30 June	**27**	24	**-**	-
Deferred tax asset				
Deferred tax asset c/f 1 July	**551**	538	**13**	15
Deferred tax on current year surplus	**55**	13	**3**	(2)
Deferred tax asset 30 June	**606**	551	**16**	13
Income tax payable				
Income tax payable c/f 1 July	**370**	251	**-**	-
Reclassified to tax receivable	**(175)**	(168)	**-**	-
Income tax on current year surplus	**223**	332	**-**	-
Income tax paid	**(219)**	(123)	**-**	-
Additional tax from RMD audit	**-**	78	**-**	-
Income tax payable 30 June	**199**	370	**-**	-
Deferred tax liability				
Deferred tax liability c/f 1 July	**1,662**	1,794	**-**	-
Deferred tax on current year surplus	**(159)**	(136)	**-**	-
Other adjustment	**8**	4	**-**	-
Deferred tax asset 30 June	**1,511**	1,662	**-**	-

Notes to the financial statements (continued)

Note 18 Taxes (continued)

Reconciliation of effective tax rate

In thousands of New Zealand Dollars	Group 2014	Group 2013 Restated	Parent 2014	Parent 2013
Surplus before taxation for the year	2,897	9,130	1,262	744
(Surplus)/deficit for tax exempt entities	748	(117)	-	-
Dividends paid and proposed by tax exempt entities	1,735	1,839	-	-
Equity accounted earnings from associate	(475)	(547)	-	-
Profit excluding tax	4,905	10,305	1,262	744
Prima facie taxation at 20%	981	2,061	252	149
Difference for tax at other rates (NZ 30%)	-	(61)	-	-
Transition adjustment impact	(77)	6	-	-
Tax effect of non-assessable income	(111)	(848)	-	(5)
Tax effect of non-deductible expenses	284	337	-	-
Tax effect on prior period adjustments	(70)	5	-	-
Tax effect on RMD audit	-	92	-	-
Taxable income not recognised in accounts	242	146	-	-
Application of prior year tax losses	-	36	-	-
Tax effect on Stadium naming rights	(11)	-	-	-
Income tax expense	1,238	1,774	252	144
Income tax expense is represented by:				
Current	1,452	1,864	255	144
Deferred	(214)	(90)	(3)	-
	1,238	1,774	252	144

Income tax losses carried forward:

Individual entities within the group have combined carried forward tax losses of $133,137 (2013: $133,137). These tax losses are unable to be offset and can only be used by the individual companies.

These tax losses have no expiry date provided there is 40% continuity in ownership and the taxation laws in relation to these do not change.

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

Notes to the financial statements (continued)

Note 19 Investment in shares

The reconciliation of non-current investments is as follows:

In thousands of New Zealand Dollars	Group Carrying Amount	Group Fair Value	Parent Carrying Amount	Parent Fair Value
Financial instruments at cost				
Investment in Shares				
Opening balance at 1 July 2012	138	138	-	-
Additional investments made	-	-	-	-
Investments sold	(10)	(10)	-	-
At 30 June 2013	128	128	-	-
Additional investments made	-		-	-
Investments sold	-		-	-
Interest capitalised	-		-	-
At 30 June 2014	128	128	-	-

During the 2013 year the Samoan Government purchased all the shares in Pacific Forum Line Limited for $8,108 resulting in a loss on sale of $1,913. There have been no changes to investments in shares during the 2014 period.

Shares held at year end relate to the Group's investment in Asian Development Bank. The shares are held within the Group by Cook Islands Government Property Corporation.

Note 20 Investment in Associates

These financial statements include the financial statements of the Group and the controlled entities listed in the following table:

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.

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

	Ownership	Total Assets	Total Liabilities	Total Income	Total Profit/(loss)
2013					
Telecom Cook Islands	40%	20,440	6,904	18,237	5,371
2014					
Telecom Cook Islands	40%	21,787	7,063	19,015	4,688

Notes to the financial statements (continued)

Note 20 Investment in Associates (continued)

Investment in associates - Group

In thousands of New Zealand Dollars	2014	2013
Equity accounted investee		
Opening balance at 1 July	5,422	4,874
Share of profit/(loss)	1,875	2,148
Dividend received	(1,400)	(1,600)
Balance at 30 June	**5,897**	**5,422**

Note 21 Banking customer deposits

	2014			2013		
In thousands of New Zealand Dollars	Total	Due within one year	Over one year	Total	Due within one year	Over one year
Call deposits	20,285	20,285	-	17,654	17,654	-
Client term deposits	38,839	36,945	1,894	29,826	28,610	1,216
TOTAL	**59,124**	**57,230**	**1,894**	**47,480**	**46,264**	**1,216**

Included in customer deposits are deposits from Cook Islands Government, Cook Islands Government Departments and other entities ultimately owned by the Cook Islands Government totalling $31,271,872 (2013: $23,180,951).

Note 22 Borrowings

In thousands of New Zealand Dollars

	Group		Parent	
	30 June 2014	30 June 2013 Restated	**30 June 2014**	30 June 2013
Current portion	895	623	-	-
Non current portion	23,121	23,770	-	-
Total borrowings	24,017	24,393	-	-

Notes to the financial statements (continued)

Note 22 Borrowings (continued)

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. 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 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. 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 nominal 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 Comprehensive Revenue and Expenses. The first draw down was made on 25 May 2010. Loan 2472 of USD$8.6 million is fixed for a period of 20 years plus a 5 year 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 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.

