Cook Islands Investment Corporation

Financial Statements under IPSAS

For the year ended 30 June 2022

Report Contents

Directory

Directors

Cook Islands Investment Corporation

Tangata (Fletcher) Melvin	Chairperson	
Patrick Akaiti Arioka		appointed 01 February 2023
Sharyn Audrey Paio		appointed 01 February 2023
Eleanor Keukura Roi		
Arama Joseph Wichman		appointed 15 March 2023
Michael John Henry		resigned 31 May 2023
Malcolm John Colin Sword		resigned 30 April 2023
Caren Jane Rangi		resigned 15 March 2023

Directors of Subsidiaries

Airport Authority

George Taoro Brown	Chairperson	
Ianis Awaiki Boaza		resigned 15 November 2021
Teariki Reva George		non re-appointment 15 November 2021
Antony Balfour Will		resigned 30 July 2021
Nancy Miriam Matapuku		
Shona Victoria Mary Lynch		
Ngapare Tatira		appointed 15 December 2021
Edward Terei Herman		appointed 29 October 2021

Ports Authority

Samuel (Sam) Crocombe	Chairperson	
William Vivish Kauvai		
Clive Baxter		
Timaau Mokoroa		non re-appointment 26 October 2022
William (Bill) Kelley John N Ingram		
Geoffrey Edward Vazey		
Maeva Henry		appointed 01 July 2021
Sean Teokotai Tutera Rei Smith		appointed

Te Aponga Uira o Tumu-te-Varovaro

Mata Nooroa	Chairperson
Jessie Katherine Sword	
Stuart Bryce Henry	
Randolf Kenneth George	
Donald (Don) Maarametua Buchanan	
Duane Takaiti Kingwell Malcolm	

Cook Islands Broadcasting Corporation

Tangata Fletcher Melvin		appointed 01 June 2022
Caren Rangi		expiry of appointment 01 June 2022
Allan Jensen		

Suwarrow Development Corporation Limited

Michael John Henry
Allan Jensen

Cook Islands Government Property Corporation

The Honourable Mark Brown	Chairperson	
The Honourable Vaine Makiroa Mokoroa		
The Honourable George Maggie Angene		
The Honourable Robert Tapaitau		
The Honourable Vainetutai Rose Toki-Brown		

(The Directors/Members are the Cabinet of the Cook Islands Government)

Banana Court Company Limited

Ian Karika Wilmot	Chairperson	
Mary Ann Mataiti Pirake		
Fa'amanatu Vasie Ngatoko-Poila		
Marcel Tua		

Bank of the Cook Islands Holdings Corporation

Tatiana Burn	Chairperson	appointed 10 May 2023
Olivia Moana Heather		
Kirikaiahi Taiiti Mahutariki		
Amahau Rebecca Maraeura Wood		
August Meyer		
Janet Grace Maki		appointed 10 May 2023
Jeane Matenga		resigned 10 May 2023
Unakea Kauvai		non re-appointment 20 April 2022
Michael (Mike) Robert Carr		expiry of appointment 14 April 2023

Cook Islands Property Corporation (NZ) Limited

Caren Rangi
Malcolm Sword

Cook Islands Telecommuncation Holdings Limited

Michael John Henry		resigned 30 May 2023
Tamarii Tutangata		
Tangata Fletcher Melvin		appointed 01 June 2023

To Tatou Vai Limited

Brian Mason	Chairperson	
Samuela (Sam) Tiamarama Napa		
Petero Okotai		resigned 01 October 2021
Desmond (Des) Bey Eggleton		
Vaine Iriano Wichman		
Phillip Ngamatoa Vakatini		appointed 01 November 2021
Ashleigh Mata-Tui-Atua Steele		appointed 22 November 2021
Gabe Raymond		appointed 01 December 2022

Te Mana Uira o Araura Limited

John Baxter	Chairperson	
Janet Grace Maki		
Paul Henry		
Stephen Doherty		
Ine Challans		resigned 31 December 2021
Alice Hoff		

Avaroa Cables Limited

Tatiana Burn	Chairperson	
Richard Williams		
Miimetua Aereariki Danielle Nimerota		
Teu Teulilo		
Petero Okotai		resigned 01 October 2021
Martha Henry		appointed 01 November 2021
Robert Graham Arii Matheson		appointed 01 November 2021

Address
Takuvaine
PO Box 51
Avarua
Rarotonga
Cook Islands
Telephone: (682) 29 391

Auditors
KPMG

Solicitors
Crown Law Office
Tim Arnold

Bankers
Australia and New Zealand Banking Group Limited
Bank of the South Pacific Limited
Bank of Cook Islands Limited
National Australia Bank
Westpac Banking Corporation
Kiwibank Limited

Other Institutions
Banzpay (previously Co-op Money New Zealand 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 2022.

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 Aitutaki and 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 subsidiaries and state owned enterprises.

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 2022**	30 June 2021	**30 June 2022**	30 June 2021
Surplus/(Deficit) after tax	**(7,744)**	(6,211)	**(730)**	383
Total assets	**428,315**	419,657	**10,066**	8,032
Owners' equity	**258,632**	261,152	**1,250**	1,980

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 $74,041,000 and equity of $73,103,000 at 30 June 2022. It made a tax paid loss of $1,688,000 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 $138,922,000 and equity of $17,711,000 at 30 June 2022. It made a loss after tax of $190,000 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 has total assets of $71,710,000 and equity of $70,805,000 at 30 June 2022. It made a loss of $2,386,000 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 $34,598,000 and equity of $14,723,000 at 30 June 2022. It made a loss of $188,795 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 is currently dormant.
Cook Islands Broadcasting Corporation has nil total assets and nil equity at 30 June 2022. It did not trade during the year.

Te Aponga Uira O Tumu-te-Varovaro

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

Te Aponga has total assets of $62,247,000 and equity of $58,341,000 at 30 June 2022. It made an after tax loss of $1,172,000 this year.

To Tatou Vai Authority

To Tatou Vai Authority (TTV) is an Authority under the To Tatou Vai Act 2021.
The principal activity of the Authority is to ensure the availability of an adequate supply of drinkable water and to establish and manage the treatment, collection and disposal of sewage on the Island of Rarotonga

The Authority has total assets of $2,512,000 and equity of $2,034,000 at 30 June 2022. It made a tax paid surplus of $84,000 for 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 $729,000 and equity of ($201,000) at 30 June 2022. It made a loss after tax of $153,000 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 (trading as Vodafone Cook Islands). 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 $12,516,000 and equity of $12,487,000 at 30 June 2022. It made a tax paid deficit of $371,000 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 $222,000 and equity of $177,000 at 30 June 2022. It made a tax paid deficit $27,000 for this year.

Te Mana Uira o Araura Limited

The Company generates and distributes electricity on the outer island of Aitutaki.

Te Mana Uira o Araura Limited has total assets of $6,416,000 and equity of $5,995,000 at 30 June 2022. It made a tax paid loss of $814,000 for this year.

Avaroa Cables Limited

The principal activity of Avaroa Cables Limited is management of telecommunication networks and services.

Avaroa Cables Limited has total assets of $33,027,000 and equity of $1,346,000 at 30 June 2022. It made a tax paid deficit of $2,111,000 for this year.

Accounting Policies

Accounting policies are applied according to generally accepted accounting practice as applied in International Public Sector Accounting Standards (IPSAS).

Remuneration of CIIC Directors

Mr Michael Henry received fees of $29,000 as Chairman of the Board and $25,000 as a member of the Infrastructure Committee during the year. Mr Malcolm Sword received $19,000 as a Director and $15,000 as a member of the Infrastructure Committee. Ms Caren Rangi received $39,000 for her role as a Director of the Cook Islands Investment Corporation. Mr Fltecher Melvin and Ms Eleanor Roi received $17,499 respectively 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 2022 financial year.

For and on behalf of the Members of the Corporation

Director
25 July 2023
Date

Director
25 July 2023
Date

Independent Auditor's Report

To the shareholders of Cook Islands Investment Corporation

Report on the audit of the Corporation and Group financial statements

Qualified opinion

In our opinion, the financial statements of Cook Islands Investment Corporation (the 'Corporation') and its subsidiaries (the 'Group') on pages 13 to 74 present fairly, in all material respects:

- the Corporation and Group's financial position as 30 June 2022 and its financial performance and cash flows for the year ended on that date;

in accordance with International Public Sector Accounting Standards (IPSAS).

We have audited the accompanying Corporation and Group financial statements which comprise:

- the statement of financial position as at 30 June 2022;
- the Corporation and Group statements of comprehensive revenue and expenses, changes in equity and cash flows for the year then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.

Basis for qualified opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ('ISAs (NZ)'). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Ownership, completeness and valuation of property, plant and equipment

The Corporation and Group's property, plant and equipment is carried at $0.125m and $214m respectively on the Corporation and Group statements of financial position as at 30 June 2022. We were unable to obtain sufficient appropriate audit evidence about the carrying amount of the property, plant and equipment as at 30 June 2021 due to a loss of historical accounting records. Our audit opinion on the Corporation and Group financial statements for year ended 30 June 2021 was modified in respect of this matter. Refer to note 14 for further details. Consequently, we were unable to determine whether any adjustments to the amounts shown for property, plant and equipment in the Corporation and Group's statements of financial position as at 30 June 2022, or related amounts included in the Corporation and Group's statements of comprehensive revenue and expenses for the year then ended, were necessary.

We are independent of the Corporation and Group in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (Including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ('IESBA Code'), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

KPMG

Our firm has also provided other services to the Corporation and Group in relation to taxation. Subject to certain restrictions, 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 auditor of the Corporation and Group. The firm has no other relationship with, or interest in, the Corporation and Group.

Emphasis of matter - Estimation uncertainty in the preparation of the Corporation and Group financial statements

We draw attention to Note 3 on critical estimates and judgements used in applying accounting policies, credit provisioning in the financial statements, which describes increased estimation uncertainty in the preparation of the Corporation and Group financial statements, specifically as it relates to:

- the extent and duration of the residual economic pandemic (including forecasts for key economic factors including GDP and CPI);
- the impact of the progressive removal of bank relief and government support initiatives that were put in place to support businesses and consumers through the pandemic; and
- the timeframe for and extent of financial recovery for individual borrowers impacted by the pandemic.

The economic uncertainity resulting from the Covid-19 impacts and data input adjustments has resulted in a 58% increase in the ECL reported in the financial statements compared with pre-Covid times.

In our view, this issue is fundamental to the user's understanding of the financial statements and the financial poisiton and performance of the Bank. Our opinion is not modified in respect of this matter.

Other information

The Members, on behalf of the Corporation and Group, are responsible for the other information included in the financial statements. Other information includes the Annual Report of the Members of the Corporation. Our opinion on the financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Corporation and Group financial statements our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Corporation and Group financial statements or our knowledge obtained in the audit or otherwise appears materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Use of this independent auditor's report

This independent auditor's report is made solely to the shareholders as a body. Our audit work has been undertaken so that we might state to the shareholders those matters we are required to state to them in the independent 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 shareholders as a body for our audit work, this independent auditor's report, or any of the opinions we have formed.

Responsibilities of the Members of the Corporation and Group for the financial statements

The Members of the Corporation, on behalf of the Corporation and Group, are responsible for:

- the preparation and fair presentation of the Corporation and Group financial statements in accordance with IPSAS;
- implementing necessary internal control to enable the preparation of a set of Corporation and Group financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Corporation and Group financial statements

Our objective is:

- to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an independent auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs NZ will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate , they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (NZ), the auditor exercises professional judgement and maintains professional scepticism throughout the audit. The auditor also:

- Identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence that is sufficient and appropriate to provide a basis for the auditor's opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concludes on the appropriateness of the use of the going concern basis of accounting by those charged with governance and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If the auditor concludes that a material uncertainty exists, the auditor is required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. The auditor's conclusions are based on the audit evidence

obtained up to the date of the auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluates the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The auditor is responsible for the direction, supervision and performance of the group audit. The auditor remains solely responsible for the audit opinion.
- The auditor communicates with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that the auditor identifies during the audit.
- The auditor also provides those charged with governance with a statement that the auditor has complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on the auditor's independence, and where applicable, actions taken to eliminate threats or safeguards applied.
- From the matters communicated with those charged with governance, the auditor determines those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. The auditor describes these matters in the auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, the auditor determines that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication. This description forms part of our independent auditor's report.

The engagement partner on the audit resulting in this independent auditor's report is David Gates.

