

Cook Islands Investment Corporation

Financial Statements under IPSAS

For the year ended 30 June 2023

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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
Rohan Ellis		appointed 23 October 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
Nancy Miriam Matapuku	
Shona Victoria Mary Lynch	
Ngapare Tatira	
Edward Terei Herman	

Ports Authority

Vaine Arioka	Chairperson	appointed 1 April 2024
Samuel (Sam) Crocombe		
William Vivish Kauvai		
Clive Baxter		
Timaau Mokoroa		non re-appointment 26 October 2022
William (Bill) Kelley John N Ingram		
Geoffrey Edward Vazey		
Maeva Henry		
Sean Teokotai Tuteria Rei Smith		

Te Aponga Uira o Tumu-te-Varovaro

Donald (Don) Maarametua Buchanan	Chairperson	appointed 1 April 2024
Mata Nooroa		
Jessie Katherine Sword		
Stuart Bryce Henry		
Randolf Kenneth George		
Duane Takaiti Kingwell Malcolm		

Cook Islands Broadcasting Corporation

Tangata Fletcher Melvin
Allan Jensen

Suwarrow Development Corporation Limited

Michael John Henry
Allan Jensen

Cook Islands Government Property Corporation

The Honourable Mark Brown Chairperson
The Honourable Albert Nicholas
The Honourable Vainetutai Rose Toki-Brown
The Honourable Vaine Makiroa Mokoroa
The Honourable George Maggie Angene
The Honourable Tingika Elikana

(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 Maraëura Wood		
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 Telecommunication Holdings Limited

Michael John Henry	resigned 30 May 2023
Tamarii Tutangata	resigned 31 January 2024
Elanor Roi	appointed 17 February 2024
Tangata Fletcher Melvin	appointed 01 June 2023

To Tatou Vai Limited

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

Te Mana Uira o Araura Limited

John Baxter	Chairperson
Janet Grace Maki	
Paul Henry	
Stephen Doherty	
Alice Hoff	

Avaroa Cables Limited

Robert Graham Arii Matheson	Chairperson
Tatiana Burn	
Richard Williams	
Miimetua Aereariki Danielle Nimerota	
Teu Teulilo	retired
Martha Henry	
Gabe Raymond	appointed 01 December 2022

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 2023.

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	
	30 June 2023	30 June 2022	30 June 2023	30 June 2022
In thousands of New Zealand Dollars				
Surplus/(Deficit) after tax	(7,001)	(7,744)	(129)	(730)
Total assets	437,314	428,315	10,794	10,066
Owners' equity	256,827	258,632	881	1,250

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 \$73,795,000 and equity of \$72,526,000 at 30 June 2023. It made a tax paid loss of \$577,000 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 \$144,039,000 and equity of \$18,390,000 at 30 June 2023. It made a profit after tax of \$680,000 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 \$73,844,000 and equity of \$72,886,000 at 30 June 2023. It made a loss of \$1,885,000 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 \$34,231,000 and equity of \$13,196,000 at 30 June 2023. It made a loss of \$405,199 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 2023. 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 \$60,753,000 and equity of \$57,529,000 at 30 June 2023. It made an after tax loss of \$813,000 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 \$2,888,000 and equity of \$2,321,000 at 30 June 2023. It made a tax paid loss of \$412,000 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 \$695,000 and equity of (\$220,000) at 30 June 2023. It made a loss after tax of \$70,000 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 \$12,422,000 and equity of \$12,385,000 at 30 June 2023. It made a tax paid surplus of \$379,000 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 \$218,000 and equity of \$172,000 at 30 June 2023. It made a tax paid deficit \$4,000 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 \$5,747,000 and equity of \$5,168,000 at 30 June 2023. It made a tax paid loss of \$827,000 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 \$36,195,000 and equity of (\$1,563,000) at 30 June 2023. It made a tax paid surplus of \$283,000 for this year.

Accounting Policies

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

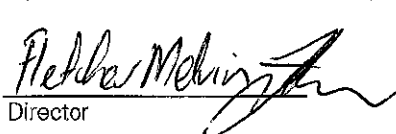
Remuneration of CIIC Directors

Mr Fletcher Melvin received fees of \$17,500 as Chairman of the Board during the year. Mrs Sharyn Paio received \$7,292 as Deputy Chair of the Board. Ms Eleanor Rol received \$17,500, Mr Patrick Arioka received \$7,292 and Mr Arama Wichman received \$5,104 respectively for their roles as Directors of the Cook Islands Investment Corporation. Directors fees were paid to the following directors who had resigned during the year: Michael Henry (\$29,000), Malcolm Sword (\$17,417), and Caren Rangi (\$29,250).