Notes to the financial statements (continued)

Note 23 Financial Instruments - financial risk management

Exposure to currency, interest rate, liquidity and credit risk arises in the normal course of the Group's operations. This note presents information about the Group's exposure to each of the above risks, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these financial statements.

Fair values

Set out below are the carrying amounts by class of the group's financial instruments

In thousands of New Zealand Dollars	Carrying amount	
Financial assets	**Group**	**Parent**
30 June 2013		
Cash and cash equivalents	13,854	292
Term deposits	22,495	2,496
Trade and other receivables	4,647	73
Banking portfolio investments	44,499	-
Taxation receivable	593	216
Dividends receivable	800	192
Related party receivables	167	133
	87,055	3,402
Financial assets		
30 June 2014		
Cash and cash equivalents	14,704	(188)
Term deposits	29,998	2,448
Trade and other receivables	4,872	65
Banking portfolio investments	50,216	0
Taxation receivable	653	205
Dividends receivable	1,000	675
Related party receivables	1,324	1,252
	102,767	4,457

All financial assets held by the group are classified as 'Loans and Receivables'. Due to the nature and term of the financial assets that the group holds, the fair value and carrying value of financial assets is not materially different.

In thousands of New Zealand Dollars	Carrying amount	
Financial liabilities	**Group**	**Parent**
30 June 2013		
Trade and other payables	5,443	455
Employee entitlements	979	30
Banking customer deposits	47,480	-
Income tax payable	370	-
Related party payables	839	1,504
Bank loan	24,393	-
Dividends payable	700	192
	80,204	2,181
Financial liabilities		
30 June 2014		
Trade and other payables	7,690	613
Employee entitlements	929	35
Banking customer deposits	59,124	-
Income tax payable	199	-
Derivative liability	206	-
Related party payables	707	1,938
Bank loan	24,017	-
Dividends payable	1,625	675
	94,497	3,261

Notes to the financial statements (continued)

Note 23 Financial Instruments - financial risk management (continued)

Due to the nature and term of the financial liabilities that the group holds, the fair value and carrying value of financial liabilities is not materially different.

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation. The following methods and assumptions were used to estimate the fair values:

- Cash and short-term deposits, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.
- Long-term fixed rate and variable rate receivables/borrowings are evaluated by the Group based on parameters such as interest rates, specific country risk factors and individual creditworthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken to account for the incurred losses of these receivables and market related interest rates. As at 30 June 2014 and 2013 respectively, the carrying amounts of such receivables, net of allowances are not materially different from their calculated fair values.
- The fair value of other financial liabilities is estimated by discounting future cashflows using rates currently available for debt on similar terms, credit risk and remaining maturities.

Credit risk

Credit risk is the risk of financial loss to the group if customers or counterparties to financial instruments fail to meet their contractual obligations. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk as at 30 June was:

	Group		Parent	
	30 June 2014	30 June 2013	**30 June 2014**	30 June 2013
In thousands of New Zealand Dollars				
Cash and cash equivalents	**12,819**	12,892	**(188)**	292
Term deposits	**29,998**	22,495	**2,448**	2,496
Trade and other receivables	**4,872**	4,647	**65**	73
Banking portfolio investments	**50,216**	44,499	**-**	-
Taxation receivable	**653**	593	**205**	216
Dividends receivable	**1,000**	800	**675**	192
Related party receivables	**1,324**	167	**1,252**	133
Maximum exposure to credit risk	**100,882**	**86,093**	**4,457**	**3,402**

In the normal course of business, the group incurs credit risk from trade debtors, cash and cash equivalents and term deposits held with other financial institutions and loans receivable from customers.

The credit risk in relation to the cash and cash equivalents and term deposits is considered to be low as funds are placed primarily with financial institution counterparties that are rated at least AA3 to AA2 based on rating agencies Moody's ratings. Bank of the Cook Islands and Capital Security Bank Cook Islands are unrated.

The group establishes an allowance for impairment that represents its estimate of anticipated losses in respect of receivables.

Credit risk for the group arises principally from the Bank of the Cook Islands Limited's loans to customers.

Notes to the financial statements (continued)

Note 23 Financial Instruments - financial risk management (continued)

Bank management monitor credit risk through credit policies and security ratio limits. All loans are reviewed annually to ensure that loans are still operating under loan contracted conditions. Anomalies are reported to the Manager Credit who will assign follow up tasks for the credit officers. Loan payment arrears are reviewed monthly to ensure client arrears are addressed. The Bank holds monthly Credit Management Committee meetings to montior accounts, arrears and follow ups. Loans that become a concern are followed up by the Asset Management Ulnit and reported monthly to the board of Directors. The exposure is monitored on an on-going basis and monthy reports to Management and the Board of Directors.

(i) **Analysis of Credit Quality**

Maximum exposure to credit risk from bank lending activities within the group is set out

	Loans and advances to customers		**Lending commitments and financial guarantees**	
In thousands of New Zealand Dollars	**2014**	2013	**2014**	2013
Maximum exposure to credit risk				
Carrying amount	**53,664**	47,590	**-**	-
Amount committed	**-**	-	**2,959**	1,575
At amortised cost				
Pass	**48,349**	41,625		
Special mention	**650**	1,204		
Substandard	**761**	1,860		
Doubtful	**3,369**	2,265		
Loss	**535**	636		
Total gross amount	**53,664**	**47,590**		
Provision for doubtful loans	**(1,627)**	(1,613)		
Provision for non-performing interest	**(1,450)**	(1,202)		
Deferred income	**(372)**	(276)		
Net carrying amount	**50,216**	44,499		
Off balance sheet				
Maximum exposure				
Lending commitments:				
Pass			**2,959**	1,575
Total exposure			**2,959**	1,575
Loans with renegotiated terms				
Gross carrying amount	**779**	346		
Neither past due nor impaired				
Pass	**47,263**	41,172		
Past due but not impaired (days in arrears)				
0-30	**122**	40		
31-60	**-**	-		
61-90	**185**	-		
	307	40		