For and on behalf of

KPMG

Rarotonga

25th July 2023

Statement of Comprehensive Revenue and Expenses
For the year ended 30 June 2022

In thousands of New Zealand Dollars	*Note*	Group 2022	Group 2021	Parent 2022	Parent 2021
Revenue from exchange transactions					
Airport landing fees		**3,521**	979	**-**	-
Electricity services		**20,267**	18,522	**-**	-
Fees on banking portfolio assets	3(c)	**1,651**	1,660	**-**	-
Interest on banking portfolio assets	3(c)	**8,307**	8,836	**-**	-
Port services		**2,716**	2,411	**-**	-
Rental income	3(c)	**5,880**	3,387	**608**	597
Interest income	3(c)	**624**	519	**34**	35
Total revenue from exchange transactions		**42,966**	36,314	**642**	632
Other revenue					
Aid funding	3(c)	**986**	2,533	**170**	48
Crown appropriation	3(c)	**12,420**	15,255	**7,260**	8,194
Dividends received	3(t)	**-**	-	**-**	819
POBOC revenue		**1,045**	1,023	**334**	503
Sundry income	5	**861**	1,358	**147**	135
Total other revenue		**15,312**	20,169	**7,911**	9,699
Total Revenue		**58,278**	56,483	**8,553**	10,331

KPMG RAROTONGA
Marked for identification Purpose

The notes on pages 21 to 74 are an integral part of these financial statements

Statement of Comprehensive Revenue and Expenses

For the year ended 30 June 2022

		Group		Parent	
In thousands of New Zealand Dollars	**Note**	**2022**	2021	**2022**	2021
Expenditure					
Personnel costs		**14,950**	14,139	**1,453**	1,628
Depreciation and amortisation	14,15,16	**11,668**	11,806	**61**	53
Directors fees and expenses		**900**	843	**179**	178
Increase / (decrease) in provision for doubtful debts		**21**	2,477	**-**	17
Finance costs		**2,444**	1,931	**-**	-
Legal and professional fees		**1,764**	1,416	**-**	-
Rental and operating lease costs		**812**	1,139	**455**	362
Office communication		**600**	617	**32**	15
Repairs and maintenance		**9,976**	10,017	**5,857**	6,489
Insurance		**1,882**	1,853	**204**	203
Fuel		**9,401**	5,974	**-**	-
Covid-19 discounts		**292**	6,948	**-**	-
Other expenses	6	**9,086**	6,621	**1,224**	907
Total expenditure		**63,796**	65,781	**9,465**	9,852
Other gains/(losses)					
Gain / (loss) on disposal of assets		**10**	-	**-**	-
Unrealised foreign exchange gain / (loss)		**(2,590)**	1,594	**-**	-
Realised foreign exchange gain / (loss)		**127**	145	**-**	-
Share of profit/ (loss) of equity accounted investees	20(a)	**(365)**	524	**-**	-
Impairment loss		**-**	-	**-**	-
Total other gains/(losses)		**(2,818)**	2,263	**0**	-
Surplus / (deficit) before income tax		**(8,336)**	(7,035)	**(912)**	479
Income tax expense	18	**592**	824	**182**	(96)
Surplus / (deficit) for the year		**(7,744)**	(6,211)	**(730)**	383
Other comprehensive revenue and expenses for		**-**	-	**-**	-
Total comprehensive revenue and expenses for the year		**(7,744)**	(6,211)	**(730)**	383

KPMG RAROTONGA
Marked for identification Purpose

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Statement of Financial Position
As at 30 June 2022

		Group		Parent	
In thousands of New Zealand Dollars	**Note**	**2022**	2021	**2022**	2021
Assets					
Current assets					
Cash and cash equivalents	8	**23,199**	27,992	**291**	1,234
Term deposits	9	**59,544**	37,185	**791**	768
Trade receivables	10	**3,227**	1,623	**2**	109
Dividends receivable	11	**-**	-	**-**	-
Inventories	13	**8,633**	6,998	**1**	1
Work in progress receivable	11(g)	**6,444**	3,418	**6,444**	3,418
Prepayments		**1,414**	1,677	**54**	20
Sundry and other receivables		**3,457**	2,991	**693**	633
Related party receivables	11	**1,167**	2,590	**275**	506
Banking portfolio investments	12	**13,892**	8,613	**-**	-
Future Income Tax Benefit	18	**1,037**	574	**182**	-
Taxation receivable	18	**1,066**	1,092	**672**	672
Total current assets		**123,080**	**94,753**	**9,405**	**7,361**
Non current assets					
Property, plant and equipment	14	**213,808**	216,802	**125**	135
Investment properties	16	**5,578**	5,824	**-**	-
Banking portfolio investments	12	**68,621**	76,821	**-**	-
Deferred tax assets	18	**1,907**	2,008	**9**	9
Intangible assets	15	**1,742**	1,960	**-**	-
Investment in associate	20(a)	**11,967**	12,332	**-**	-
Investment in subsidiaries	20(b)	**-**	-	**527**	527
Investment in shares	19	**128**	128	**-**	-
Related party receivables	11	**546**	546	**-**	-
Term deposits	9	**938**	8,483	**-**	-
Total non-current assets		**305,235**	**324,904**	**661**	**671**
Total assets		**428,315**	**419,657**	**10,066**	**8,032**

KPMG RAROTONGA Marked for Identification Purpose

The notes on pages 21 to 74 are an integral part of these financial statements

Statement of Financial Position
As at 30 June 2022

		Group		Parent	
In thousands of New Zealand Dollars	Note	**2022**	2021	**2022**	2021
Equity					
Capital contribution and retained earnings		**258,632**	261,152	**1,250**	1,980
Total Equity		**258,632**	261,152	**1,250**	1,980
Liabilities					
Current liabilities					
Trade and other payables	17	**7,285**	6,613	**502**	617
Banking customer deposits	21	**111,668**	102,815	**-**	-
Customer bonds		**1,170**	1,116	**48**	46
Borrowings	22	**500**	18,063	**-**	-
Deferred revenue liability		**133**	5	**129**	-
Employee entitlements	7	**797**	864	**130**	137
Income in advance		**615**	717	**14**	-
Related party payables	11	**766**	752	**1,510**	1,515
Capital project liability	11(g)	**6,444**	4,143	**6,445**	3,699
Income tax payable	18	**277**	517	**-**	-
Total current liabilities		**129,655**	**135,605**	**8,778**	**6,014**
Non current liabilities					
Banking customer deposits	21	**857**	3,900	**-**	-
Deferred taxation liability	18	**230**	341	**-**	**38**
Deferred revenue liability		**38**	-	**38**	-
Borrowings	22	**38,903**	18,659	**-**	-
Total non current liabilities		**40,028**	**22,900**	**38**	**38**
Total liabilities		**169,683**	**158,505**	**8,816**	**6,052**
Total equity and liabilities		**428,315**	**419,657**	**10,066**	**8,032**

KPMG RAROTONGA Marked for Identification Purpose

The notes on pages 21 to 74 are an integral part of these financial statements

Statement of Changes in Equity
For the year ended 30 June 2022

Group

In thousands of New Zealand Dollars		Capital contributions & retained earnings	Total equity
Balance at 1 July 2020		259,474	**259,474**
Changes in net assets/equity for 2021			
Tax benefit on dividends paid	**18**	164	**164**
Surplus/(Deficit) for the year		(6,211)	**(6,211)**
Total recognised revenue and expenses for the year		(6,047)	**(6,047)**
Transactions with owners of the Parent:			
Equity injection by owners	**11 i)**	7,725	**7,725**
Dividends			-
Total contributions by and distributions to owners of the Parent		7,725	**7,725**
Balance at 30 June 2021		261,152	**261,152**
Balance at 1 July 2021		**261,152**	**261,152**
Changes in net assets/equity for 2022			
Tax benefit on dividends paid		-	-
Surplus/(Deficit) for the year		**(7,744)**	**(7,744)**
Total recognised revenue and expenses for the year		**(7,744)**	**(7,744)**
Transactions with owners of the Parent:			
Equity injection by owners	**11 i)**	**5,224**	**5,224**
Dividends		-	-
Total contributions by and distributions to owners of the Parent		**5,224**	**5,224**
Balance at 30 June 2022		**258,632**	**258,632**

KPMG RAROTONGA Marked for identification Purpose

The notes on pages 21 to 74 are an integral part of these financial statements

Statement of Changes in Equity
For the year ended 30 June 2022

Parent

In thousands of New Zealand Dollars		**Capital contributions & retained earnings**	**Total equity**
Balance at 1 July 2020		1,597	**1,597**
Changes in net assets/equity for 2021			
Surplus/(Deficit) for the year		383	**383**
Total recognised revenue and expenses for the year		383	**383**
Transactions with owners of the Parent:			
Equity injection by owners		-	-
Dividends			-
Total contributions by and distributions to owners of the Parent		-	-
Balance at 30 June 2021		1,980	**1,980**
Balance at 1 July 2021		**1,980**	**1,980**
Changes in net assets/equity for 2022			
Surplus/(Deficit) for the year		**(730)**	**(730)**
Total recognised revenue and expenses for the year		**(730)**	**(730)**
Transactions with owners of the Parent:			
Equity injection by owners	**11 i)**	-	-
Dividends		-	-
Total contributions by and distributions to owners of the Parent		-	-
Balance at 30 June 2022		**1,250**	**1,250**

The notes on pages 21 to 74 are an integral part of these financial statements

Statement of Cashflows
For the year ended 30 June 2022

In thousands of New Zealand Dollars		Group		Parent	
	Note	**2022**	2021	**2022**	2021
Cash flows from operating activities					
Cash receipts from customers		**32,655**	21,263	**669**	774
Crown appropriation		**11,993**	15,959	**7,278**	8,453
POBOC		**1,045**	1,023	**334**	556
Dividends received		**-**	-	**-**	819
Interest received		**8,970**	9,409	**34**	35
Aid funding		**815**	2,533	**-**	48
Net increase/(decrease) in client deposits		**5,768**	6,611	**-**	-
Net investment in banking portfolio		**2,256**	(1,021)	**-**	-
Cash paid to suppliers and employees		**(50,229)**	(40,941)	**(9,411)**	(9,630)
Interest paid		**(2,444)**	(1,931)	**-**	-
Income tax paid		**(56)**	188	**-**	(42)
Net cash from operating activities		**10,773**	13,093	**(1,096)**	1,013
Cash flows from investing activities					
Net acquisition/disposal of property, plant and equipment		**(2,799)**	(12,707)	**(50)**	(53)
Net acquisition/sale of intangibles		**(178)**	(235)	**-**	-
Proceeds from / (acquistion of) term deposits		**(14,516)**	1,437	**(23)**	(27)
Proceeds from Investees		**-**	-	**-**	(425)
Loans to related parties		**1,423**	(2,537)	**231**	(193)
Net cash from investing activities		**(16,070)**	(14,042)	**158**	(698)
Cash flows from financing activities					
Repayment of borrowings		**91**	6,752	**-**	-
Proceeds from related parties		**14**	(432)	**(5)**	-
Equity introduced		**-**	-	**-**	-
Dividends paid		**-**	-	**-**	-
Net cash from financing activities		**106**	6,320	**(5)**	-
Net (decrease)/increase in cash and cash equivalents		**(5,191)**	5,371	**(943)**	315
Cash and cash equivalents at the beginning of the year		**27,992**	23,204	**1,234**	919
Expected credit loss on bank balanaces		**399**	(583)	**-**	-
Cash and cash equivalents at the end of the year		**23,199**	27,992	**291**	1,234
Made up of:					
Total bank balances and on-call deposits		**23,278**	28,170	**291**	1,251
Less (increase)/decrease in allowance for doubtful debts		**(78)**	(178)	**-**	(17)
Total cash and cash equivalents	**8**	**23,199**	27,992	**291**	1,234

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Marked for Identification Purpose

The notes on pages 21 to 74 are an integral part of these financial statements

Statement of Cashflows
For the year ended 30 June 2022

In thousands of New Zealand Dollars	Group		Parent	
	2022	2021	**2022**	2021
Surplus for the year after tax	**(7,744)**	(6,211)	**(730)**	383
Depreciation & amortisation	**11,668**	11,806	**61**	53
Doubtful debts	**21**	2,477	**-**	(17)
(Gains)/losses on asset disposal	**(10)**	-	**-**	-
Foreign exchange losses/(gains)	**2,590**	(1,594)	**-**	-
Plant and Equipment acquired in non-exchange	**-**	-	**-**	-
Impairment on plant property and equipment	**-**	-	**-**	-
Share of loss from equity accounted investment	**365**	(524)	**-**	-
Tax Impact on Dividends	**-**	164		
Working capital adjustments				
(Increase) / decrease in receivables & prepayments	**(1,858)**	(862)	**13**	49
Increase / (decrease) in payables & other accruals	**700**	2,040	**(119)**	232
(Increase) / decrease in work in progress	**(3,026)**	526	**(3,026)**	526
(Increase) / decrease in bank loan portfolios	**2,256**	(1,021)	**-**	-
(Increase) / decrease in inventories	**(1,635)**	219	**1**	-
Increase / (decrease) in project liabilities	**2,600**	218	**3,044**	(226)
Increase / (decrease) in deferred income liability	**(170)**	(40)	**(170)**	(41)
Increase / (decrease) in income in advance	**(102)**	84	**14**	-
Increase / (decrease) in net tax payable	**(214)**	462	**0**	20
Increase / (decrease) in future income tax benefit	**(463)**	(574)	**(182)**	-
(Increase) / decrease in deferred tax asset	**101**	(666)	**-**	(4)
Increase / (decrease) in deferred tax liability	**(73)**	(22)	**-**	38
Increase / (decrease) in customer deposits	**5,768**	6,611	**-**	-
Net cash flows from operating activities	**10,773**	13,093	**(1,096)**	1,013

KPMG RAROTONGA
Marked for identification Purpose

The notes on pages 21 to 74 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. The Corporation is an in-substance subsidiary of the Cook Islands Government.

The Corporation's principal activities are property investment and management. The Group also owns entities that operate in the banking, communication, power supply, airport, and port sectors. The Corporation's registered office is located in Rarotonga, Cook Islands.

Throughout these financial statements, unless stated otherwise, references to the 'Corporation' or 'Parent' refer to Cook Islands Investment Corporation.

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). Some entities within the group apply IFRS, NZIFRS and PBE standards in their individual financial statements. The policies adopted by these entities are in line with IPSAS or where IPSAS does not have a relevant standard, other authoritative support has been used such as IFRS. The policies adopted by the Group are inline with IPSAS.

The accounting policies have been consistently applied to all the years presented.

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.

COVID-19 Pandemic

Going concern without material uncertainties

The COVID-19 pandemic continues to have some impacts on the Group during 2022. Within the group, the results of Bank of the Cook Islands Limited, Airport Authority, Te Aponga Uira and Te Mana Uira o Araura have experienced the most impact.

The key impacts of COVID-19 on these entities is described below:

Bank of the Cook Islands Limited:

The Group has considered the ongoing impacts of COVID-19 on Bank of the Cook Islands Limited in 2020 and continued througout 2021 and into the current financial year. The pandemic impacted the Group in the following areas:

For the year ended June 2022

- **Credit risk:** The economic impact of the pandemic was significant and impacted the ability of a number of borrowers to maintain loan repayments. A number of initiatives were put in place to support borrowers during the period of 1 March 2020 to 31 March 2022 including deferred payments and interest only terms.
  At reporting date the economic environment is supported by the re-opening of borders and the reduction of COVID-19 related restrictions both locally and internationally. This has resulted in increased levels of tourism that are supporting economic recovery. However, there remains a level of economic uncertainty that is reflected in the Groups approach to its estimation of expected credit losses on loan receivables.