Appointment of Auditors

In compliance with Section 17 of the Cook Islands Investment Corporation Act 1998, KPMG were reappointed as auditor for the 2023 financial year.

For and on behalf of the Members of the Corporation


Director

31/05/2024
Date

 (S. Paio)
Director

31/05/2024
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 12 to 70 present fairly, in all material respects:

the Corporation and Group's financial position as 30 June 2023 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 2023;
- 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 \$0.14m and \$211m respectively on the Corporation and Group statements of financial position as at 30 June 2023. We were unable to obtain sufficient appropriate audit evidence about the carrying amount of the property, plant and equipment as at 30 June 2022 due to a loss of historical accounting records. Our audit opinion on the Corporation and Group financial statements for year ended 30 June 2022 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.

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.

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



Rarotonga

31st May 2024

Statement of Comprehensive Revenue and Expenses

For the year ended 30 June 2023

		Group		Parent	
<i>In thousands of New Zealand Dollars</i>	<i>Note</i>	2023	2022	2023	2022
Revenue from exchange transactions					
Airport landing fees		5,578	3,521	-	-
Electricity services		24,852	20,267	-	-
Fees on banking portfolio assets	3(c)	305	1,651	-	-
Interest on banking portfolio assets	3(c)	7,957	8,307	-	-
Port services		3,470	2,716	-	-
Communications Income		5,010	3,956	-	-
Rental income	3(c)	3,150	1,924	754	608
Interest income	3(c)	2,162	624	13	34
Total revenue from exchange transactions		52,484	42,966	767	642
Other revenue					
Aid funding	3(c)	1,603	986	553	170
Crown appropriations	3(c)	12,207	13,447	6,746	7,692
Dividends received	3(t)	-	-	600	-
Sundry income	5	1,164	879	308	49
Total other revenue		14,974	15,312	8,207	7,911
Total Revenue		67,458	58,278	8,974	8,553

The notes on pages 20 to 70 are an integral part of these financial statements

Statement of Comprehensive Revenue and Expenses

For the year ended 30 June 2023

<i>In thousands of New Zealand Dollars</i>	<i>Note</i>	Group		Parent	
		2023	2022	2023	2022
Expenditure					
Personnel costs		16,180	14,950	1,654	1,453
Depreciation and amortisation	14,15,16	12,686	11,668	59	61
Directors fees and expenses		938	900	184	179
Increase / (decrease) in provision for doubtful debts		924	21	-	-
Finance costs		4,956	2,444	-	-
Legal and professional fees		995	1,764	164	-
Rental and operating lease costs		903	812	408	455
Office communication		671	600	22	32
Repairs and maintenance		8,633	9,976	4,502	5,857
Insurance		1,899	1,882	230	204
Fuel		16,329	9,401	-	-
Covid-19 discounts		-	292	-	-
Other expenses	6	8,763	9,086	1,893	1,224
Total expenditure		73,877	63,796	9,116	9,465
Other gains/(losses)					
Gain / (loss) on disposal of assets		-	10	-	-
Unrealised foreign exchange gain / (loss)		(630)	(2,590)	-	-
Realised foreign exchange gain / (loss)		(12)	127	-	-
Share of profit/ (loss) of equity accounted investees	20(a)	504	(365)	-	-
Impairment loss		-	-	-	-
Total other gains/(losses)		(138)	(2,818)	0	-
Surplus / (deficit) before income tax		(6,557)	(8,336)	(142)	(912)
Income tax expense	18	(444)	592	13	182
Surplus / (deficit) for the year		(7,001)	(7,744)	(129)	(730)
Other comprehensive revenue and expenses for the		-	-	-	-
Total comprehensive revenue and expenses for the year		(7,001)	(7,744)	(129)	(730)