Notes to the financial statements (continued)

Note 23 Financial Instruments - financial risk management (continued)
(i) Analysis of Credit Quality (continued)

	Loans and advances to customers	
In thousands of New Zealand Dollars	**2014**	2013
Individually impaired		
Special mention	**650**	1,270
Substandard	**761**	1,860
Doubtful	**3,369**	2,265
Loss	**535**	636
	5,315	6,031
Allowance for impairment		
Individual	**3,077**	2,815

Impaired loans

The group regards a loan as impaired in the following circumstances.

- There is objective evidence that a loss event has occurred since initial recognition and the loss event has an impact on future estimated cash flows from the asset.
- A retail loan is overdue for 90 days or more.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

Provision is made for specific loans where recovery is considered doubtful or they have become non-performing. Provision is made in accordance with the Financial Supervisory Commission's prudential guidelines based on asset classifications being pass (0%), special mention (5%), substandard (20%), doubtful (50%) and loss (100%). All bad debts are written off against specific provisions in the period in which they become classified as irrecoverable.

Loans that are past due but not impaired

Loans and advances that are past due but not impaired are those for which contractual interest or principal payments are past due but the bank believes that impairment is not appropriate on the basis of the level of security or collateral available and / or the stage of collation of amounts owed to the bank.

Loans with renegotiated terms and the Bank's forbearance policy

Renegotiated loans are impaired assets for which the terms have been changed to grant the counterparty a concession that would not otherwise have been available due to the counterparty's difficulty in complying with the original terms and where the yield on the asset following restructuring is still above the bank's cost of funds.

The bank renegotiates loans to customers in financial difficulties (referred to as 'forbearance activities') to maximise collection opportunities and miniminse the risk of default. Under the bank's forbearance policy, loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. Both retail and corporate loans are subject to the forbearance policy. The bank's Compliance Committee regularly reviews reports of forbearance activities.

Notes to the financial statements (continued)

Note 23 Financial Instruments - financial risk management (continued)
Credit risk (continued)
(i) Analysis of Credit Quality (continued)

For the purposes of disclosures in these financial statements, 'loans with renegoatiated terms' are defined as loans that have been restructured due to a deterioration in the borrower's financial position for which the bank has made concessions by agreeing to terms and conditions that are more favourable for the borrower than the bank and provided initially and that it would not otherwise consider. A loan continues to be presented as part of loans with renegotiated terms until maturity, ealier repayment or until it is written off.

Irrespective of whether loans with renegotiaed terms have been derecognised or not, they remain disclosed as impaired and appropriately provisioned until there is sufficient evidence to demonstrate a significant reduction in the risk of non-payment of future cash flows and there are no other indicators of impairment.

Loan quality classification
The group prepares financial statements in accordance with International Public Sector Accounting Standards (IPSAS). The asset quality definitions under Financial Supervisory Commission (FSC) regulations differs from that under IPSAS e.g. Under FSC guidelines when assessing the recoverability of a loan, the valuation of security held against loans cannot be brought into consideration unless legal proceedings have been initiated. Under IPSAS the value of security held against a loan can be considered whether legal proceedings have been initiated or not. In addition a past due loan is one operating outside its key terms for 30 days under FSC guidelines. Under IPSAS a past due loan is a loan for which the borrower has failed to make a payment when contractually due i.e. as per the terms of loan agreement.

Individual provisioning is calculated using FSC guidelines where pass is 0 - 30 days in arrears, special mention is 30 to 89 days in arrears. When a loan is 90 days in arrears it will be graded as substandard, doubtful or loss depending on the clients situation and the bank's judgement based on credit criteria and likeliness for recovery. Collateral value can only be taken into consideration where legal action for recovery has been undertaken. The methodology and assumptions used for estimating collectability are revised regularly to reduce any differences between loss estimates and actual loss experience.

Under IPSAS a collective provision would be made to allow for potential losses on loans not specifically provided. The specific provision has been calculated under FSC guidelines and is higher than the specific provision required under IPSAS due to different treatment of security.

Under FSC provisioning methodology no general provision is permitted however the overstatement of the specific provision is not materially different to the amount that would be required as a general provision under IPSAS.

Security
Security is required in respect of most lending. There are various securities which the bank holds. These include but are not limited to mortgages over lease and occupation rights, personal and company guarantees and Instruments by Way of Security.

(ii) Significant concentrations of credit risk
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.

The group monitors concentrations of credit risk by location, institution and sector.