- **Liquidity risk:** The pandemic increased the inherent level of liquidity risk of the Group however liquidity levels have been maintained during the reporting period.
- **Operations:** The Group's operations have been impacted by COVID-19. The implementation of the Groups Pandemic Response Plan allowed the Group to maintain operations supported by remote working, implementation of staff bubbles, and increased hygiene measures. The Group was able to maintain operations throughout the reporting period.

Notes to the financial statements (continued)

Note 2 Basis of preparation (continued)

b) Basis of measurement (continued)

Bank of the Cook Islands Limited (continued):

The resulting impact of the virus on the operations and measures taken by various governments to contain the virus have affected the Group's results in the current and comparative reporting period.

Management has determined that the actions that it has taken and will continue to take are sufficient to mitigate uncertainty and has therefore prepared the financial reporting on a going concern basis.

Airport Authority

COVID-19 residual impacts continued to cause economic uncertainties. However, as the situation around COVID-19 evolved and the efficacy of the counter measures undertaken by counterpart countries were successful, the Cook Islands Government were able to lift the border restrictions. The opening of the borders resulted in a significant increase in International Flights from January 2022, and subsequently resulted in a significant increase in the Authority's revenues. We note the reopening of the borders from 13 January 2022 saw flights increase to an average of 1 flight per day with both Air New Zealand and Jetstar operating by the end of the financial year.

Subsequent to year-end, Air Tahiti has provided weekly international flights to French Polynesia since October 2022. In addition, the Authority anticipates flights operated by Hawaiian airlines from May 2023 and a flight route to Sydney from June 2023. The Authority has forecasted an increase in flights to an average of 2 - 3 flights per day for the year ending 30 June 2023. These forecasts are based on the information avaliable to the Authority at the time of preparing these financial statements and are based on reference to various data sources including airlines, and travel and tourism bodies. With regards to these financial statements, the Authority has considered the likely impact of COVID-19 in areas such as provisioning for doubtful debts, considering any impairment triggers relevant to PP&E and intangible assets and going concern. To date the impact on these areas has been limited.

Te Aponga Uira

During the financial year, Te Aponga Uira provided the following COVID-19 discounts:

For the 2 months, December 2021 and January 2022, to customers who declared financial harship - Domestic customers received a $50 discount and Commercial and Demand customers received 50%.

Notes to the financial statements (continued)

Note 2 Basis of preparation

b) Basis of measurement (continued)

Te Mana Uira o Araura Limited

The Company provided community relief in the form of a 100% discount to all customer types for the April 2020 to the June 2020 billing cycle in relation to the 30 June 2020 financial year. The company continued to provide discounting during the 30 June 2021 financial year on a diminishing basis through the 30 June 2021 financial year, and this ceased in the July 2021 billing cycle.

Group

The Group's forecasts show that the actions that it has taken are sufficient to mitigate the uncertainty presented by COVID-19, therefore, these financial statements are prepared on a going concern basis.

Central to this assessment is the continued government support the Group receives with the combined nature of the operations being essential services and essential asset management & owning entities.

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.

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.

Notes to the financial statements (continued)

Note 3 Significant accounting policies (continued)

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

Goods and services

Revenue comprises the amounts received and receivable for goods and services supplied to customers in the ordinary course of business. Revenue is stated exclusive of Value Added Tax. Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, and the revenue and associated costs can be estimated and measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

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 the Statement of Comprehensive Revenue and Expenses on a straight-line basis over the term of the lease.

Notes to the financial statements (continued)

Note 3 Significant accounting policies (continued)

c) Revenue recognition (continued)

Government grants - Interest Relief Program

During the previous financial year, under Phase II of the Cook Islands Government Economic Response Plan, Interest Income was received by the Group under its agreement with the Cook Islands Government for the COVID-19 interest Relief Program. Under this scheme the Government contributed 70% of all eligible borrower's interest expense for the 2021 financial period. At the end of each quarter, the Group calculated, by eligible borrower, the total interest charged and claimed 70% of this amount direct from Crown and applied the subsidy direct to the eligible borrower's loan account. This has been recognised in accordance with IAS 20 Government Grants. No interest was received under the IRP in the current financial year.

This scheme with the Government constitutes a related party transaction in accordance with NZ IAS 24 Related Parties.

A Government Grant receivable of $1,300,903 was recognised at 30 June 2021 for the quarter four claim owed to the Group. The total amount was fully received in July 21.

Crown appropriation

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

Aid funding

Aid Funding revenue relates to funding received from aid donors for specified projects. Funding received in advance is recorded as deferred revenue liability and recognised as revenue when allowable costs are incurred and any conditions are met. Where allowable costs have been incurred but funding not received, the Corporation recognises a receivable up to the amount of approved funding.

Concessionary Loans

When the Group receives a loan at an interest rate that is lower than market terms (concessionary loan), the difference between the loan proceeds and the fair value of the loan (calculated using market terms) is recognised as revenue if there are no conditions attached to the loan. To the extent that there are conditions attached to the loan that would result in early repayment of the loan if these conditions are satisfied, a deferred revenue liability for the amount of the difference between the loan proceeds and the fair value of the loan is recognised. Revenue is then recognised as the Group satisfies its conditions.

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 the statement of comprehensive revenue and expenses on an accrual basis.

Salaries & wages

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

Notes to the financial statements (continued)

Note 3 Significant accounting policies (continued)

d) Expense recognition (continued)

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 surplus or deficit 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 surplus or deficits; 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 tax credits and deductible temporary differences. A future income tax benefit (FITB) is recognised for unused tax losses. Deferred tax assets and FITB's are recognised to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets and FITB's 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 the Statement of Comprehensive Revenue and Expenses.

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.

Refer to note 14 for further details.

Notes to the financial statements (continued)

Note 3 Significant accounting policies (continued)

g) Property, plant and equipment (continued)

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	5-50 years
Furniture and fittings	4-10 years
Plant and equipment	2-20 years
Motor vehicles	3-10 years
Rescue fire vehicles	3-20 years
Office equipment	2-10 years
Marine equipment	5 years
Wharf structure	40 years
Wharf fixtures	5-20 years
Runways	5-99 years
Electricity distribution network	5-20 years

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 prices 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.

Notes to the financial statements (continued)

Note 3 Significant accounting policies (continued)

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 the Statement of Comprehensive Revenue and Expenses.

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

Recognition

Financial assets are measured initially at fair value plus transaction costs that are directly attributable to its acquisition or issue.

Classification & measurement

The Group's financial assets are all classified and measured at amortised cost.

The Group does not have any financial assets categorised as fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL).

A financial asset is measured at amortised cost only if both of the following conditions are met and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the Statement of Comprehensive Revenue and Expenses.

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.

l) 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.

Business Continuity Credit Facility

The Group administers lending on behalf of its ultimate parent, the Government of the Cook Islands. Through its agency agreement under the Business Continuity Credit scheme. Under this scheme eligible businesses are granted low interest loans as a form of relief from the Covid-19 impacts. Loans distributed under this scheme are not legal assets of the Group and therefore are not recognised on the Group's Statement of Financial Position.

m) Term deposits

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

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Notes to the financial statements (continued)

Note 3 Significant accounting policies (continued)

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.

o) Derivative Financial Instruments

Derivative financial instruments are used to manage foreign exchange risk exposure arising from the Group's end of period valuations of certain loans denominated in SDR (Special Drawing Rights - Unit of account used by the International Monetary Fund and other international organizations. Its value is based on a basket of key international currencies that currently consists of the euro, yen, pound sterling and the US dollar).

The Group does not hold or issue derivative financial instruments for trading purposes. The Group has not adopted hedge accounting.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value at each balance date with the resulting gain or loss recognized in surplus or deficit.

The full fair value of a forward foreign exchange derivative is classified as current as the contract is due for settlement within 12 months of balance date.

p) Trade, sundry and other receivables

These include trade receivables from customers, other receivables, including accrued interest on term deposits. These are carried at amortised cost in the Statement of Financial Position.

q) Identification and measurement of Impairment

A forward-looking expected credit loss model is applied to financial assets in accordance with IPSAS 41 *Financial Instruments*. All of the Group's financial assets are classified as amortised cost.

The Group performs an impairment assessment based on expected credit loss (ECL) on financial assets measured at amortised cost.

The ECL refers to the weighted average of the credit losses of financial instruments that are weighted by the risk of default. Credit loss refers to the difference between all contractual cash flows receivable from the contract and all cash flows expected to be received, discounted at the original real interest rate by the Group, that is, the present value of all cash shortages.

ECL is calculated based on a function of the probability of default, loss given default and exposure at default.

The Group appplies ECL model separately for each financial asset category measured at amortised cost.

The Group considers impairment using the ECL model for the following financial assets that are not measured at FVTPL:

- Cash and cash equivalents
- Term Deposits
- Trade, sundry and other receivables
- Banking portfolio investments

i) Impairment of Cash and cash equivalents and Term deposits

ECL for Cash and cash equivalents and Term deposits is calculated based on industry standard Probability of default and loss given default based on the credit rating of each financial instituion where funds are held.

Notes to the financial statements (continued)

Note 3) Significant accounting policies (continued)

q) Identification and measurement of Impairment (continued)

ii) Impairment of Trade, sundry and other receivables

In assessing impairment the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

As trade and other receivables are normally paid within 30 days and do not have a significant financing component the Group has applied the simplified approach in IPSAS 41 and therefore only recognising lifetime ECL. Entities within the Group that have signiifcant customer base, and therefore debtors, have developed a provision matrix to determine ECL. In particular, Te Aponga Uira and Te Mana Uira o Araura, as these entities each operate in only one geographic segment the matrix is based on customer type (Demand, Commercial or Domestic) and debt age (no. days) taking into account historical loss experience for each segment adjusted for forward looking estimates

iii) Impairment of Banking portfolio investments

Segmentation of financial assets:

The Group assesses whether the credit risk has increased significantly on an individual or collective basis. For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of account instrument type.

The Groups Banking portfolio investments are grouped by the following segments:

- Business
- Personal
- Mortgage

The Group assesses whether the credit risk of the relevant financial instruments has increased significantly since the initial recognition, and measures its expected credit losses ("ECL") and recognises its loss provision and changes from the prior period in the following cases:

(i) if the credit risk of the financial instrument has not increased significantly, since the initial recognition, (* internal risk grade = "Pass"), the Group measures its loss provision based on the amount equivalent to the ECL of the financial instrument in the next 12 months;

(ii) if the credit risk of the financial instrument has increased significantly since the initial recognition, the Group measures its loss provision based on the amount of lifetime expected credit loss (ECL) of the financial instrument. (* Internal risk grades = special mention, substandard, doubtful and loss)

Under the above circumstances, regardless of whether the Group's assessment of credit losses is based on a single financial instrument or a combination of financial instruments, the increase or reversal of the loss provision resulting there from is included in the current profit and loss as an impairment loss or gain.

The Group applies a three-stage approach to measuring expected credit losses ("ECL") on Banking portfolio investments. Assets migrate through the following three stages based on the change of their credit quality, since initial recognition.

Stage 1: 12-month ECL - For financial instruments with no significant increase in credit risk (SICR) after initial recognition, (internal risk grade = "Pass"), expected credit losses in the next 12 months are recognised.

Notes to the financial statements (continued)

Note 3 Significant accounting policies (continued)

q) Identification and measurement of Impairment (continued)

iii) Impairment of Banking portfolio investments (continued)

Stage 2: Lifetime ECL – not credit impaired – For financial instruments with significant increase in credit risk (SICR) since initial recognition (internal risk grade = "Special mention"), but no objective evidence of impairment, lifetime expected credit losses are recognised.

Stage 3: Lifetime ECL – credit impaired – For financial assets that show objective evidence of impairment at the end of the reporting period, lifetime expected credit losses are recognised. This stage comprises all accounts that are credit impaired or in default (internal risk grades = "Substandard", "Doubtful" or "Loss").

Under the above circumstances, regardless of whether the Group's assessment of credit losses is based on a single financial instrument or a combination of financial instruments, the increase or reversal of the loss provision resulting there from is included in the current profit and loss as an impairment loss or gain.

Impairment is assessed for loans at a collective and a specific individual level.
The Groups internal credit rating adopted from the guidelines provided by the Banking Prudential Statement (BPS03) initially defines whether the financial assets are assessed at a collective or a specific individual level:

Collective Provision

Impairment on financial assets with an internal credit rating of "Pass" or "Special Mention" is calculated through the ECL model.
"Pass" if the asset is fully protected by the current sound worth and paying capacity of the borrower and the borrower is performing in accordance with contractual terms and is expected to continue to do so.

"Special Mention" if the asset is past due for the payment of principal or interest for more than 30 (thirty) days but less than 90 (ninety) days; or although currently protected, exhibits potential weaknesses which may, if not corrected, weaken the asset or inadequately protect the Group's position at some future date.

All loans classified in the personal segment are assessed in the ECL model irrespective of their probability of default and form part of the collective provision.

Some financial assets with an internal credit rating of "Substandard", "Doubtful" or "Loss" and have been assessed individually for the likelihood of future credit losses through the individual provisioning method and do not require a specific individual provision are assessed in the ECL model and form part of the collective provision.

Specific Individual Provision

Financial assets with an internal credit rating of "Substandard", "Doubtful" or "Loss" are individually assessed using the individual provisioning method and consider the likelihood of future credit losses by evaluating a range of possible outcomes, the time value of money, past events, security held, current conditions and forecasts of future economic conditions.

"Substandard" if the asset is past due for the payment of principal or interest for more than 90 days but less than 180 days; or is a renegotiated loan which has had its terms or interest rate modified because of weaknesses or deterioration in the obligor's financial condition or ability to repay.

Notes to the financial statements (continued)

Note 3 Significant accounting policies (continued)

q) Identification and measurement of Impairment (continued)

iii) Impairment of Banking portfolio investments (continued)

"Doubtful" if the asset is past due for the payment of principal or interest for more than 180 days but less than 360 days; or exhibits all the weaknesses of a substandard asset and, in addition, is not because these weakenesses make collection in full highly questionable and improbable.