The notes on pages 20 to 70 are an integral part of these financial statements



Statement of Financial Position As at 30 June 2023

<i>In thousands of New Zealand Dollars</i>		Group		Parent	
	Note	2023	2022	2023	2022
Assets					
Current assets					
Cash and cash equivalents	8	20,705	23,199	999	291
Term deposits	9	73,635	59,544	808	791
Trade receivables	10	4,305	3,227	313	2
Dividends receivable	11	-	-	-	-
Inventories	13	8,813	8,633	1	1
Work in progress receivable	11(g)	6,083	6,444	6,083	6,444
Prepayments		1,377	1,414	47	54
Sundry and other receivables		2,872	3,457	770	693
Related party receivables	11	219	1,167	187	275
Banking portfolio investments	12	13,839	13,892	-	-
Future Income Tax Benefit	18	540	1,037	195	182
Taxation receivable	18	975	1,066	716	672
Total current assets		133,363	123,080	10,119	9,405
Non current assets					
Property, plant and equipment	14	211,970	213,808	141	125
Investment properties	16	5,521	5,578	-	-
Banking portfolio investments	12	67,019	68,621	-	-
Deferred tax assets	18	2,201	1,907	7	9
Intangible assets	15	4,695	1,742	-	-
Investment in associate	20(a)	11,871	11,967	-	-
Investment in subsidiaries	20(b)	-	-	527	527
Investment in shares	19	128	128	-	-
Related party receivables	11	546	546	-	-
Term deposits	9	-	938	-	-
Total non-current assets		303,951	305,235	675	661
Total assets		437,314	428,315	10,794	10,066

The notes on pages 20 to 70 are an integral part of these financial statements

Statement of Financial Position As at 30 June 2023

		Group		Parent	
	Note	2023	2022	2023	2022
<i>In thousands of New Zealand Dollars</i>					
Equity					
Capital contribution and retained earnings		256,827	258,632	881	1,250
Total Equity		256,827	258,632	881	1,250
Liabilities					
Current liabilities					
Trade and other payables	17	7,689	7,285	992	502
Banking customer deposits	21	116,289	111,668	-	-
Dividend Payable		240	-	240	-
Customer bonds		1,297	1,170	52	48
Borrowings	22	2,256	500	-	-
Deferred revenue liability		77	133	777	129
Employee entitlements	7	855	792	221	130
Income in advance		933	615	-	14
Related party payables	11	746	766	1,510	1,510
Capital project liability	11(g)	6,083	6,444	6,083	6,445
Income tax payable	18	270	277	-	-
Total current liabilities		136,735	129,650	9,875	8,778
Non current liabilities					
Banking customer deposits	21	1,056	857	-	-
Deferred taxation liability	18	218	230	-	-
Deferred revenue liability		38	38	38	38
Employee entitlements	7	2	5	-	-
Borrowings	22	42,438	38,903	-	-
Total non current liabilities		43,752	40,033	38	38
Total liabilities		180,487	169,683	9,913	8,816
Total equity and liabilities		437,314	428,315	10,794	10,066

The notes on pages 20 to 70 are an integral part of these financial statements

Statement of Changes in Equity For the year ended 30 June 2023

Group

**Capital
contributions &
retained earnings** **Total equity**

In thousands of New Zealand Dollars

Balance at 1 July 2021		261,152	261,152
Changes in net assets/equity for 2022			
Tax benefit on dividends paid	18	-	-
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

Balance at 1 July 2022		258,632	258,632
Changes in net assets/equity for 2023			
Tax benefit on dividends paid		120	120
Surplus/(Deficit) for the year		(7,001)	(7,001)
Total recognised revenue and expenses for the year		(6,881)	(6,881)
Transactions with owners of the Parent:			
Equity injection by owners	11 i)	5,316	5,316
Dividends		(240)	(240)
Total contributions by and distributions to owners of the Parent		5,076	5,076
Balance at 30 June 2023		256,827	256,827

The notes on pages 20 to 70 are an integral part of these financial statements



Statement of Changes in Equity

For the year ended 30 June 2023

Parent

**Capital
contributions &
retained earnings**

Total equity

In thousands of New Zealand Dollars

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	-	-
Dividends	-	-
Total contributions by and distributions to owners of the Parent	-	-
Balance at 30 June 2022	1,250	1,250