Notes to the financial statements (continued)

Note 23 Financial Instruments - financial risk management (continued)
Credit risk (continued)
(ii) Significant concentrations of credit risk (continued)

In thousands of New Zealand Dollars	Credit rating	Group 30 June 2014	Group 30 June 2013	Parent 30 June 2014	Parent 30 June 2013
Concentration by Location					
New Zealand		20,834	350	-	-
Rarotonga		29,832	41,244	4,457	3,402
Rarotonga - lending		39,245	36,099	-	-
Outer islands - lending		10,971	8,400	-	-
		100,882	86,093	4,457	3,402
Concentration by Counterparty					
Australia New Zealand Bank	AA2	32,430	19,315	-	1,538
Westpac Banking Corporation	AA2	5,806	15,799	386	994
Kiwi Bank	AA3	4,281	270	-	-
Capital Security Bank	N/A	300	3	-	-
Bank of the Cook Islands	N/A	-	-	1,874	256
Loans to customers	N/A	50,216	44,499	-	-
Related parties	N/A	2,977	1,560	2,132	541
Other	N/A	4,872	4,647	65	73
Total		100,882	86,093	4,457	3,402
Concentration by Sector					
Banks		42,817	35,387	2,260	2,788
Retail		5,914	4,987	-	-
Housing		23,822	21,420	-	-
Personal		8,166	7,471	-	-
Business		12,208	10,569	-	-
Related parties		2,977	1,560	2,132	541
Other		4,978	4,699	65	73
Total		100,882	86,093	4,457	3,402

Liquidity risk

Liquidity risk is the risk that the group will encounter difficulty in meeting financial obligations as and when they fall due. The group evaluates its liquidity requirements on an on-going basis. In general, the group generates sufficient cash flows from operating activities to meet its obligations arising from its financial liabilities. Within the group the Ports and Airports Authority have obtained external borrowings to fund major capital projects. The repayment of these borrowings is met from operating cashflow.

Within the goup, liquidity risk is most prevalent in the banking operations.

The Bank of the Cook Islands Board sets the Bank's strategy for managing liquidity risk and has delegated responsibility for oversight of the liquidity policy to the Assets and Liabilities Committee.

The Finance and Customer Service & Marketing departments review the liquidity position on a daily basis and report any exceptions and liquidity issues to the Managing Director.

Notes to the financial statements (continued)

Note 23 Financial Instruments - financial risk management (continued)

Liquidity risk (continued)

The Bank's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet liabilities as they fall due under both normal and stressed conditions without unacceptable losses or damage to the Bank's reputation. The key elements of the Bank's strategy are as follows:

- daily monitoring of cash levels held for client withdrawals,
- daily monitoring of cash held in other financial institutions on call and on term deposit,
- weekly liquidity reporting to management taking into consideration incoming and outgoing cash flows and estimates commitments for the week,
- monthly discussions in the Assets and Liabilities Committee meeting and at Board level.

The maturity of individual financial assets and liabilities are detailed in the relevant notes.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points (bp) in interest rates at the reporting date would have increased (decreased) the profit or loss by amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2013.

Group	**GROUP**		**PARENT**	
In thousands of New Zealand Dollars	**30 June 2014**	**30 June 2013**	**30 June 2014**	**30 June 2013**
Interest bearing Financial assets	**93,033**	79,886	**2,448**	2,496
Interest bearing Financial liabilities	**(83,141)**	(71,873)	**-**	-
Net exposure	**9,892**	**8,013**	**2,448**	**2,496**
100bp increase effect on profit	**(99)**	(80)	**(24)**	(25)
100bp decrease effect on profit	**99**	80	**24**	25

Currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to movements in exchange rates. The group does not hold any material foreign currency assets or liabilities and therefore there is minimal currency risk.

Notes to the financial statements (continued)

Note 23 Financial Instruments - financial risk management (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.

The following financial instruments are sensitive to changes in interest rates: loans, term deposits, cash and cash equivalents, and customer deposits. Loans to customers and Customer deposits are at floating interest rates which are reviewed on a quarterly basis to ensure they are kept in line with market interest rate movements. An immaterial portion of loans have a fixed interest rate for the term of the loan. The cash on hand and short term cash deposits earn interest at normal floating commercial rates.

Interest Rate Repricing Schedule

Group

In thousands of New Zealand Dollars	Weighted average interest rate	Carrying Amount	1 year or less	1 - 5 years	> 5 years	Non sensitive
Balance as at 30 June 2014						
Financial Assets						
Cash on hand	N/A	1,885				1,885
Cash at bank	0.74%	12,819	12,819			
Term deposits	4.06%	29,998	25,921	4,077		
Trade and sundry receivables	N/A	4,872				4,872
Related party receivables	N/A	1,324				1,324
Taxation receivable	N/A	653				653
Dividends receivable	N/A	1,000				1,000
Banking portfolio investments	10.12%	50,216	50,216			
Total Financial Assets		**102,767**	**88,956**	**4,077**	**-**	**9,734**

Interest Rate Repricing Schedule (continued)

In thousands of New Zealand Dollars	Weighted average interest rate	Carrying Amount	1 year or less	1 - 5 years	> 5 years	Non sensitive
Balance as at 30 June 2014						
Financial Liabilities						
Trade and other payables	N/A	7,690				7,690
Employee entitlements	N/A	929				929
Banking customer deposits	3.39%	59,124	57,230	1,894		
Income tax payable	N/A	199				199
Derivative liability	N/A	206				206
Related party payables	N/A	707				707
Bank loan	1.46%	24,017	884	5,740	17,393	
Dividends payable	N/A	1,625				1,625
Total Financial Liabilities		**94,497**	**58,114**	**7,634**	**17,393**	**11,356**
Interest Rate Gap		**8,270**	**30,842**	**(3,557)**	**(17,393)**	**(1,622)**

Notes to the financial statements (continued)

Note 23 Financial Instruments - financial risk management (continued)