"Loss" if the asset is past due for the payment of principal or interest for more than 360 days, unless such an asset is well secured and legal action has actually commenced and the time to realise on collateral or on a guarantee relating to the asset does not exceed 180 days, had been characterised as "Doubtful" on account of any 'pending event' and the event concerned has not occurred and the asset is now past due for the payment of principal or interest for more than 540 days, whether or not the event is still pending; or regardless of its past due status it is otherwise considered uncollectible or considered to be of such little value that its continuance as an asset on the books of the Group is not warranted provided that a Loss classification shall not preclude the possibility of recovering the asset or securing a salvage value for it.

ECL model

ECL are estimates of credit losses and are determined by evaluating a range of possible outcomes, the time value of money, past events, current conditions and forecasts of future economic conditions.

The Group's ECL is calculated on a per segment basis with the corresponding PD, LGD and Cure Rate and is the sum of all segment ECLs.

Where:

- Probability of default (PD): the probability that a counterparty will default;
- Loss given default (LGD): the loss that is expected to arise in the event of default
- Cure Rate (CR): the historical average % of Defaulted Loans that migrated out of a defaulted status

- Exposure at default (EAD): the estimated outstanding amount of credit exposure at the time of default, which is the outstanding loan amount that is at risk of default at a certain point in time.
- Discount Factor: adjustment to calculate the impact of a future payment at time 0, which is assumed to be reporting date. Calculated from the time 't' (12 month or lifetime) and the effective Interest Rate (EIR)
- Overlay: Circumstances and conditions may exist that cause management to believe in the requirement for loan provisioning in addition to that determined by the ECL model. In this case a management overlay would be considered.

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 & Expenses.

When a loan, within the loan book, 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 & 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 & Expenses.

Refer to Note 3 'Critical estimates and judgements used in applying accounting policies' below for update on estimates and judgements due to the impact of the COVID-19 pandemic.

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.

Notes to the financial statements (continued)

Note 3 Significant accounting policies (continued)

FINANCIAL LIABILITIES

Recognition

Financial liabilities are measured initially at fair value plus, for an item not at fair value through surplus or deficit, 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.

r) 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 the Statement of Comprehensive Revenue and Expenses 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.

s) 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.

t) 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.

Notes to the financial statements (continued)

Note 3 Significant accounting policies (continued)

PRESENTATION

u) 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.

v) 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 and ability to settle on a net basis or to realise the asset and settle the liability simultaneously.

w) 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.

x) 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.

y) 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.

z) 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.

Notes to the financial statements (continued)

Note 3 Significant accounting policies (continued)

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 banking portfolio investments (loans & advances) requires the Group 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.

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 3(q) and Note 23(ii) for details of credit impairment provisions.

Non-credit provisioning

Within the Group, the Bank holds non-credit related provisions in respect of future obligations such as long service leave. The Bank offers a long service benefit for all employees that server the Bank for 15 years. An additional benefit is earned after every 5 years of service after the initial 15 years of service. The Bank provides for this liability under the assumption that the likelihood that the employee will receive the benefit is proportional to the ratio of the service that had been achieved over the service period required. All provisions for long service leave are calculated using actual benefits earned less benefits taken plus the proprotion of the next benefit costed at the current cost for that employee.

COVID-19 impact on credit performance

The Group's approach to incorporating the effect of Covid-19 on the banking portfolio investments ECL calculations was guided by a recognition that there continues to be significant uncertainty from the economic impacts of the pandemic particularly around the recovery.

The resulting economic impact of the pandemic remains to be significant at the reporting date and continues to impact the ability of a number of borrowers to maintain loan repayments. A number of Initiatives were put in place to support borrowers during the period of 1 March 2020 to 31 March 2022 including deferred payments and interest only terms.

At reporting date the economic environment is supported by the re-opening of borders and the reduction of COVID-19 related restrictions both locally and internationally. This has resulted In increased levels of tourism that are supporting economic recovery. However, there remains a level of economic uncertainty around the time and extent of recovery particularly where insufficient time has passed for an appropriate assessment around whether recent borrower performance is sustainable. This provides additional factors of uncertainty during the current year and this is reflected in the Group's approach to its estimation of expected credit losses on loan receivables.

The estimation uncertainty is associated with:

- the extent and duration of the residual economic impacts of the pandemic (including forecasts for key economic factors including GDP and CPI);
- the impact of the progressive removal of bank relief and government support Initiatives that were put in place to support businesses and consumers through the pandemic; and
- the extent of financial recovery for individual borrowers and time required to restore loan performance to pre-pandemic levels, recognising that In the worst case there may be some permanent deterioration in individual loan performance and quality.

Although the approach to ECL calculations and formulae remain unchanged from the prior year, the Group has updated relevant data inputs to reflect the impacts of Covid-19 on credit performance.

Key Covid-19 impacts were:

- Macroeconomic data updated to reflect changes in forecasted economic impacts;
- Restaging of loans between stage 1 and stage 2 where significant increase in credit risk (SICR) is observed
- Extended loan terms where the Group entered into deed of variation related to COVID-19 relief.

Notes to the financial statements (continued)

Note 3 Significant accounting policies (continued)

CRITICAL ESTIMATES AND JUDGEMENTS USED IN APPLYING ACCOUNTING POLICIES (continued)

COVID-19 impact on credit performance (continued)

Macroeconomic Data

The Group has used the Government's actual and forecasted economic indicators of GDP and CPI as issued in the Government of the Cook Islands Budget Book 2021 – 2026.

Date	Real GDP YOY Growth	Implied CPI YoY	Nominal GDP YoY
30/06/21	-18.20%		-14.60%
30/06/22	11.50%	0.477%	12.10%
30/06/23	13.90%	2.846%	17.20%
30/06/24	7.40%	3.413%	11.10%
30/06/25	3.70%	-0.089%	3.50%
30/06/26	3.50%	1.250%	4.80%
Average	3.63%	1.579%	5.68%

Stage 1 to Stage 2 loans

An assessment of all loans not individually provided for was undertaken to determine whether there was a SICR that would require loans to be restaged from Stage 1 to Stage 2.

Following various COVID-19 relief initiatives, such as payment deferrals and interest only terms offered to customers during the period from 1 October 2020 to 31 March 2022, it has been determined that a SICR existed at year end for those borrowers that took up this relief. The SICR reflects:

- The increased level of inherent credit risk present on loans that historically required COVID-19 relief;
- The relatively short period of time that a number of these loans have had to demonstrate sustainable repayment ability; and
- The remaining economic uncertainty that remains at reporting date.

On this basis all loans, not individually impaired, that took up COVID-19 relief from Phase 3 to 7 were restaged from Stage 1 to Stage 2.

The COVID-19 impacts and data input adjustments resulted in a 58% increase in the ECL reported at 30 June 2022 compared with the ECL recorded as at 30 June 2019 i.e. before the outbreak of the pandemic. The ECL approach in the current year Is consistent with the previous year and an increased level of provisioning remains.

Expected credit losses reported by the Group should be considered as a best estimate as at the year ended 30 June 2022.

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Notes to the financial statements (continued)

Note 3 Significant accounting policies (continued)

CRITICAL ESTIMATES AND JUDGEMENTS USED IN APPLYING ACCOUNTING POLICIES (continued)

COVID-19 impact on Trade receivables

Due to the impacts of COVID-19 on the Group and its customers, an assessment was undertaken to consider the necessity for an additional "management overlay" to reflect the current economic uncertainty and situtaion within the Cook Islands. In particular for Te Aponga Uira, a management overlay was determined by assessing the aging of trade receivables pre-Covid and comparing this to post-Covid conditions to develop a worsening ratio. This ratio was then applied to the year end ECL determined by the existing ECL model (matrix) in use.
For other entities within the Group where the customer base is not as substantial, adjustments to year end provisioning have been made to reflect subsequent customer receipts as this is considered to be the best form of evidence of collectability.

COVID-19 impact on impairment considerations for Property, plant and equipment

The Group has considered the impacts of COVID-19 on its property, plant and equipment and whether impairment exists as a result. The Groups assets remain in use with no deterioration in assets or shortening of useful lives as a result of the pandemic. No excess capacity is consisdered to exist, with existing asset levels considered necessary to meet minimum operating requirements. The Group concluded that whilst there has been significant impacts on the Cook Islands economy as a whole, given the nature of the Group's activities, in particular, the essential service nature of the utilities and asset management and asset holding functions the entities provide on behalf of the Cook Islands Government, no impairment of property, plant and equipment is considered to exist as a result of COVID-19 impacts.

OTHER JUDGEMENTS

Deferred tax assets

The Group 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.

Work in progress receivables

Work in progress receivables represent managements best estimate of percentage of completion for capital projects. Management consider that costs incurred to balance date fairly represent the stage of completion.

Notes to the financial statements (continued)

Note 3 Significant accounting policies (continued)

Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When available the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price.

The Group measures fair value using the following hierarchy:

Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments,

Level 2: inputs other than quoted prices included in Level 1 that are observed directly or indirectly, and

Level 3: inputs that are unobservable.

Due to the nature of financial instruments that the Group holds, the fair value and carrying value of financial

CHANGES TO ACCOUNTING POLICIES

The accounting policies are consistent with the those applied in the preparation of the Group's annual financial statements for the year ended 30 June 2021.

Note 4 New standards and interpretations not yet adopted

At the date of authorisation of these financial statements, certain new standards have been issued which were not yet effective at balance sheet date and which the Group has not early adopted.:

IPSAS 40 PBE Combinations

The Group has not yet assessed the impact of these standards.

The Group early adopted IPSAS 41 Financial Instruments effective from 1 July 2018.

Notes to the financial statements (continued)

Note 5 Sundry Income

	Group		Parent	
In thousands of New Zealand Dollars	**30 June 2022**	30 June 2021	**30 June 2022**	30 June 2021
Sundry revenue	**861**	1,358	**147**	135
	861	1,358	**147**	135

Note 6 Other expenses

	Group 30 June 2022	Group 30 June 2021	Parent 30 June 2022	Parent 30 June 2021
Advertising	**259**	319	**15**	13
Electricity	**850**	882	**23**	14
Fees paid to group auditor - audit services	**512**	450	**123**	109
Fees paid to group auditor - non audit services	**28**	31	**-**	-
Fees paid to other auditors - audit services	**15**	15	**-**	-
Motor vehicle expenses	**275**	271	**17**	19
Payment on behalf of Crown	**1,462**	967	**406**	503
Staff training expenses	**172**	162	**11**	17
Travel expenses	**115**	145	**23**	13
Other operating expenses	**5,398**	3,379	**606**	219
Total Other expenses	**9,086**	6,621	**1,224**	907

Note 7 Employee entitlements

	Group 30 June 2022	Group 30 June 2021	Parent 30 June 2022	Parent 30 June 2021
Current				
Accrued salaries and wages	**426**	316	**15**	62
Annual leave	**367**	548	**115**	76
Current employee entitlements	**792**	864	**130**	137
Non-current				
Long service leave accrual	**5**	-	**-**	-
Non-current employee entitlements	**5**	-	**-**	-
Total employee entitlements	**797**	864	**130**	137

Notes to the financial statements (continued)

Note 8 Cash and cash equivalents

	Group		Parent	
In thousands of New Zealand Dollars	**30 June 2022**	30 June 2021	**30 June 2022**	30 June 2021
Cash on hand	**1,294**	1,487	**-**	-
Cash at bank	**21,983**	26,683	**291**	1,251
Total cash and cash equivalents	**23,277**	28,170	**291**	1,251
Less Allowance for Doubtful Debt	**(78)**	(178)		(17)
Net cash and cash equivalents	**23,199**	27,992	**291**	1,234

Note 9 Term Deposits

	Group		Parent	
In thousands of New Zealand Dollars	**30 June 2022**	30 June 2021	**30 June 2022**	30 June 2021
Less than 12 months	**59,706**	37,607	**791**	768
Over 12 months	**938**	8,483	**-**	-
Total term deposits	**60,644**	46,090	**791**	768
Less Allowance for Doubtful Debt	**(162)**	(422)	**-**	
Net term deposits	**60,482**	45,668	**791**	768

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

	Group		Parent	
In thousands of New Zealand Dollars	**30 June 2022**	30 June 2021	**30 June 2022**	30 June 2021
Current receivables	**5,079**	3,415	**72**	162
Less: impairment allowance	**(1,852)**	(1,792)	**(70)**	(53)
Total receivables from exchange transactions	**3,227**	1,623	**2**	109

As at 30 June 2022, 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 2021					
Total receivables from exchange transactions	3,415	753	1,092	254	1,316

In thousands of New Zealand Dollars	Total	Neither past due or impaired	<30 days	30-60 days	>60 days
As at 30 June 2022					
Total receivables from exchange transactions	**5,079**	**4,835**	**32**	**46**	**166**

Parent

In thousands of New Zealand Dollars	Total	Neither past due or impaired	<30 days	30-60 days	>60 days
As at 30 June 2021					
Total receivables from exchange transactions	162	21	-	37	104

In thousands of New Zealand Dollars	Total	Neither past due or impaired	<30 days	30-60 days	>60 days
As at 30 June 2022					
Total receivables from exchange transactions	**72**	**45**			**27**

Notes to the financial statements (continued)

Note 11 Related parties

	Group		Parent	
In thousands of New Zealand Dollars	**30 June 2022**	30 June 2021	**30 June 2022**	30 June 2021
Related party receivables				
Government of the Cook Islands	**-**	1,301	**-**	-
Cook Island Property Corporation (NZ) Limited	**-**	-	**63**	7
Avaroa Cables Limited	**-**	-	**-**	201
To Tatou Vai Limited	**-**	-	**8**	3
Cook Islands Telecommunication Holdings Limited	**-**	-	**22**	18
Te Mana Uira o Araura Limited	**-**	-	**26**	106
Banana Court Company Limited	**-**	-	**6**	-
Ministry of Foreign Affairs And Immigration	**-**	-	**-**	-
Ministry of Finance and Economic Management	**1,563**	1,664	**-**	-
CIIC Seabed Resources Limited	**150**	171	**150**	171
Total related party receivables	**1,713**	3,136	**275**	506

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

	Group		Parent	
In thousands of New Zealand Dollars	**30 June 2022**	30 June 2021	**30 June 2022**	30 June 2021
Dividends receivable				
Te Aponga Uira O Tumu-te-Varovaro	**-**	-	**-**	-
Total dividends receivable	**-**	-	**-**	-

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Notes to the financial statements (continued)

Note 11 Related parties (continued)

In thousands of New Zealand Dollars	Group 30 June 2022	Group 30 June 2021	Parent 30 June 2022	Parent 30 June 2021
Related party payables - Current				
Government of the Cook Islands	**651**	637	**0**	-
Telecom Cook Islands	**-**	-	-	-
Ministry of Finance and Economic Management	**6**	6	-	-
Banana Court Company Limited	**-**	-	-	5
Avaroa Cables Limited	**-**	-	-	-
Te Mana Uira o Araura Limited	**-**	-	-	-
CIIC Seabed Resources Limited	**109**	109	**109**	109
Cook Islands Property Corporation (NZ) Limited	**-**	-	-	-
Cook Islands Government Property Corporation	**-**	-	**1,401**	1,401
Total related party payables - current	**766**	752	**1,510**	1,515

In thousands of New Zealand Dollars	Group 30 June 2022	Group 30 June 2021	Parent 30 June 2022	Parent 30 June 2021
Dividends payable				
Government of the Cook Islands	**-**	-	**-**	-
Total dividends payable	**-**	-	**-**	-

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

Key Management Personnel - Parent

Key management personnel of the Corporation include the Board of Directors and the senior management team being the Chief Executive Officer and General Managers - Crown Enterprise, Asset Development, Asset Management, Land & Legal and Corporate Service/ CFO.