Balance at 1 July 2022	1,250	1,250
Changes in net assets/equity for 2023		
Surplus/(Deficit) for the year	(129)	(129)
Total recognised revenue and expenses for the year	(129)	(129)
Transactions with owners of the Parent:		
Equity injection by owners	11.1)	-
Dividends	(240)	(240)
Total contributions by and distributions to owners of the Parent	(240)	(240)
Balance at 30 June 2023	881	881

The notes on pages 20 to 70 are an integral part of these financial statements



Statement of Cashflows

For the year ended 30 June 2023

In thousands of New Zealand Dollars

	Note	Group 2023	2022	Parent 2023	2022
Cash flows from operating activities					
Cash receipts from customers		42,950	32,655	665	669
Crown appropriation		12,207	11,993	6,745	7,278
POBOC		-	1,045	-	334
Dividends received		-	-	600	-
Interest received		9,228	8,970	13	34
Aid funding		1,547	815	501	-
Net increase/(decrease) in client deposits		4,659	5,768	-	-
Net investment in banking portfolio		2,027	2,256	-	-
Cash paid to suppliers and employees		(54,764)	(50,229)	(7,692)	(9,411)
Interest paid		(4,956)	(2,444)	-	-
Income tax paid		(127)	(56)	(120)	-
Net cash from operating activities		12,771	10,773	712	(1,096)
Cash flows from investing activities					
Net acquisition/disposal of property, plant and equipment		(4,168)	(2,799)	(75)	(50)
Net acquisition/sale of intangibles		(4,260)	(178)	-	-
Proceeds from / (acquisition of) term deposits		(12,959)	(14,516)	(17)	(23)
Proceeds from Investees		600	-	-	-
Loans to related parties		948	1,423	88	231
Net cash from investing activities		(19,839)	(16,070)	(4)	158
Cash flows from financing activities					
Repayment of borrowings		4,532	91	-	-
Proceeds from related parties		(20)	14	-	(5)
Equity introduced		-	-	-	-
Dividends paid		-	-	-	-
Net cash from financing activities		4,512	106	-	(5)
Net (decrease)/increase in cash and cash equivalents		(2,556)	(5,191)	708	(943)
Cash and cash equivalents at the beginning of the year		23,199	27,992	291	1,234
Movement in Doubtful Debts Provision		61	299	-	-
Cash and cash equivalents at the end of the year		20,705	23,199	999	291
Made up of:					
Gross Total bank balances and on-call deposits		20,722	23,278	999	291
Expected Credit Loss on Bank Balances		(17)	(78)	-	-
Net Total cash and cash equivalents	8	20,705	23,199	999	291

The notes on pages 20 to 70 are an integral part of these financial statements



Statement of Cashflows

For the year ended 30 June 2023

In thousands of New Zealand Dollars

	Group		Parent	
	2023	2022	2023	2022
Surplus for the year after tax	(7,001)	(7,744)	(129)	(730)
Depreciation & amortisation	12,686	11,668	59	61
Doubtful debts	924	21	-	-
(Gains)/losses on asset disposal	-	(10)	-	-
Unrealised Foreign exchange losses/(gains)	630	2,590	-	-
Plant and Equipment acquired in non-exchange	-	-	-	-
Impairment on plant property and equipment	-	-	-	-
Share of loss from equity accounted investment	(504)	365	-	-
Expected Credit Loss on Cash	(61)	-	-	-
Tax Impact on Dividends	120	-	-	-
Working capital adjustments				
(Increase) / decrease in receivables & prepayments	(988)	(1,858)	(381)	13
Increase / (decrease) in payables & other accruals	751	700	586	(119)
(Increase) / decrease in work in progress	361	(3,026)	361	(3,026)
(Increase) / decrease in bank loan portfolios	1,197	2,256	-	-
(Increase) / decrease in inventories	(180)	(1,635)	-	1
Increase / (decrease) in project liabilities	(361)	2,600	(362)	3,044
Increase / (decrease) in deferred income liability	(56)	(170)	647	(170)
Increase / (decrease) in income in advance	318	(102)	(14)	14
Increase / (decrease) in net tax payable	84	(214)	(44)	0
Increase / (decrease) in future income tax benefit	497	(463)	(13)	(182)
(Increase) / decrease in deferred tax asset	(294)	101	2	-
Increase / (decrease) in deferred tax liability	(12)	(73)	-	-
Increase / (decrease) in customer deposits	4,660	5,768	-	-
Net cash flows from operating activities	12,771	10,773	712	(1,096)

The notes on pages 20 to 70 are an integral part of these financial statements



Notes to the financial statements

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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.

c) Going concern

While the Group has reported a net current liability position of \$3.372 million (2022: \$6.570 million), the Directors consider the use of the going concern assumption in preparing the financial statements as appropriate and that the Group can meet its obligations as required.