Restated balance as at 30 June 2013	Weighted average interest rate	Carrying Amount	1 year or less	1 - 5 years	> 5 years	Non sensitive
Financial Assets						
Cash on hand	N/A	962				962
Cash at bank	0.97%	12,892	12,892			
Term Deposits	4.44%	22,495	14,708	7,787		
Trade and other sundry receivables	N/A	4,647				4,647
Related party receivables	N/A	167				167
Taxation receivable	N/A	593				593
Dividends receivable	N/A	800				800
Banking portfolio investments	10.41%	44,499	44,499			
Total Financial Assets		87,055	72,099	7,787	-	7,169
Financial Liabilities						
Trade and other payables	N/A	5,443				5,443
Employee entitlements	N/A	979				979
Banking customer deposits	3.58%	47,480	46,264	1,216		
Income tax payable	N/A	370				370
Related party payables	N/A	839				839
Bank loan	1.46%	24,393	623	6,360	17,410	
Dividends payable	N/A	700				700
Total Financial Liabilities		80,204	46,887	7,576	17,410	8,331
Interest Rate Gap		6,851	25,212	211	(17,410)	(1,162)

Parent

In thousands of New Zealand Dollars	Weighted average interest rate	Carrying Amount	1 year or less	1 - 5 years	> 5 years	Non sensitive
Balance as at 30 June 2014						
Financial Assets						
Cash and cash equivalents	1.25%	(188)	(188)			
Term deposits	377.00%	2,448	2,448			
Trade and sundry receivables	N/A	65				65
Taxation receivable	N/A	205				205
Dividends receivable	N/A	675				675
Related party receivables	N/A	1,252				1,252
Total Financial Assets		**4,457**	**2,260**	-	-	**2,197**

Interest Rate Repricing Schedule (continued)

In thousands of New Zealand Dollars	Weighted average interest rate	Carrying Amount	1 year or less	1 - 5 years	> 5 years	Non sensitive
Balance as at 30 June 2014						
Financial Liabilities						
Trade and other payables	N/A	613				613
Employee entitlements	N/A	35				35
Related party payables	N/A	1,938				1,938
Dividends payable	N/A	675				675
Total Financial Liabilities		**3,261**	**0**	**0**	-	**3,261**
Interest Rate Gap		**1,196**	**2,260**	**0**	**0**	**(1,064)**

Notes to the financial statements (continued)

Note 23 Financial Instruments - financial risk management (continued)

Parent **Restated balance as at 30 June 2013**	**Weighted average interest rate**	**Carrying Amount**	**1 year or less**	**1 - 5 years**	**> 5 years**	**Non sensitive**
Financial Assets						
Cash and cash equivalents	1.25%	292	292			
Term Deposits	3.18%	2,496	2,496			
Trade and other sundry receivables	N/A	73				73
Taxation receivable	N/A	216				216
Dividends receivable	N/A	192				192
Related party receivables	N/A	133				133
Total Financial Assets		3,402	2,788	-	-	614
Financial Liabilities						
Trade and other payables	N/A	455				455
Employee entitlements	N/A	30				30
Related party payables	N/A	1,504				1,504
Dividends payable	N/A	192				192
Total Financial Liabilities		2,181	-	-	-	2,181
Interest Rate Gap		1,221	2,788	-	-	(1,567)

Capital management

The primary objective of managing the group's capital is to ensure that there is sufficient cash available to support the group's funding requirements, including capital expenditure, to ensure that the group remains financially sound. The group's capital includes Capital Contributions and Reserves.

Bank of the Cook Islands Limited's policy is to maintain investor, creditor and market confidence and to sustain the future development of the banking business.

The bank's regulatory capital comprises two tiers:

Tier One Capital which includes issued and fully paid shares and retained earnings less intangible assets. This must be at least 5% of Risk Weighted Assets

Tier Two Capital which includes all other capital.
Tier Two capital must be at least 10% of Risk weighted assets.

At balance date the bank had the following:

	30 June 2014	**30 June 2013**
% of Risk Weighted Assets		
Tier One Capital	26.80%	29.23%
Total Capital	26.80%	29.23%

The Bank complied with all externally imposed capital requirements.

Notes to the financial statements (continued)

Note 24 Commitments and contingencies

Capital Commitments

The Group has no capital commitments as at balance date (2013:nil)

Operating lease rentals

The group as lessee

Future minimum lease payments under non-cancellable operating leases:

In thousands of New Zealand Dollars	Group		Parent	
	30 June 2014	30 June 2013 Restated	30 June 2014	30 June 2013
Land and Buildings				
Due within one year	149	84	-	-
Due within two to five years	594	337	-	-
Later than five years	2,362	1,481	-	-
Total operating lease expense commitments	3,105	1,902	-	-

Bank of the Cook Islands Limited

The bank leases land on which BCI House stands under an operating lease. The original deed of lease runs for 60 years from 1968.

Cook Islands Government Property Corporation

The Corporation is a party to long term land leases. Most of these leases are for 20-30 year terms and are perpetually renewable. The Corporation has not fully disclosed future commitments on its land leases due to the incomplete nature of the Corporation's records on its leases. This is a departure from IPSAS 13 Leases, 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 it is unable to determine the total of any required adjustments to commitments or provisions required for lease liabilities.

The group as lessor

Future minimum lease income under non-cancellable operating leases:

In thousands of New Zealand Dollars	Group		Parent	
	30-Jun 2014	30-Jun 2013 Restated	30-Jun 2014	30-Jun 2013
Buildings				
Due within one year	188	208	-	-
Due within one to two years	160	211	-	-
Due within two to five years	90	232	-	-
Total	438	651	-	-

The group lets properties under operating leases. Property rental income earned during the year was $844,517 (2013: $866,804). No investment properties have been disposed of since 30 June 2013.