	30 June 2022 Total remuneration (000's)	30 June 2022 Number of persons	30 June 2021 Total remuneration (000's)	30 June 2021 Number of persons
Board of Directors	**122**	**5**	155	5
Senior Management	**727**	**6**	717	7

Key Management Personnel - Group

	30 June 2022 Total remuneration (000's)	30 June 2022 Number of persons	30 June 2021 Total remuneration (000's)	30 June 2021 Number of persons
Board of Directors	**772**	**51**	738	47
Senior Management	**4,189**	**44**	4,214	46

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 in the normal course of their business including electricity in Rarotonga and Aitutaki, Port and Airport charges, banking services, as well as property rentals. 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 outside of the Group through its wholly owned subsidiary, Te Aponga Uira O Tumu-te-Varovaro (Te Aponga). Entities within the Group paid $590,000 (2021: $520,000) to Te Aponga for electricity services which has been eliminated on consolidation. Electricity goods and services provided to related parties are transacted on normal trading terms.

c) The Group provides telecommunication services to various Government entities outside of the Group through its associate, Telecom Cook Islands Limited. Entities within the group paid $419,323 (2021: $617,000) to Telecom Cook Islands for telecommunication services. Communication services provided to related parties are transacted on normal trading terms.

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 property owned by Cook Islands Property Corporation (NZ) Limited is tenanted by the Ministry of Foreign Affairs and Immigration. No rental is charged to the tenant.
The Corporation uses the Cook Islands Property Corporation (NZ) Limited bank account to pay for NZ payments when required. These are charged back to the Corporation through the intercompany balance.

f) Government appropriation income was received by the Group of $12,420,000 (2021: $15,255,000).

g) Capital project liability relates to project funding received by CIIC from Cook Islands Government and other funding agencies for the completion of capital assets. These assets are recognised as Work in progress receivable in the Statement of Financial Position for which on completion the asset is to be returned to Crown.

h) Cook Islands Government Property Corporation made a revenue transfer of $549,000 (2021: $519,000) 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 Comprehensive Revenue and Expenses of the Corporation.

i) Equity injections for the Group in 2022 was $5,224,000 (2021: $8,514,000) being assets consisting of $517,000 of capital assets for To Tatou Vai Limited, $2,894,000 of runway upgrades for Airport Authority, $50,000 of equity injected for Cook Islands Property Corporation (NZ) and $1,763,000 of completed buildings and extensions transferred to the Cook Islands Government Property Corporation.

j) The parent received $nil dividends for the year (2021: $819,000) from subsidiaries. The Group received $nil tax benefit (2021: $nil) in relation to dividends paid to the parent, Cook Islands Investment Corporation, a tax paying entity.

k) Included in trade and other payables is an amount due to Cook Islands Police of $70,967 (2021: $446) for motor vehicle registrations administered by Bank of the Cook Islands on behalf of the Cook Islands Police.
During the year the bank earned motor vehicle registration commissions of $254,000 (2021: $255,000) and social welfare transaction fees of 275,000 (2021: $20,000) at Bank of the Cook Islands.
Included in Other lending fees is nil (2021: $235,000) relating to adminstration fees charged to the Government of the Cook Islands for administering the Business Continuity Credit Facility scheme.
Included in related party receivables is nil (2021: $1,301,000, relating to the Government Grant Receivable to Bank of the Cook Islands for the quarter four Interest Relief Program. The Bank received nil (2021: $5,385,00) in total covering 1 July 2020 to 30 June 2021 under this program
Interest rates charged on balances outstanding from related parties are preferential and range from 1% to 6% off what would be charged in an arm's length transaction. The mortgages and secured loans granted are secured over property of the respective borrowers. Other balances are not secured and no guarantees have been obtained.

Notes to the financial statements (continued)

Note 11 Related parties (continued)

l) Banana Court Company Limited leases land and buildings from Cook Islands Government Property Corporation. The company paid leasehold commissions and lease fees of $2,103 (2021: $871) during the current year. The lease is for a period of 30 years from 1 September 1990. For the first 10 years of term the rental was $100 per annum. For the remaining period the lessee pays to the lessor an amount of 12.5% of the rent or consideration received from subleasing of the land after tax.
On 3 December 2020 the lease was renewed for a further 30 years from 1 September 2020. The rental continues to be calculated and payable at an amount of 12.5% of the rent or consideration received from subleasing of the land after tax.

m) Audit fees for Cook Islands Government Property Corporation are borne by the Corporation. The Corporation provides oversight and management for Cook Islands Government Property Corporation as the 2 entities are considered to operate as one.

Note 12 Banking portfolio investments

The following is a summary of the loans portfolio by industry sector as at 30 June 2022

Group *In thousands of New Zealand Dollars*	**Total 2022**	Total 2021	**Due within One Year 2022**	Due within One Year 2021	**Over One Year 2022**	Over One Year 2021
Agriculture	57	60	10	8	47	53
Fishing	237	262	41	41	196	221
Consumer	7,421	8,146	1,272	3,357	6,149	4,789
Business	20,158	21,869	3,456	876	16,702	20,993
Housing	45,553	44,882	7,811	3,884	37,743	40,998
Staff	3,501	3,542	600	449	2,901	3,093
Tourism	13,661	14,165	2,343	756	11,318	13,409
	90,588	92,927	**15,533**	9,370	**75,056**	83,557
LESS:						
Provision for doubtful loans	7,343	6,710				
Provision for non-performing						
Deferred income	732	783				
Net Portfolio as at 30 June	**82,513**	85,434				
Split by:						
Current	13,892	8,613				
Non - current	68,621	76,821				
	82,513	85,434				

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

Housing 3.8% to 9.25% (2021: 3.8% to 12.25%)
Development (including Business) - 7.2% to 12.5% (2021: 7.2% to 16.25%)
Consumer - 9.25% to 16.5% (2021: 10.25% to 16.5%)

The Group administers loans totalling $6,839,441 (2021: $7,023,000) on behalf of the Government of the Cook Islands under the Business Continuity Credit Scheme. These loans distributed under this scheme are not legal assets of the Group and therefore are not recognised on the Group's Statement of Financial Position.

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

Group *In thousands of New Zealand Dollars*	**2022**			2021		
Percent of Equity Range	# Counter Parties	Loan Balance	Percentage of Bank's Equity	# Counter Parties	Loan Balance	Percentage of Bank's Equity
5 - 10%	**3**	**3,719**	**21.14%**	4	5,955	33.27%
+10%	**4**	**9,136**	**51.92%**	4	10,088	56.36%

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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 2022**	30 June 2021
The total charge of provisions was made up as follows:		
PROVISIONS FOR DOUBTFUL LOANS		
Opening balance	6,710	6,549
Opening transfer from Non-performing Interest	-	-
Movement in provision as a result of IFRS 9	-	-
Bad debts written out of provisions	(32)	(1,248)
Allowance for hardship	-	-
Provisions for doubtful loans	665	1,409
Balance at end	**7,343**	6,710
Net increase/(decrease) in provision for doubtful loans	**633**	161

Note 13 Inventories

	Group		**Parent**	
In thousands of New Zealand Dollars	**30 June 2022**	30 June 2021	**30 June 2022**	30 June 2021
Trading stock	**5,073**	5,521	**1**	1
Spare parts	**138**	24	-	-
Fuels	**2,645**	1,289	-	-
Other	**777**	164	-	-
Total inventories	**8,633**	6,998	**1**	1

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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	Cable facilities	TOTAL
Cost														
At 1 July 2020	10,985	3,035	100,560	1,847	7,258	937	3,432	38,825	26,127	29,498	53,128	34,445	0	310,077
Additions	0	0	5,780	17	1,049	67	325	1,332	10,626	205	1,161	692	0	21,254
Disposals	0	0	0	0	(6)	0	0	(41)	0	0	0	0	0	(47)
Transfers/adjustments	0	0	25	(1)	123	(297)	22	487	(32,951)	42	159	92	32,117	(182)
At 30 June 2021	10,985	3,035	106,365	1,863	8,424	707	3,779	40,603	3,802	29,746	54,448	35,229	32,117	**331,103**
Additions	-	-	**2,710**	**61**	**220**	**53**	**290**	**1,070**	**1,292**	**172**	**2,433**	**3**	**84**	**8,387**
Disposals	-	-	**(2)**	-	**(186)**	-	**(32)**	**(239)**	-	-	**(197)**	-	-	**(656)**
Transfers/adjustments	-	-	**407**	**1,033**	**208**	**22**	**(31)**	**329**	**(2,114)**	**(847)**	**598**	**(454)**	**(184)**	**(1,034)**
At 30 June 2022	**10,985**	**3,035**	**109,480**	**2,957**	**8,666**	**782**	**4,006**	**41,763**	**2,979**	**29,070**	**57,282**	**34,777**	**32,017**	**337,800**

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	Cable facilities	TOTAL
Depreciation and impairment														
At 1 July 2020	-	-	34,565	394	5,329	732	2,874	21,469	-	17,455	13,706	6,934	-	103,458
Disposals	-	-	-	-	(6)	-	(1)	(41)	-	-	(40)	-	-	(87)
Transfers	-	-	1	(1)	(12)	(222)	13	111	-	(1)	2	-	-	(109)
Depreciation	-	-	2,730	63	706	34	283	2,424	-	1,287	1,297	1,002	1,212	11,039
At 30 June 2021	-	-	37,296	456	6,018	544	3,169	23,964	-	18,742	14,965	7,936	1,212	114,301
Disposals	-	-	**(2)**	-	**(167)**	-	**(38)**	**(217)**	-	-	**(62)**	-	-	**(486)**
Transfers	-	-	-	**(96)**	-	**9**	**(13)**	**103**	-	**(756)**	**0**	**(82)**	**(14)**	**(849)**
Depreciation	-	-	**2,817**	**64**	**553**	**29**	**318**	**2,374**	-	**1,294**	**1,338**	**912**	**1,327**	**11,025**
At 30 June 2022	-	-	**40,111**	**423**	**6,404**	**582**	**3,436**	**26,224**	-	**19,280**	**16,242**	**8,766**	**2,525**	**123,992**

	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	Cable facilities	TOTAL
In thousands of New Zealand Dollars														
Net Book Values														
At 1 July 2020	10,985	3,035	65,995	1,453	1,929	205	558	17,356	26,127	12,043	39,422	27,511	0	206,619
At 30 June 2021	10,985	3,035	69,069	1,407	2,406	163	610	16,639	3,802	11,004	39,483	27,293	30,905	216,802
At 30 June 2022	**10,985**	**3,035**	**69,369**	**2,534**	**2,263**	**200**	**570**	**15,539**	**2,979**	**9,790**	**41,040**	**26,012**	**29,492**	**213,808**

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Notes to the financial statements (continued)

Note 14 Property, plant and equipment (continued)

In thousands of New Zealand Dollars

PARENT

	Furniture and equipment	Motor vehicles	TOTAL
Cost			
At 1 July 2020	365	221	586
Additions	50	3	53
Disposals	-	-	-
Transfers/adjustments	-	-	-
At 30 June 2021	415	224	639
Additions	**51**	-	**51**
Disposals	-	-	-
Transfers/adjustments	-	-	-
At 30 June 2022	**466**	**224**	**690**
Depreciation and impairment			
At 1 July 2020	(282)	(169)	(451)
Disposals	-	-	-
Depreciation	(36)	(17)	(53)
Impairment	-	-	-
Transfers/adjustments	-	-	-
At 30 June 2021	(318)	(186)	(504)
Disposals	-	-	-
Depreciation	**(43)**	**(18)**	**(61)**
Impairment	-	-	-
Transfers/adjustments	-	-	-
At 30 June 2022	**(361)**	**(204)**	**(565)**
Net Book Values			
At 1 July 2020	**83**	**52**	**135**
At 30 June 2021	**97**	**38**	**135**
At 30 June 2022	**105**	**20**	**125**

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 (2021: $1.8million) 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. Subsequent to 30 June 2021, Cook Islands Investment Corporation on behalf of Cook Islands Property Corporation (NZ) Limited, re-engaged Darroch Limited to provide an updated valuation report for the insurance renewal purposes for the property. On the 6th of September the depreciated replacement cost is $1,067,000 with a reinstatement estimate of $2,301,000.
- 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 5 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 Crown owned entities

These assets are recorded at the value nominated by the Ministry of Finance and Economic Management for the Cook Islands or relevant Crown owned entity 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. As in prior years, historical fixed assets have been recorded in the financial statements at nil value. This is due to difficulties experienced in obtaining information relating to these assets, due to loss of historical accounting records.
This treatment is a departure from IPSAS 17 Property, plant and equipment which notes an appraisal of an asset is normally undertaken by a member of the valuation profession, who holds a recognised and relevant professional qualification. The audit report of these financial statements is qualified in this regard.