COVID-19 Pandemic

Airport Authority

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.

With regards to these financial statements, the Group has considered the likely impact of COVID-19 in areas such as our 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 previous 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 hardship - Domestic customers received a \$50 discount and Commercial and Demand customers received 50%.

With regards to these financial statements, the Group has considered the likely impact of COVID-19 in areas such as our 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 Mana Uira o Araura Limited

The company provided discounting in response to the COVID-19 pandemic but this ceased in the July 2021 billing cycle. With regards to these financial statements, the Group has considered the likely impact of COVID-19 in areas such as our 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.

Notes to the financial statements (continued)

Note 2 Basis of preparation

d) 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.

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.

Notes to the financial statements (continued)

Note 3 Significant accounting policies (continued)

c) Revenue recognition (continued)

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.

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.

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.

Notes to the financial statements (continued)

Note 3 Significant accounting policies (continued)

Government Grants

The nature of the Government Grant is funding from the Green Climate Fund to carry out agreed activities at the Bank in the Group in readiness for climate funding. As at the reporting date the Group has submitted the required reports on which funding was conditional and their review and acceptance is pending. A final report and audit of the financial report is required following the completion of the activities.

CAPEX Income

The Group receives funding from the Crown for specific capital projects. When related costs are expense in nature, the associated funding is recognised as CAPEX Income in the Statement of Comprehensive Revenue and Expenses. When related costs are capital in nature (i.e. resulting in Property, Plant and Equipment additions), these are recognised as Capital Injections in the Statement of Changes in Equity. The fair value of revenue from the Crown has

Donated Assets

Where a physical asset is gifted to or acquired by the Group for nil consideration or at a subsidised cost, the asset is recognised at fair value and the difference between the consideration provided and fair value of the asset is recognised as revenue. The fair value of donated assets is determined as follows:

- For new assets, fair value is usually determined by reference to the retail price of the same or similar assets at the time the asset was received.
- For used assets, fair value is usually determined by reference to market inflation for assets of a similar type, condition, and age.

Rendering of Services

Rendering of services at a price that is not approximately equal to the value of the service provided is considered a non-exchange transaction. This also includes rendering of services where charges have been waived in lieu of special licensed for domestic shipping services and rental of port properties and facilities. Revenue from such subsidised services is recognised when the Group issues the invoice or bills for the service.

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.

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.

Notes to the financial statements (continued)

Note 3 Significant accounting policies (continued)

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.

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 with the exception of buildings. 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.

Notes to the financial statements (continued)

Note 3 Significant accounting policies (continued)

- 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.

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.

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 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 applies 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 institution 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 significant 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 weaknesses 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 of 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 propotion 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 our ECL calculations at the reporting date has changed from 30 June 2022.

At 30 June 2022, the Group considered that loans not individually impaired, that took up COVID-19 relief from Phase 3 to 7, represented a significant increase in credit risk. (SICR) and these loans were restaged from Stage 1 to Stage 2.

However, at reporting date the Group considers these loans have had sufficient time to demonstrate their repayment history such that the Group's normal monitoring and credit grading processes are considered adequate. Therefore no loans have been restaged at reporting date.



Notes to the financial statements (continued)

Note 3 Significant accounting policies (continued)

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

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.

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 instruments are not materially different.

CHANGES TO ACCOUNTING POLICIES

The accounting policies are consistent with those applied in the preparation of the Group's annual financial statements for the year ended 30 June 2022.

Note 4 New standards and interpretations not yet adopted

At the date of authorisation of these financial statements, there are no new standards that have been issued which were not yet effective at balance sheet date and which the Group has not early adopted that have a material impact on the financial statements.