Notes to the financial statements (continued)

Note 24 Commitments and contingencies (continued)

Other Commitments

The group through Bank of the Cook Islands has committed to lending a number of loans in the future that have not yet been drawn down. As at 30 June 2014 these undrawn loans total $2,959,405 (2013: $1,575,154).

Contingencies

The Group is currently aware of the contingent liabilities listed below. Various other contingent liabilities may exist having arisen over the earlier period of the Corporation's existence of which the Members of the Corporation are not aware.

Uncalled Capital

Asian Development Bank – the Corporation has a further 88 uncalled shares. The shares have a par value of USD13,500 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 Cook Islands Christian Church (CICC) 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 CICC as Landowners for the compulsory acquisition. An application to determine compensation and seeking some $2.75m was filed in the High Court by the landowners. 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.

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 sessionwhere the group 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 CICC 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 no submission has been filed by the CICC, the Corporation is seeking legal advice to settle this claim.

The Corporation may cover the CICC'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 CICC 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 CICC outlining its position and supporting evidence. To date there has been no response from the CICC's lawyer on this.

There were no further contingent liabilities as at balance date.

Notes to the financial statements (continued)

Note 25 Segmental Reporting

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.

Industry Segments

In thousands of New Zealand Dollars

	Banking	Communi-cations	Property	Power supply	Airport	Ports	Total
Balance as at 30 June 2014							
Revenue	5,505	1,888	5,174	19,422	8,175	3,187	**43,351**
Expenses	5,857	1	7,517	17,232	8,074	4,356	**43,037**
Other Gains / (Losses)	1,875	-	-	(4)	-	712	**2,583**
Surplus / (Deficit) before tax	**1,523**	**1,887**	**(2,343)**	**2,186**	**101**	**(457)**	**2,897**
Total Assets	81,397	7,305	44,728	38,274	74,745	36,895	**283,344**
Total Liabilities	61,046	951	4,505	4,021	4,281	22,527	**97,331**
Restated balance as at 30 June 2013							
Revenue	5,569	2,159	4,663	19,313	5,825	6,132	**43,661**
Expenses	4,659	1	3,663	17,963	8,161	3,285	**37,732**
Other Gains / (Losses)		-	(806)	921	2,340	746	**3,201**
Surplus / (Deficit) before tax	**910**	**2,158**	**194**	**2,271**	**4**	**3,593**	**9,130**
Total Assets	67,543	6,607	46,564	34,666	76,360	36,605	**268,345**
Total Liabilities	49,582	701	2,418	2,659	5,443	21,886	**82,689**

Note 26 Going Concern

Within the Group, the Bank of the 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 are not aware of any immediate intention to claim payment from Cook Islands Property Corporation (NZ) Limited of any part of the $637,252 owed to them.

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.

Notes to the financial statements (continued)

Note 27 Subsequent Events

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

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

Note 28 Transition to IPSAS

Prior to 1 July 2013, the Corporation prepared its financial statements based on Old New Zealand GAAP. On 1 July 2013, the Corporation adopted International Public Sector Accounting Standards (IPSAS). Adjustments were made to the 30 June 2012 Statement of Financial Position to arrive at the opening statement of financial position as at 1 July 2012. The comparatives to the 30 June 2014 financial statements, being the 30 June 2013 financial statements have been restated to comply with the requirements of IPSAS. Details of the adjustments are detailed below.

These are the Group's first financial statements prepared in accordance with IPSAS.
The accounting policies set out in the notes to the financial statements have been applied in preparing financial statements for the year ended 30 June 2014, the comparative information presented for the year ended 30 June 2013 and in the preparation of an opening IPSAS Balance sheet at 1 July 2012 (the Group's date of transition).

In preparing its opening IPSAS Balance sheet and restating the 2012 financial statements, the group has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (previous GAAP).

An explanation of how the transition from previous GAAP to IPSAS has affected the group's financial position, financial performance and cash flows is set out in the following notes and tables. No transition adjustments were required for parent balances.

Notes to the Reconciliation of Previous GAAP

These notes provide explanations for the references in the tables on the next page showing the reconciliation of equity from previous GAAP to IPSAS

(a) Sundry debtors

The group has applied IPSAS 29 *Financial Instruments: Recognition and Measurement*, and classified all financial instruments in one of the 4 categories. As a result financial assets that were included in sundry debtors have been separated out into their own category - other receivables.

(b) Deferred Income

In line with IPSAS 29 *Financial Instruments: Recognition and Measurement*, the group now applies the effective interest rate method to record interest on loans taking into account all the expected future cash flows of the loan. The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate, such as loan establishment and appraisal fees. As a result a deferred income liability has been recognised for the transaction costs and fees incurred and released to the P&L over the term of the loan. This adjustment has been posted in the Opening Balance Sheet 1 July 2012 and adopted going forward from this date.

Notes to the financial statements (continued)

Note 28 Transition Note (continued)

(c) Intangible Assets

In line with IPSAS 31 *Intangible Assets* the group has reclassified computer software that is separately identifiable from hardware to Intangible assets, previously included in Property, plant & equipment.

(d) Investment Property

In line with IPSAS 16 *Investment Property* the group has reclassified investment property from property, plant and equipment to investment property.

e) Property, Plant and Equipment

The Group has adopted a cost policy in line with PBE IPSAS 17 Property, plant & equipment and has elected to apply the exemption in PBE IPSAS 47 Appendix C to apply fair value as the deemed cost on transition. For Airport & Port Authorityies the fair value was determined based on valuations performed in prior years based on depreciated replacement cost. As such the related asset revaluation reserve has been released to retained earnings.