Asset valuation reserve

On 1 October 2020 a valuation was performed by Alexander Napa Consultancy over Te Mana Uira o Araura Limited's buildings and transformer shelter assets. The total valuation was $1,702,000. The values have been applied at 30 June 2020. As a result of the valuation, a revaluation reserve of $936,000 has been recognised pertaining to an uplift in existing asset values, as well as an equity injection of $430,000 to record building and shelter assets not previously recognised by the Company.

Impairment

Te Mana Uira O Araura Limited

An impairment of $84,745 has been recognised for the current year pertaining to Generator 2 that has broken down, is no longer in use and the Company has no intention to restore the asset.

Notes to the financial statements (continued)

Note 15 Intangible Assets

GROUP
In thousands of New Zealand Dollars

	Carrying Amount
Cost	
At 1 July 2020	6,228
Additions	158
Transfer	112
At 30 June 2021	6,498
Additions	179
Transfer	
At 30 June 2022	6,677
Amortisation and impairment	
At 1 July 2020	3,982
Transfer	44
Amortisation for the year	521
At 30 June 2021	4,547
Transfer	0
Amortisation for the year	397
At 30 June 2022	4,944
Work in progress	
At 1 July 2021	9
Additions	0
At 30 June 2022	9
Transfer	0
Amortisation for the year	0
At 30 June 2022	9
Net book values	
At 1 July 2020	2,246
At 30 June 2021	1,960
At 30 June 2022	1,742

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 2022**	30 June 2021
Opening balance 1 July	**5,824**	6,070
Additions / (Disposals)	-	-
Transfer	-	-
Depreciation	**(246)**	(246)
Closing balance at 30 June	**5,578**	5,824

Investment property includes buildings and premises owned by the Airport Authority, Ports Authority, and Cook Islands Property Corporation (NZ) Limited. Investment property is carried at cost.

Notes to the financial statements (continued)

Note 17 Trade and other payables

In thousands of New Zealand Dollars	Group 30 June 2022	30 June 2021	Parent 30 June 2022	30 June 2021
Trade and other payables from exchange transactions				
Trade creditors	**1,355**	1,030	**86**	405
Interest accrual	**669**	710	**-**	-
Provisions	**349**	415	**-**	-
Other payables and accruals	**4,716**	4,348	**416**	212
Total trade and other payables from exchange transactions	**7,089**	6,503	**502**	617

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	**196**	110	**-**	-
Total trade and other payables from non-exchange transactions	**196**	110	**-**	-
Total trade and other payables	**7,285**	**6,613**	**502**	**617**

Provisions

In thousands of New Zealand Dollars	Group 30 June 2022	30 June 2021	Parent 30 June 2022	30 June 2021
Opening land lease provision	**415**	4	**-**	-
Additional provision made in the period	**(486)**	(345)	**-**	-
Provision utlised in the period	**420**	756	**-**	-
Closing land lease provision	**349**	415	**-**	-
Opening other provision	**-**	-	**-**	-
Additional provision made in the period	**-**	-	**-**	-
Closing other provision	**-**	-	**-**	-
Total Provision	**349**	415	**-**	-

Included in Provisions is land lease provision related to outstanding rent reviews and lease payments to landowners. The Group has estimated the provision based on the current status of negotiations with landowners and consideration of recent renewals and valuations performed by registered valuers across the Cook Islands' property market.

In the prior year, the availability of more recent renewals and valuations data resulted in a revision in provisions related to outstanding renewals and as a result an increase in the overall lease provision in 2021.

Lease negotiations are ongoing. Actual amounts owing are determined once lease agreements are signed. The lease provision is non-interest bearing.

Notes to the financial statements (continued)

Note 18 Taxes

In thousands of New Zealand Dollars	Group 2022	Group 2021	Parent 2022	Parent 2021
Income tax receivable				
Income tax receivable (payable) c/f 1 July	1,092	1,268	672	692
Reclassified from / (to) tax payable	-	(70)	-	-
Reclassified from future income tax benefit	-	(79)	-	-
Income tax on current year surplus	(26)	(36)	-	(99)
Income tax paid	-	(155)	-	79
Income tax benefit on dividends paid	-	164	-	-
Income tax receivable 30 June	1,066	1,092	672	672
Future Income Tax Benefit				
Future Income Tax Benefit c/f 1 July	574	-	-	-
Reclassified from / (to) tax payable	132	-	-	-
Tax lossses recognised in current year surplus	331	495	182	-
Income tax benefit on dividend paid	-	79	-	-
Income tax receivable 30 June	1,037	574	182	-
Deferred tax asset				
Deferred tax asset c/f 1 July	2,008	1,342	9	5
Reclassified from deferred tax liability	(50)	-	-	-
Deferred tax on current year surplus	(51)	666	-	4
Deferred tax asset 30 June	1,907	2,008	9	9
Income tax payable				
Income tax payable c/f 1 July	517	230	-	-
Reclassified to tax receivable	-	(70)	-	-
Income tax on current year surplus	-	304	-	-
Income tax paid	-	(4)	-	-
Tax benefit on dividends paid	-	-	-	-
Reclass from prior year adjustment	(56)	-	-	-
Reclassified to FITB	132	-	-	-
Adjustment for RMD advice on FX treatment	(316)	56	-	-
Income tax payable 30 June	277	517	-	-
Deferred tax liability				
Deferred tax liability c/f 1 July	341	363	38	-
Deferred tax on current year surplus	(23)	(22)	-	38
Reclass from prior year adjustment	(38)		(38)	-
Reclassified to deferred tax asset	(50)	-	-	-
Deferred tax liability 30 June	230	341	-	38
Tax Losses				
Opening tax losses	2,332	1,560	-	-
Utilisation of tax losses	-	(1)	-	-
Addition of tax losses	967	773	-	-
Closing tax losses 30 June	3,299	2,332	-	-

Notes to the financial statements (continued)

Note 18 Taxes (continued)

Reconciliation of effective tax rate

In thousands of New Zealand Dollars	Group 2022	Group 2021	Parent 2022	Parent 2021
Surplus before taxation for the year	(8,336)	(7,035)	(912)	479
(Surplus)/deficit for tax exempt entities	2,386	2,256	-	-
Equity accounted earnings from associate	365	(524)	-	-
Profit excluding tax	(5,585)	(5,303)	(912)	479
Prima facie taxation at 20%	(1,117)	(1,061)	(182)	96
Difference for tax at other rates (NZ 30%)	-	-	-	-
Tax effect of non-assessable income	49	(376)	-	-
Tax effect of non-deductible expenses	630	507	-	-
Tax effect on prior period adjustments	(399)	-	-	-
Tax on dividend distributed to Government by tax exempt entity	-	79	-	-
Taxable income not recognised in accounts	35	(147)	-	-
Application of prior year tax losses	-	20	-	-
Tax losses not recognised	17			-
Additional tax losses accumulated	193	155	-	-
Tax impact on Leases accounting under IFRS 16	-	(1)	-	-
Income tax expense	(592)	(824)	(182)	96
Income tax expense is represented by:				
Current	(436)	(136)	(182)	78
Deferred	(156)	(688)	-	18
	(592)	**(824)**	(182)	96

Income tax losses carried forward:

Individual entities within the group have combined carried forward tax losses of $3,299,000 (2021: $2,332,000). These tax losses are unable to be offset and can only be used by the individual companies. These losses have not been recognised in the Statement of Financial Position.

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 is 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 2020	128	128	-	-
Additional investments made	-	-	-	-
Investments sold	-	-	-	-
At 30 June 2021	128	128	-	-
Additional investments made	-	-	-	-
Investments sold	-	-	-	-
At 30 June 2022	128	128	-	-

There have been no changes to investments in shares during the 2022 period.
Shares held at year end relate to the Group's investment in Asian Development Bank (ADB) and Hawaiian Airlines. The shares are held within the Group by Cook Islands Government Property Corporation and Airport Authority (respectively).

Note 20 (a) 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.
Telecom Cook Islands Limited 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. During 2020 Telecom Cook Islands Limited changed its balance date from 31 December to 31 March.

CIIC Seabed Resources Limited was established during the 2018 period. The principal activity of CIIC Seabed Resources Limited is the exploration, classification, exploitation, marketing and selling of polymetallic nodules within the Cook Islands Exclusive Economic Zone and the Cook Islands assigned area within the Clarion Clipperton Zone. The Company is 50% owned by the Cook Islands Investment Corporation and 50% by GSR-CI Limited. The ultimate Parent Company of GSR-CI Limited is Global Sea Mineral Resources NV, a Company incorporated and registered in Belgium.

	Ownership	Total Assets $000's	Total Liabilities $000's	Total Income $000's	Total Profit/(loss) $000's
Telecom Cook Islands Limited (12 months to 31/03/22)	40%	34,381	4,794	22,592	(1,342)
CIIC Seabed Resources Limited (12 months to 31/12/21) audited	50%	3,619	5,384	-	(521)
Telecom Cook Islands Limited (12 months to 31/03/21)	40%	35,081	4,151	21,808	1,901
CIIC Seabed Resources Limited (12 months to 31/12/20) audited	50%	3,713	4,957	-	(326)

Notes to the financial statements (continued)

Note 20 (a) Investment in Associates (continued)

Investment in associates - Group

In thousands of New Zealand Dollars	2022 Telecom Cook Islands Limited	2022 CIIC Seabed Resources Limited	2022 Total	2021 Telecom Cook Islands Limited	2021 CIIC Seabed Resources Limited	2021 Total
Equity accounted investee						
Opening balance at 1 July	12,332	-	**12,332**	11,808	-	**11,808**
Investment at cost	-	-	-	-	-	-
Share of profit/(loss)	(365)	-	(365)	524	-	**524**
Dividend received	-	-	-		-	
Balance at 30 June	11,967	-	**11,967**	12,332	-	**12,332**

Note 20 (b) Investment in Subsidiaries

Te Mana Uira o Araura Limited (TMU) (formerly Aitutaki Power Supply Limited) is a company registered in the Cook Islands. TMU was incorporated on 30 June 2017.
The share capital of the Company is $1,000 divided into 1,000 ordinary shares of $1 each.
The Company's shareholders are:
- Cook Islands Government Property Corporation – 999 shares
- Cook Islands Investment Corporation – 1 share

During the 30 June 2021 financial year, TMU received an equity injection from Cook Islands Investment Corporation of $425,000 cash so that TMU could continue to provide discounts to support consumers amidst COVID-19 conditions.

To Tatou Vai Authority (TTV) is an Authority under the To Tatou Vai Act 2021. Prior to this, TTV was a company registered in the Cook Islands and was incorporated on the 25th of August 2017.
The share capital of the Authority is $100,000 divided into 100,000 ordinary shares of $1 each.
The Authority's shareholders are:
- Cook Islands Government Property Corporation – 50,000 shares
- Cook Islands Investment Corporation – 50,000 shares

Avaroa Cables Limited (ACL) is a company registered in the Cook Islands. ACL was incorporated on the 24th of March 2017.

The share capital of the Company is $1,000 divided into 1,000 ordinary shares of $1 each.
The Company's shareholders are:
- Cook Islands Government Property Corporation – 500 shares
- Cook Islands Investment Corporation – 500 share

It has been determined that Cook Islands Investment Corporation, the Parent, has control over these entities – TMU, TTV, and ACL and as such have been consolidated directly into these Group financial statements.

Investment in Subsidiaries	Group **30 June 2022**	Group 30 June 2021	Parent **30 June 2022**	Parent 30 June 2021
Te Mana Uira o Araura Limited	-	-	**426**	426
To Tatou Vai Limited	-	-	**1**	1
Avaroa Cables Limited	-	-	**100**	100
Total Investment in Subsidiaries	-	-	**527**	527

Note 21 Banking customer deposits - Group

In thousands of New Zealand Dollars	2022 Total	2022 Due within one year	2022 Over one year	2021 Total	2021 Due within one year	2021 Over one year
Call deposits	71,844	71,844	-	66,582	66,582	-
Client term deposits	40,701	39,844	857	40,133	36,233	3,900
TOTAL	**112,545**	**111,688**	**857**	**106,715**	**102,815**	**3,900**

The Parent does not have banking customer deposits.

Notes to the financial statements (continued)

Note 22 Borrowings

In thousands of New Zealand Dollars

	Group		Parent	
	30 June 2022	30 June 2021	**30 June 2022**	30 June 2021
Current portion	**500**	18,063	-	-
Non current portion	**38,903**	18,659	-	-
Total borrowings	**39,403**	36,722	-	-

Ports Authority Borrowings

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 part of the funding of the Avatiu Port Development Project. The Government on provides the funds to 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 Authority received concessionary interest rates for the three loans by ADB and these rates are the same as in the subsidiary loan agreements between Government and the Authority.

ADB L2472
This loan is for a period of 20 years plus a 5 year grace period with repayments commencing on 15 May 2014. This concessionary loan was fully drawn by May 2013. The full draw down was USD$8,419,792. From May 2013, this loan was transferred to NZD with a fixed interest rate of 5.77%.

ADBL2473
The loan is fixed for a period of 24 years plus an 8 year grace period with equal repayments commencing on 15 May 2017. This concessionary loan was fully drawn by February 2014. The full draw down was SDR 4,519,038. The nominal interest rate for Loan 2473 is 1% per annum for the 8 year grace period and 1.5% thereafter.

The Authority is responsible for any changes in the amounts payable arising due to exchange rate fluctuations. Accordingly, all exchange rate risks are carried by the Authority. The borrowings are recorded in NZD at the exchange rate at the date of the drawdown and are restated using the closing rate at balance date. Any changes in exchange rate fluctuations are recorded in the Statement of Comprehensive Revenue and Expenses.