Notes to the financial statements (continued)

Note 5 Sundry Income

	Group		Parent	
	30 June	30 June	30 June	30 June
<i>In thousands of New Zealand Dollars</i>	2023	2022	2023	2022
Sundry revenue	1,164	879	308	49
	1,164	879	308	49

Note 6 Other expenses

Advertising	251	259	16	15
Electricity	625	850	81	23
Fees paid to group auditor - audit services	514	512	127	123
Fees paid to group auditor - non audit services	14	28	-	-
Fees paid to other auditors - audit services	15	15	-	-
Motor vehicle expenses	475	275	29	17
Payment on behalf of Crown	1,525	1,462	781	406
Staff training expenses	465	172	-	11
Travel expenses	168	115	11	23
Other operating expenses	4,711	5,398	848	606
Total Other expenses	8,763	9,086	1,893	1,224

Note 7 Employee entitlements

Current				
Accrued salaries and wages	300	426	90	15
Annual leave	555	367	131	115
Current employee entitlements	855	792	221	130
Non-current				
Long service leave accrual	2	5	-	-
Non-current employee entitlements	2	5	-	-
Total employee entitlements	857	797	221	130



Notes to the financial statements (continued)

Note 8 Cash and cash equivalents

	Group		Parent	
	30 June 2023	30 June 2022	30 June 2023	30 June 2022
<i>In thousands of New Zealand Dollars</i>				
Cash on hand	1,443	1,294	-	-
Cash at bank	19,279	21,983	999	291
Total cash and cash equivalents	20,722	23,277	999	291
Less Allowance for Doubtful Debt	(17)	(78)	-	-
Net cash and cash equivalents	20,705	23,199	999	291

Note 9 Term Deposits

	Group		Parent	
	30 June 2023	30 June 2022	30 June 2023	30 June 2022
<i>In thousands of New Zealand Dollars</i>				
Less than 12 months	73,733	59,706	808	791
Over 12 months	-	938	-	-
Total term deposits	73,733	60,644	808	791
Less Allowance for Doubtful Debt	(98)	(162)	-	0
Net term deposits	73,635	60,482	808	791

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	
	30 June 2023	30 June 2022	30 June 2023	30 June 2022
<i>In thousands of New Zealand Dollars</i>				
Current receivables	6,652	5,079	346	72
Less: impairment allowance	(2,347)	(1,852)	(33)	(70)
Total receivables from exchange transactions	4,305	3,227	313	2

As at 30 June 2023, the ageing analysis of current exchange receivables is as follows:

Group					
		Neither past due or impaired	<30 days	30-60 days	>60 days
<i>In thousands of New Zealand Dollars</i>	Total				
As at 30 June 2022					
Total receivables from exchange transactions	5,079	4,835	32	46	166
Group					
		Neither past due or impaired	<30 days	30-60 days	>60 days
<i>In thousands of New Zealand Dollars</i>	Total				
As at 30 June 2023					
Total receivables from exchange transactions	6,652	3,436	503	488	2,225
Parent					
		Neither past due or impaired	<30 days	30-60 days	>60 days
<i>In thousands of New Zealand Dollars</i>	Total				
As at 30 June 2022					
Total receivables from exchange transactions	72	45	-	-	27
Parent					
		Neither past due or impaired	<30 days	30-60 days	>60 days
<i>In thousands of New Zealand Dollars</i>	Total				
As at 30 June 2023					
Total receivables from exchange transactions	346	205	30	9	102

Notes to the financial statements (continued)

Note 11 Related parties

	Group		Parent	
<i>In thousands of New Zealand Dollars</i>	30 June 2023	30 June 2022	30 June 2023	30 June 2022
Related party receivables - Current				
Government of the Cook Islands	-	-	-	-
Cook Island Property Corporation (NZ) Limited	-	-	107	63
Avaroa Cables Limited	-	-	-	-
To Tatou Vai Limited	-	-	9	8
Cook Islands Telecommunication Holdings Limited	-	-	31	22
Te Mana Uira o Araura Limited	-	-	26	26
Banana Court Company Limited	-	-	14	6
Ministry of Foreign Affairs And Immigration	-	-	-	-
Ministry of Finance and Economic Management	219	1,017	-	-
CIIC Seabed Resources Limited	-	150	-	150
Total related party receivables	219	1,167	187	275