Prior to transition, Te Aponga Uira held property, plant & equipment at previous valuation. At transition Te Aponga Uira applied historical cost as deemed cost. The transition adjustment therefore reduces the value of property, plant & equipment with revaluation reserve transferred to retained earnings and the residual difference for the change in measurement from revaluation to historical cost also going against retained earnings.

f) Retained Earnings

Any adjustments that have arisen as a result of preparing the opening balance sheet at 1 July 2012 have been taken to retained earnings.

g) Employee entitlements

The Group has applied PBE IPSAS 25 Employee Benefits for the calculation of long service leave. This is calculated on an actuarial basis based on likely future entitlements accruing to staff, years to entitlement, probability that staff will reach milestone and the present value of estimated future cashflows. As a result additional accrual was recognised.

h) Deferred taxation liability

The Group adopts the Balance Sheet approach to determine its deferred tax assets and liabilities arising from temporary differences. At date of transition net deferred tax liability was recognised from temporary differences arising from doubtul debts provisions and depreciation of property, plant and equipment. This was adjusted subsequent to balance date. The net movement in deferred taxes and current income tax comprises and adjustment to income tax liability.

i) Borrowings

Borrowings were remeasured using the Effective Interest method. The net difference in the adjustment of the borrowing costs and the movement in borrowings are taken up in the statement of comprehensive income to foreign currency differences.

j) Prior period adjustments

Subsequent to year end, transactions have occurred that are considered adjusting events in line with PBE IPSAS 14 Events after the Reporting Date. These relate to additional income tax to be paid based on assessment by Revenue Management Division and allocation of land rental payment in 2014 to the periods that the payment related to. This is not a result of the transition to PBE standards and therefore has been included in a separate column in the tables below in order to fully reconcile the movements from balances under previous GAAP and the reported balances in line with PBE standards.

k) Deferred Revenue liability

IPSAS 23 Revenue from non-exchange transactions requires that Government grants or any such revenue is recognised when all conditions relating to the funds have been fulfilled. Under previous GAAP government grants were recognised over the useful life of the asset that funding was provided for. As there were no unfulfilled conditions at 30 June 2014, the deferred revenue has been transferred to Income.

Notes to the financial statements (continued)

Note 28 Transition Note (continued)

		Group			
	Note	Previous GAAP	Effect of Transition	Prior Period Adjustment	IPSAS
In thousands of New Zealand Dollars		30 June 2012			1 July 2012
Assets					
Cash and cash equivalents		15,269	-	-	15,269
Term deposits		17,120	-	-	17,120
Trade receivables		3,888	-	-	3,888
Sundry debtors and prepayments	(a)	2,786	(398)	-	2,388
Related party receivables		-	-	-	-
Dividends receivable		600	-	-	600
Current tax assets		-	-	-	-
Inventories		5,233	-	-	5,233
Future income tax benefit		-	-	-	-
Other receivables	(a)	-	398	-	398
Banking portfolio investments		5,218	-	-	5,218
Taxation receivable		-	-	-	-
Property held for sale		895	-	-	895
Current assets		**51,009**	-	-	**51,009**
Property, plant and equipment	(c) (d) (e)	172,958	(10,367)	-	162,591
Investment in associates		4,874	-	-	4,874
Capital work in progress	(e)	-	464	-	464
Banking Portfolio Investments	(b)	32,391	(189)	-	32,202
Intangible assets	(c)	-	77	-	77
Investment in shares		138	-	-	138
Term deposits		842	-	-	842
Deferred tax assets		538	-	-	538
Investment properties	(d)	-	4,578	-	4,578
Non-Current assets		**211,741**	**(5,437)**	-	**206,304**
Total assets		**262,750**	**(5,437)**	-	**257,313**

Notes to the financial statements (continued)

Note 28 Transition Note (continued)

	Note	Previous GAAP	Effect of Transition	Prior Period Adjustment	IPSAS
		Group			
		30 June 2012			1 July 2012
In thousands of New Zealand Dollars					
Equity					
Capital contribution & Retained earnings	(f) (j)	179,885	191	(186)	179,890
Total equity		179,885	191	(186)	179,890
Liabilities					
Trade and other payables	(a)	7,964	-	80	8,044
Banking customer deposits		37,612	-	-	37,612
Customer bonds		710	-	-	710
Capital project liability		301	-	-	301
Current portion of bank loan		480	-	-	480
Deferred revenue liability	(k)	466	(209)	-	257
Deposit held on fixed asset sale		100	-	-	100
Employee entitlements	(g)	-	129	-	129
Related party payables		642	-	-	642
Dividends payable		400	-	-	400
Income tax payable	(h)	145	-	106	251
Current liabilities		48,820	(80)	186	48,926
Banking Customer Deposits		5,053	-	-	5,053
Deferred taxation liability	(h)	1,378	416	-	1,794
Deferred revenue liability	(k)	4,425	(2,821)	-	1,604
Employee entitlements		84	-	-	84
Non current portion of bank loans	(i)	23,105	(3,143)	-	19,962
Related party payables		-	-	-	-
Non-Current liabilities		34,045	(5,548)	-	28,497
Total liabilities		82,865	(5,628)	186	77,423
Total equity and liabilities		**262,750**	**(5,437)**	-	**257,313**

Notes to the financial statements (continued)

Note 28 Transition Note (continued)