ADB L2739
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. The full draw down was US$4,428,273 by May 2013 and a further NZ$32,425 was drawn on January 2014 after the loan was converted to NZD currency.

Loan 2472 and Loan 2739 were converted to NZD on 15 May 2013 with a fixed interest rate of 5.77% and an average floating interest rate of 2.00% (2021: 2.64%) for the respective loans.

During the year, the Authority received concessionary deferred loan repayments with principal and interest payments deferred since May 2020. Government's concessionary repayment terms ends in June 2023. From this point, principal and interest repayments are expected to resume in accordance with the amended subsidiary loan agreement signed 8 September 2022. Recommencement of loan repayments will begin in November 2023.

Ports Authority Borrowings
In thousands of New Zealand Dollars

	L2472	L2473	L2739	Total
As at 30 June 2021	8,733	5,600	4,902	**19,235**
Movement in foreign exchange		279		**279**
As at 30 June 2022	**8,733**	**5,879**	**4,902**	**19,514**
Current Liability	-	-	-	-
Non-current Liability	**8,733**	**5,879**	**4,902**	**19,514**

Notes to the financial statements (continued)

Note 22 Borrowings (continued)

Avaroa Cable Limited Borrowings

The Government of the Cook Islands has entered into a loan agreement with the Asian Development Bank for USD $15 million for the purpose of Cook Island's share of the Manatua Cable System including construction of the cable and additional spurs to Rarotonga and Aitutaki, construction of landing stations and project management support. In line with the ADB loan agreement, the Cook Islands Government has entered into a subsidiary loan agreement with Avaroa Cable Limited (ACL) to relend these funds to complete the project. The total loan amount drawn down at balance date is USD $12,356,000 (2021: USD$12,356,000)

Interest and commitment charges accrued as at balance date is USD $46,000 (2021: USD$28,000)

The terms of this loan agreement include interest and other charges payable semi-annually on 1 April and 1 October each year. The rates from 1 October 2021 are interest 0.657% plus a PRM of 0.10% and a SFL rate of 0.02%. A commitment charge on the full amount of the loan less amounts withdrawn from time is charged at 0.15% per annum. Principle repayments commenced from 1 April 2023 with biannual payments of 2.5% of the loan balance for a period of 10 years until 1 October 2042.

Avaroa Cable Limited Borrowings

In thousands of New Zealand Dollars

	30 June 2022	30 June 2021
Current portion	**497**	**17,656**
Non current portion	**19,388**	-
Total borrowings	**19,885**	**17,656**

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

Financial assets	**Group**		**Parent**	
In thousands of New Zealand Dollars	**30 June 2022**	30 June 2021	**30 June 2022**	30 June 2021
Cash and cash equivalents	**23,199**	28,004	**291**	1,234
Term deposits	**60,482**	45,668	**791**	768
Trade and other receivables	**6,684**	4,614	**695**	742
Banking portfolio investments	**82,513**	85,434	**-**	-
Taxation receivable	**1,066**	1,092	**672**	672
Related party receivables	**1,713**	3,136	**275**	506
	175,657	167,948	**2,724**	3,922

All financial assets held by the group are classified and measure at amortised cost. 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.

Financial liabilities	**Group**		**Parent**	
In thousands of New Zealand Dollars	**30 June 2022**	30 June 2021	**30 June 2022**	30 June 2021
Trade and other payables	**8,455**	7,729	**550**	663
Employee entitlements	**797**	864	**130**	137
Banking customer deposits	**112,525**	106,715	**-**	-
Income tax payable	**277**	517	**-**	-
Related party payables	**766**	752	**1,510**	1,515
Bank loan	**39,403**	36,722	**-**	-
	162,223	153,299	**2,190**	2,315

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.

Notes to the financial statements (continued)

Note 23 Financial Instruments - financial risk management (continued)

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 2022 and 2021 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	
In thousands of New Zealand Dollars	**30 June 2022**	30 June 2021	**30 June 2022**	30 June 2021
Cash and cash equivalents	**21,905**	26,517	**291**	1,234
Term deposits	**60,482**	45,668	**791**	768
Trade and other receivables	**6,684**	4,614	**695**	742
Banking portfolio investments	**82,513**	85,434	**-**	-
Taxation receivable	**1,066**	1,092	**672**	672
Related party receivables	**1,713**	3,136	**275**	506
Maximum exposure to credit risk	**174,363**	166,461	**2,724**	3,922

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 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)

Credit risk (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. However, problem loans are reviewed on a shorter timeframe, either 3 months or 6 months, in addition to annual reviews. 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 Unit and reported monthly to the board of Directors. The exposure is monitored on an on-going basis and in 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 below:

	Business	Mortgage	Personal	Total	Total
In thousands of New Zealand Dollars		**2022**			2021
Maximum exposure to credit risk					
Gross carrying amount	34,110	48,178	8,300	**90,588**	92,927
Loans with renegotiated terms					
Gross carrying amount	29,157	24,148	1,510	**54,815**	52,642
	29,157	24,148	1,510	**54,815**	52,642
Neither past due nor impaired					
Gross carrying amount	26,918	43,890	7,921	**78,729**	79,799
Less restaged loans not in arrears*	(21,988)	(20,125)	(1,263)	**(43,376)**	(37,089)
	4,930	23,765	6,658	**35,353**	42,709
Past due but not impaired (days in arrears)					
0 - 30	467	1,900	158	**2,525**	40,655
31 - 60	-	-	-	**-**	-
61-90	-		49	**49**	-
90+ days		236		**236**	
	467	2,136	207	**2,810**	40,655
Individually impaired					
Balance as at 1 July	7,179	2,269	112	**9,560**	5,902
Additions	1,816	587	168	**2,571**	3,976
Loan repayments	(1,281)	(10)	(27)	**(1,318)**	
Amounts written off	(27)		(5)	**(32)**	(1,248)
Transferred out	(648)	(696)	(76)	**(1,420)**	931
Balance as at 30 June	7,039	2,150	172	**9,361**	9,561

* Restaged loans not in arrears represents loans that are currently not in arrears but have been restaged from "Pass" to "Special Mention" for the purpose of calculating the collective provision. These loans, although performing, took up 1 or more COVID-19 Relief packages provided by the Bank during the period 1 October 2020 and 31 March 2022 (Phase 3 to 7) and therefore the Bank considered these loans to carry a higher level of inherent credit risk (Refer accounting policy 3 Critical estimates and judgements) for additional information). The collective provision associated with the restaged loans is $648k (2021: $894k).

Notes to the financial statements (continued)

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

Impaired loans

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

- There is objective evidence that the credit risk has increased significantly impacting the 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 IPSAS 41 as described in Note 3(q).

A management overlay at year end 30 June 2022 was made to reflect the economic uncertainty that management considered was not reflected in the forecast macro data. The overlay increased the collective provision by $150,000 (2021: nil.).

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 restructured terms and the Group's forbearance policy

Restructured 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 restructures loans to customers in financial difficulties (referred to as 'forbearance activities') to maximise collection opportunities and minimise the risk of default. Under the Group'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.

For the purposes of disclosures in these financial statements, 'loans with restructured 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 Group had provided initially and that it would not otherwise consider. A loan continues to be presented as part of loans with restructured terms until maturity, earlier repayment or until it is written off.
Irrespective of whether loans with restructured terms have been derecognised or not, they remain disclosed as impaired until there is sufficient evidence to demonstrate a significant reduction in the risk of non-payment of future cash flows and there are not other indicators of impairment.

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 leases, personal and company guarantees and Instruments by way of Security.

Notes to the financial statements (continued)

Note 23 Financial Instruments - financial risk management (continued)

Credit risk (continued)

(ii) Impairment Allowance

	30 June 2022					30 June 2021				
	Collective Provision Stage1	Collective Provision Stage 2	Collective Provision Stage 3	Specific Individual Provision Stage 3	Total	Collective Provision Stage1	Collective Provision Stage 2	Collective Provision Stage 3	Specific Individual Provision Stage 3	Total
Business										
Balance at beginning of Period - 1 July	79	508	144	3,909	4,639	135	743	1,206	2,506	4,569
Changes to opening balance due to transfer between stages:	-	-	-		-	-	-	-	-	-
Collective Provision - New	1		152		154	39	8	1	1,549	1,598
Collective Provision - Stage 1		-		-	-	(95)	-	-	-	(95)
Collective Provision - Stage 2			-		-	-	(243)	-	-	(243)
Collective Provision - Stage3	-				-	-	-	(1,063)	-	(1,063)
Specific Individual Provision - Stage3	(71)	(111)	117	588	524	-	-	-	1,072	1,072
Charge to statement of comprehensive income in current year					-	-	-	-	-	-
Bad Debts writen-off	-	-	-	(27)	(27)	-	-	-	(1,219)	(1,219)
Balance as at 30 June	9	397	414	4,470	5,289	79	508	144	3,909	4,639
	Collective Provision Stage1	Collective Provision Stage 2	Collective Provision Stage 3	Specific Individual Provision Stage 3	Total	Collective Provision Stage1	Collective Provision Stage 2	Collective Provision Stage 3	Specific Individual Provision Stage 3	Total
Mortgage										
Balance at beginning of Period - 1 July	114	339	584	678	1,715	183	340	283	655	1,361
Changes to opening balance due to transfer between stages:										
Collective Provision - New	5				5	17	30	12	586	646
Collective Provision - Stage 1				-	-	(86)	-	-	-	(86)
Collective Provision - Stage 2				-	-	-	(32)	-	-	(32)
Collective Provision - Stage3			-	-	-	-	-	289	-	289
Specific Individual Provision - Stage3	(88)	(42)	219	(11)	79	-	-	-	(463)	(463)
Charge to statement of comprehensive income in current year	-	-	-	-	-	-	-	-	-	-
Bad Debts writen-off					-	-	-	-	-	-
Balance as at 30 June	31	297	803	667	1,799	114	339	584	678	1,715
	Collective Provision Stage1	Collective Provision Stage 2	Collective Provision Stage 3	Specific Individual Provision Stage 3	Total	Collective Provision Stage1	Collective Provision Stage 2	Collective Provision Stage 3	Specific Individual Provision Stage 3	Total
Personal										
Balance at beginning of Period - 1 July	196	52	73	35	357	70	40	93	396	599
Changes to opening balance due to transfer between stages:										
Collective Provision - New	4		3		7	58	2	2	20	82
Collective Provision - Stage 1	7	-	-	(7)		69	-	-	-	69
Collective Provision - Stage 2	-		-	-		-	10	-	-	10
Collective Provision - Stage3					-	-	-	(22)	-	(22)
Specific Individual Provision - Stage3	(191)	(41)	45	84	(103)	-	-	-	(353)	(353)
Charge to statement of comprehensive income in current year			-		-	-	-	-	-	-
Bad Debts writen-off	-	-	-	(5)	(5)	-	-	-	(28)	(28)
Balance as at 30 June	16	11	122	106	255	196	52	73	35	357
	Collective Provision Stage1	Collective Provision Stage 2	Collective Provision Stage 3	Specific Individual Provision Stage 3	Total	Collective Provision Stage1	Collective Provision Stage 2	Collective Provision Stage 3	Specific Individual Provision Stage 3	Total
Total										
Balance at beginning of Period - 1 July	389	898	801	4,621	6,709	388	1,123	1,582	3,457	6,549
Changes to opening balance due to transfer between stages:										
Collective Provision - New	10	-	155	-	165	114	40	16	2,155	2,325
Collective Provision - Stage 1	7	-	-	(7)	-	(113)	-	-	-	(113)
Collective Provision - Stage 2	-	-	-		-	-	(264)	-	-	(264)
Collective Provision - Stage3	-	-	-	-	-	-	-	(796)	-	(796)
Specific Individual Provision - Stage3	(349)	(194)	383	661	501	-	-	-	257	257
Charge to statement of comprehensive income in current year	-	-	-	-	-	-	-	-	-	-
Bad Debts writen-off	-	-	-	(33)	(33)	-	-	-	(1,248)	(1,248)
Balance as at 30 June	57	703	1,338	5,242	7,343	389	898	801	4,621	6,710

Notes to the financial statements (continued)

Note 23 Financial Instruments - financial risk management (continued)

Credit risk (continued)

(iii) 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.

	Group		Parent	
In thousands of New Zealand Dollars	**30 June 2022**	30 June 2021	**30 June 2022**	30 June 2021
Concentration by Location				
New Zealand financial institutions	**40,370**	26,937	**-**	-
New Zealand other institutions	**1,736**	1,680	**-**	-
Australia financial institutions	**3**	66	**-**	-
Rarotonga financial institutions	**40,271**	44,105	**1,082**	2,019
Rarotonga - lending	**69,575**	72,599	**-**	-
Outer islands - lending	**13,253**	12,835	**-**	-
Rarotonga - Related parties	**1,713**	3,136	**275**	506
Other	**7,134**	5,105	**1,422**	1,397
	174,055	166,461	**2,780**	3,922

Concentration by Counterparty

	Credit rating	Group 30 June 2022	Group 30 June 2021	Parent 30 June 2022	Parent 30 June 2021
Australia New Zealand Bank	AA-	**42,860**	16,263	**53**	25
Bank of South Pacific	B+	**17,180**	40,975	**158**	1,161
Kiwi Bank	AA-	**13,597**	13,814	**-**	-
Bank of New Zealand	AA-	**6,999**	-	**-**	-
Westpac Banking Corporation	AA-	**5**	22	**-**	-
Banzpay	BB-	**1,736**	1,680	**-**	-
National Australia Bank Group	AA-	**3**	33	**-**	-
Bank of the Cook Islands	N/A	**-**	-	**871**	833
Loans to customers	N/A	**82,828**	85,434	**-**	-
Related parties	N/A	**1,713**	3,136	**275**	506
Other	N/A	**7,134**	5,105	**1,422**	1,397
Total		**174,055**	166,461	**2,780**	3,922

Concentration by Sector

	Group 30 June 2022	Group 30 June 2021	Parent 30 June 2022	Parent 30 June 2021
Banks	**80,642**	71,107	**1,082**	2,019
Other institutions	**1,736**	1,680	**-**	-
Housing	**43,023**	44,520	**-**	-
Personal	**7,166**	7,490	**-**	-
Business	**32,641**	33,424	**-**	-
Related parties	**1,713**	3,136	**275**	506
Other	**7,134**	5,105	**1,422**	1,397
Total	**174,055**	166,461	**2,780**	3,922

Notes to the financial statements (continued)

Note 23 Financial Instruments - financial risk management (continued)

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, 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.