	Note	Group Previous GAAP 30 June 2013	Effect of Transition		IPSAS 1 July 2013
In thousands of New Zealand Dollars					
Assets					
Cash and cash equivalents		13,854	-	-	13,854
Term deposits		14,708	-	-	14,708
Trade receivables		3,418	-	-	3,418
Sundry debtors and prepayments	(a)	1,374	(244)	-	1,130
Related party receivables		167	-	-	167
Dividends receivable		800	-	-	800
Inventories		5,435	-	-	5,435
Other receivables	(a)	179	852	-	1,031
Banking portfolio investments		6,128	-	-	6,128
Taxation receivable		593	-	-	593
Current assets		**46,656**	**608**	**-**	**47,264**
Property, plant and equipment	(c) (d) (e)	176,212	(13,878)	-	162,334
Investment in associates		5,422	-	-	5,422
Term deposits		7,787	-	-	7,787
Capital work in progress	(e)	-	844	-	844
Banking Portfolio Investments	(b)	38,647	(276)	-	38,371
Future income tax benefit		24	-	-	24
Intangible assets and goodwill	(c)	110	132	-	242
Investment in shares		128	-	-	128
Deferred tax assets		551	-	-	551
Investment property	(d)	-	5,378	-	5,378
Non-Current assets		**228,881**	**(7,800)**	**-**	**221,081**
Total assets		**275,537**	**(7,192)**	**-**	**268,345**

Notes to the financial statements (continued)

Note 28 Transition Note (continued)

		Group			
In thousands of New Zealand Dollars	Note	Previous GAAP 30 June 2013	Effect of Transition	Prior Period Adjustment	IPSAS 1 July 2013
Equity					
Capital contribution & Retained earnings	(f) (j)	185,325	620	(289)	185,656
Total equity		185,325	620	(289)	185,656
Liabilities					
Trade and other payables	(a) (j)	4,747	(142)	106	4,711
Banking customer deposits		46,264	-	-	46,264
Customer bonds		732	-	-	732
Capital project liability		301	-	-	301
Current portion of bank loan	(i)	707	(84)	-	623
Deferred revenue liability	(k)	665	(161)	-	504
Employee entitlements	(g)	-	979	-	979
Related party payables		839	-	-	839
Income tax payable	(j)	187	-	183	370
Dividends payable		700	-	-	700
Current liabilities		**55,142**	**592**	**289**	**56,023**
Banking Customer Deposits		1,216	-	-	1,216
Deferred taxation liability	(h)	1,208	454	-	1,662
Deferred revenue liability	(k)	6,497	(6,479)	-	18
Long service leave accrual	(g)	94	(94)	-	-
Non current portion of bank loans	(i)	26,055	(2,285)	-	23,770
Related party payables		-	-	-	-
Non-Current liabilities		**35,070**	**(8,404)**	**-**	**26,666**
Total liabilities		**90,212**	**(7,812)**	**289**	**82,689**
Total equity and liabilities		**275,537**	**(7,192)**	**-**	**268,345**

Notes to the financial statements (continued)

Note 28 Transition Note (continued)

Statement of financial performance

For the year ended 30 June 2013

In thousands of New Zealand Dollars	*Note*	Previous GAAP 30 June 2013	Group Effect of Transition	Prior Period Adjustment	IPSAS 1 July 2013
Revenue					
Revenue from exchange transactions					
Electricity services		19,313	-	-	19,313
Airport landing fees	(k)	3,940	(18)	-	3,922
Port services		2,379	-	-	2,379
Rental Income	(k)	2,895	(87)	-	2,808
Interest on banking portfolio assets	(b)	4,362	465	-	4,827
Fees on banking portfolio assets	(b)	1,093	(292)	-	801
Other income	(k) (j)	27	3,715	(27)	3,715
		34,009	3,783	(27)	37,765
Other Income					
Crown appropriation		4,124	-	-	4,124
Equity accounted earnings of associate		2,148	-	-	2,148
Deferred revenue		-	-	-	-
Interest income		1,067	-	-	1,067
Aid funding		-	-	-	-
Dividends received		-	-	-	-
Sundry revenue	(j)	665	-	27	692
Realised foreign exchange gain		1,004	-	-	1,004
POBOC Infrastructure		13	-	-	13
Sundry income		-	-	-	-
Total Revenue		**43,030**	**3,783**	**-**	**46,813**
Expenditure					
Personnel costs	(g) (j)	8,417	4	155	8,576
Depreciation and amortisation	(d) (e)	7,423	(497)	-	6,926
Directors fees and expenses		223	-	-	223
Increase / (decrease) in provision for doubtful debts	(b)	(135)	262	-	127
Finance costs	(i) (j)	1,903	776	33	2,712
Legal and professional fees		596	-	-	596
Rental and operating lease costs	(j)	92	-	25	117
Office communication		353	-	-	353
Repairs and maintenance		4,123	-	-	4,123
Insurance		991	-	-	991
Fuel		9,789	-	-	9,789
Other expenses		3,389	(2)	(188)	3,199
Total Expenditure		**37,164**	**543**	**25**	**37,732**
Other gains/(losses)					
Gain / (loss) on sale of assets	(e)	(494)	246	-	(248)
Gain on sale of assets held for sale		715	-	-	715
Unrealised foreign exchange gain / (loss)		(190)	-	-	(190)
Revaluation gains		-	-	-	-
Non lending losses		(11)	-	-	(11)
Impairment loss	(e)	(2,645)	2,428	-	(217)
Total other gains/(losses		**(2,625)**	**2,674**	**-**	**49**
Surplus/(Deficit) before tax		**3,241**	**5,914**	**(25)**	**9,130**
Taxation expense		(1,681)	(16)	(77)	(1,774)
Surplus/(Deficit) after tax		**1,560**	**5,898**	**(102)**	**7,356**