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 notes throughout these financial statements.

In addtion, the Government of the Cook Island has provided a letter of support to both the Bank and the Group confirming it will provide financial assistance to the Bank and Group where necessary to continue its operations as a going concern and will continue to do so for at least 12 months from the date audit clearance is provided for the 30 June 2022 financial statements.

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 2021.

Group	**GROUP**		**PARENT**	
In thousands of New Zealand Dollars	**30 June 2022**	**30 June** 2021	**30 June 2022**	**30 June** 2021
Interest bearing Financial assets	**164,900**	157,619	**1,082**	2,002
Interest bearing Financial liabilities	**151,928**	143,437	**-**	-
Net exposure	**12,972**	14,182	**1,082**	2,002
100bp increase effect on profit	**(130)**	(142)	**(11)**	(20)
100bp decrease effect on profit	**130**	142	**11**	20

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	0 to 12 months	1 - 5 years	> 5 years	Non sensitive
Balance as at 30 June 2022						
Financial Assets						
Cash on hand	**N/A**	1,294	-	-	-	1,294
Cash at bank	**0.40%**	21,905	21,905	-	-	-
Term deposits	**1.58%**	60,482	59,544	938	-	-
Trade and sundry receivables	**N/A**	6,684	-	-	-	6,684
Related party receivables	**N/A**	1,713	-	-	-	1,713
Taxation receivable	**N/A**	1,066	-	-	-	1,066
Banking portfolio investments	**8.01%**	82,513	82,513	-	-	-
Total Financial Assets		**175,657**	**163,962**	**938**	**-**	**10,756**
Financial Liabilities						
Trade and other payables	**N/A**	8,455	-	-	-	8,455
Employee entitlements	**N/A**	797	-	-	-	797
Banking customer deposits	**1.48%**	112,525	111,668	857	-	-
Income tax payable	**N/A**	277	-	-	-	277
Related party payables	**N/A**	766	-	-	-	766
Bank loan	**5.88%**	39,403	500	-	38,903	-
Dividends payable	**N/A**	-	-	-	-	-
Total Financial Liabilities		**162,223**	**112,168**	**857**	**38,903**	**10,295**
Interest Rate Gap		**13,434**	**51,794**	**81**	**(38,903)**	**461**

Notes to the financial statements (continued)

Note 23 Financial Instruments - financial risk management (continued)

Interest Rate Repricing Schedule (continued)

Group

In thousands of New Zealand Dollars

	Weighted average interest rate	Carrying Amount	0 to 12 months	1 - 5 years	> 5 years	Non sensitive
Balance as at 30 June 2021						
Financial Assets						
Cash on hand	N/A	1,487	-	-	-	1,487
Cash at bank	0.95%	26,517	26,517	-	-	-
Term Deposits	1.65%	45,668	37,185	8,483	-	-
Trade and other sundry receivab	N/A	4,614	-	-	-	4,614
Related party receivables	N/A	3,136	-	-	-	3,136
Taxation receivable	N/A	1,092	-	-	-	1,092
Banking portfolio investments	8.40%	85,434	85,434	-	-	-
Total Financial Assets		167,948	149,136	8,483	-	10,329
Financial Liabilities						
Trade and other payables	N/A	7,729	-	-	-	7,729
Employee entitlements	N/A	864	-	-	-	864
Banking customer deposits	3.43%	106,715	102,815	3,900	-	-
Income tax payable	N/A	517	-	-	-	517
Related party payables	N/A	752	-	-	-	752
Bank loan	3.58%	36,722	18,063	-	18,659	-
Dividends payable	N/A	-	-	-	-	-
Total Financial Liabilities		153,299	120,878	3,900	18,659	9,862
Interest Rate Gap		14,649	28,258	4,583	(18,659)	467

Parent

In thousands of New Zealand Dollars

	Weighted average interest rate	Carrying Amount	0 to 12 months	1 - 5 years	> 5 years	Non sensitive
Balance as at 30 June 2022						
Financial Assets						
Cash and cash equivalents	0.40%	291	291	-	-	-
Term deposits	1.58%	791	791	-	-	-
Trade and sundry receivables	N/A	695	-	-	-	695
Taxation receivable	N/A	672	-	-	-	672
Related party receivables	N/A	275	-	-	-	275
Total Financial Assets		**2,724**	**1,082**	-	-	**1,642**
Financial Liabilities						
Trade and other payables	N/A	550	-	-	-	550
Employee entitlements	N/A	130	-	-	-	130
Related party payables	N/A	1,510	-	-	-	1,510
Dividends payable	N/A	-	-	-	-	-
Total Financial Liabilities		**2,190**	-	-	-	**2,190**
Interest Rate Gap		**534**	**1,082**	-	-	**(548)**

Notes to the financial statements (continued)

Note 23 Financial Instruments - financial risk management (continued)

Interest Rate Repricing Schedule (continued)

Parent

In thousands of New Zealand Dollars

	Weighted average interest rate	Carrying Amount	0 to 12 months	1 - 5 years	> 5 years	Non sensitive
Balance as at 30 June 2021						
Financial Assets						
Cash and cash equivalents	**1.25%**	1,234	1,234	-	-	-
Term Deposits	**3.24%**	768	768	-	-	-
Trade and other sundry receivab	**N/A**	742	-	-	-	742
Taxation receivable	**N/A**	672	-	-	-	672
Dividends receivable	**N/A**	-	-	-	-	-
Related party receivables	**N/A**	506	-	-	-	506
Total Financial Assets		3,922	2,002	-	-	1,920
Financial Liabilities						
Trade and other payables	**N/A**	663	-	-	-	663
Employee entitlements	**N/A**	137	-	-	-	137
Related party payables	**N/A**	1,515	-	-	-	1,515
Dividends payable	**N/A**	-	-	-	-	-
Total Financial Liabilities		2,315	-	-	-	2,315
Interest Rate Gap		1,607	2,002	-	-	(395)

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. Within the Group, Bank of the Cook Islands Limited must meet capital adequacy requirements required by Cook Islands Banking regulations.

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

At balance date the bank had the following:

	30 June 2022	30 June 2021
% of Risk Weighted Assets		
Tier One Capital	**20.18%**	18.99%
Total Capital	**21.43%**	18.99%

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 the following material capital commitments:

Avaroa Cable Limited

Avaroa Cable Limited has the following capital commitments at balance date:

- Subcom, per the Supply Contract for the the design, manufacture, installation, integration, testing and commissioning of the Manutua Cable System. At 30 June 2022, Avaroa Cable Limited's remaining share of the commitment to Subcom under this contract is USD $270,730 (2021: USD $270,730)
- Avaroa Cable Limited entered into a contract with Land Holdings Limited for the construction of cable landings stations in Rarotonga and Aitutaki. At 30 June 2022, Avaroa Cable Limited's remaining share of the commitment to Land Holdings under this contract is NZD $22,435 (2021: 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 2022	**30 June 2021**	**30 June 2022**	**30 June 2021**
Land and Buildings				
Due within one year	209	524	-	-
Due within two to five years	1,171	1,647	-	-
Later than five years	3,225	3,108	-	-
Total operating lease expense commitments	**4,605**	5,279	-	-

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 1 April 1967.

The Bank also leases the Aitutaki branch premises, the lease runs for 15 years from 1 January 2019.

Airport Authority

The Authority leases land that is utilised for Airport operations, accommodating office premises and other tenanted buldings.

Te Aponga Uira

The Authority leases land that is utilised for electricty services, accommodating office premises, solar farms and various sites for transformer shelters.

Cook Islands Government Property Corporation

The Corporation holds long term land leases. Most of these leases are for 20 - 60 year terms and are perpetually renewable.

To Tatou Vai

The Authority holds leases its office premises including Airport House 3 and 4 for two years from 1 July 2021.

Notes to the financial statements (continued)

Note 24 Commitments and contingencies (continued)

Operating lease rentals (continued)

The Group as lessor
Future minimum lease income under non-cancellable operating leases:

In thousands of New Zealand Dollars	Group		Parent	
	30 June 2022	**30 June 2021**	**30 June 2022**	**30 June 2021**
Buildings				
Due within one year	57	50	-	-
Due within one to two years	16	2	-	-
Due within two to five years	3	-	-	-
Total	**76**	**52**	**-**	**-**

The Group lets properties under operating leases. Property rental income earned on operating leases during the year was $612,000 (2021: $575,000).

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 2022 these undrawn loans total $1,187,000 (2021: $2,026,000).

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.

Grant Funding
The New Zealand Ministry of Foreign Affairs and Trade (NZ MFAT) has provided funding to the Government of the Cook Islands (CIG) under the Grant Funding Agreement (GFA) dated 6 April 2018 to implement the Pacific Connectivity Project – the construction of the Manatua Submarine Cable. Grant funding of $10.1 million was provided for under the GFA dated 6 April 2018. The funding activity is in relation to the Cook Islands participation in the Manatua Cable consortium, and the Cook Islands contribution to the consortium for Cook Islands contribution towards the Manatua Cable as a consortium member. A variation to the GFA was entered into between both parties on 23 November 2018, increasing the grant funding from $10.1 million to $15.0 million. The grant funding is disbursed from NZ MFAT to the Ministry of Finance and Economic Management (MFEM) Development Coordination Division (DCD) and this is then either disbursed to the respective agency incurring the requisite costs or directly to suppliers.

At balance date, the funds received from NZ MFAT and its disbursements is disclosed in the following table.

	30/06/2018	**30/06/2019**	**30/06/2020**	**30/06/2021**	**30/06/2022**	**Total**
Opening balance	-	2,710	8,907	4,054	2,046	-
Funds received by DCD from NZ MFAT under the GFA	2,800	10,200	2,000	-	-	15,000
Funds disbursed from DCD to ACL for Manatua project operating and capital costs	-	(3,928)	(6,830)	(2,021)	(726)	(13,505)
Funds disbursed from DCD to other CIG agencies for costs incurred	(90)	(75)	(23)	13	(96)	(271)
Foreign exchange gain/(loss) in USD held by DCD					33	33
Balance of funds received by DCD from NZ MFAT under the GFA	2,710	8,907	4,054	2,046	1,257	1,257

There were no further contingent assets or 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 2022							
Trading Revenue	10,397	3,958	615	20,507	4,536	2,953	**42,966**
Crown Appropriation	-	-	10,252	-	2,048	120	**12,420**
Other Revenue	144	459	695	369	1,220	5	**2,892**
Expenses	(10,544)	(4,729)	(15,158)	(20,992)	(9,401)	(2,972)	**(63,796)**
Other Gains / (Losses)	8	(2,674)	(1)	127	2	(280)	**(2,818)**
Surplus / (Deficit) before tax	**5**	**(2,986)**	**(3,597)**	**11**	**(1,595)**	**(174)**	**(8,336)**
Total Assets	138,304	44,987	74,596	66,323	72,039	32,066	**428,315**
Total Liabilities	114,612	22,127	9,172	3,308	590	19,874	**169,683**
Capital Expenditure	160	2,401	770	1,018	3,461	576	**8,387**
Balance as at 30 June 2021							
Trading Revenue	11,015	-	3,387	18,522	979	2,411	**36,314**
Crown Appropriation	-	150	11,431	500	3,048	127	**15,255**
Other Revenue	383	1,587	2,011	699	177	57	**4,914**
Expenses		(3,116)	(14,131)	(24,238)	(8,954)	(2,832)	**(65,781)**
Other Gains / (Losses)	-	2,011	-	57	-	194	**2,263**
Surplus / (Deficit) before tax	**(1,112)**	**633**	**2,697**	**(4,460)**	**(4,750)**	**(43)**	**(7,035)**
Total Assets	136,040	32,914	85,786	62,941	70,230	31,745	**419,657**
Total Liabilities	109,273	20,068	6,750	3,270	1,041	18,103	**158,505**
Capital Expenditure	1,308	15,140	671	310	2,773	1,051	**21,253**

Note 26 Going Concern

These financial statements have been prepared on the going concern basis. The Corporation is ultimately dependent on the support of the Government by Crown Appropriation. 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 will be insufficient to meet the requirements of the Corporation for the foreseeable future. The Cook Islands Government has provided a letter of support stating that it will maintain ownership and control of the group for the foreseeable future and will provide financial assisstance where necessary for the group to continue its operations.

Notes to the financial statements (continued)

Note 27 Subsequent Events

The Group continues to take various measures to mitigate the impact of Coronavirus/Covid-19 on its operations including employees and customers. The key impacts on Group entities are described in Note 3 and throughout the notes to the financial statements where applicable.

Subsequent to year end:

Te Aponga Uira:

- Te Aponga Uira announced in September 2022, a temporary fuel surcharge to be included in the tariffs from October 2022 to June 2023 (with regular internal reviews). The amount of the surcharge is $0.15 per unit used as is added to all tariff types. Fees and other charges remain unchanged.

Airport Authority :

Subsequent to year end, there is an ongoing review with experts and legal representatives for the defects identified within phase-1 of the Runway Slab project.

Three defective slabs have been identified as requiring replacement. These slabs continue to be used to-date as part of the Authority's normal operations. Estimated costs to replace impaired runway slabs is $180,000. These are expected to be replaced in the coming year and the cost of replacement will be recognised when works are completed. The impairment at year end is considered immaterial to these financial statements

Cook Islands Telecommunication Holdings Limited (CITH)

Subsequent to year end, the board of directors for Telecom Cook Islands Ltd declared a $1.5 million interim dividend for the first quarter of the 2023 financial year. This was paid on the 29th July 2022.

Bank of Cook Islands

In addition, negotiations continue with landowners for the extension of the BCI premises lease that expires in 2027. The formal terms and conditions including consideration are yet to be agreed.

There have been no other subsequent events.