	Group		Parent	
<i>In thousands of New Zealand Dollars</i>	2023	2022	2023	2022
Related party receivables - Non Current				
Government of the Cook Islands	-	-	-	-
Cook Island Property Corporation (NZ) Limited	-	-	-	-
Avaroa Cables Limited	-	-	-	-
To Tatou Vai Limited	-	-	-	-
Cook Islands Telecommunication Holdings Limited	-	-	-	-
Te Mana Uira o Araura Limited	-	-	-	-
Banana Court Company Limited	-	-	-	-
Ministry of Foreign Affairs And Immigration	-	-	-	-
Ministry of Finance and Economic Management	546	546	-	-
CIIC Seabed Resources Limited	-	-	-	-
Total related party receivables	546	546	-	0

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



Notes to the financial statements (continued)

Note 11 Related parties (continued)

In thousands of New Zealand Dollars

	Group		Parent	
	30 June	30 June	30 June	30 June
	2023	2022	2023	2022
Related party payables - Current				
Government of the Cook Islands	637	651	0	-
Telecom Cook Islands	-	-	-	-
Ministry of Finance and Economic Management	-	6	-	-
Banana Court Company Limited	-	-	-	-
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	746	766	1,510	1,510

In thousands of New Zealand Dollars

	Group		Parent	
	30 June	30 June	30 June	30 June
	2023	2022	2023	2022
Dividends payable				
Government of the Cook Islands	240	-	240	-
Total dividends payable	240	-	240	-

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		30 June	
	2023		2022	
	Total remuneration	Number of persons	Total remuneration	Number of persons
	(000's)		(000's)	
Board of Directors	130	5	122	5
Senior Management	760	7	727	6

Key Management Personnel - Group

	30 June		30 June	
	2023		2022	
	Total remuneration	Number of persons	Total remuneration	Number of persons
	(000's)		(000's)	
Board of Directors	774	50	772	51
Senior Management	4,775	52	4,189	44



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 Tumutē-Varovaro (Te Aponga). Entities within the Group paid \$1,044,909 (2022: \$590,000) 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 \$670,903 (2022: \$419,323) 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 \$12,207,000 (2022: \$12,420,000).
- 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 \$579,000 (2022: \$549,000) 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 2023 was \$5,316,000 (2022: \$5,224,000) being assets consisting of \$699,830 (2022: \$517,000) of capital assets for To Tatou Vai Limited, \$50,000 of equity injected for Cook Islands Property Corporation (NZ) and \$4,566,000 of completed buildings and extensions transferred to the Cook Islands Government Property Corporation.
- j) The parent received \$600,000 dividends for the year (2022: \$nil) from subsidiaries. The Group received \$120,000 tax benefit (2022: \$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 \$55,073 (2022: \$70,967) 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 \$263,000 (2022: \$254,000).
- l) During the reporting period, the Group received 6 donated motor vehicles, which has been recognised in the Statement of Financial Position as an asset, and as Owner Contributions by way of direct equity injection for Crown capital expenditure by the Cook Islands Government. The fair value of this funding has been determined to be equivalent to the amounts due in the specific funding arrangements.



Notes to the financial statements (continued)

Note 11 Related parties (continued)

- m) Banane Court Company Limited leases land and buildings from Cook Islands Government Property Corporation. The company paid leasehold commissions and lease fees of \$7,972 (2022: \$2,103) 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.
- n) 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 2023

Group	Total 2023	Total 2022	Due within One Year 2023	Due within One Year 2022	Over One Year 2023	Over One Year 2022
<i>In thousands of New Zealand Dollars</i>						
Agriculture	49	57	10	10	39	47
Fishing	215	237	60	41	155	196
Consumer	8,880	7,421	3,337	1,272	5,243	6,149
Business	19,928	20,158	2,118	3,456	17,810	16,702
Housing	45,251	45,553	3,837	7,811	41,414	37,743
Staff	3,830	3,501	543	600	3,287	2,901
Tourism	11,801	13,661	724	2,343	10,877	11,318
	89,454	90,588	10,629	15,533	78,825	75,056
LESS:						
Provision for doubtful loans	7,823	7,343				
Deferred income	773	732				
Net Portfolio as at 30 June	80,858	82,513				
Split by:						
Current	13,839	13,892				
Non - current	67,019	68,621				
	80,858	82,513				

All loans have been made at varying interest rates, terms and securities.

The Group administers loans totalling \$4,369,000: (2022 \$6,839,441) 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	2023			2022		
In thousands of New Zealand Dollars						
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	3,687	20.06%	4	3,719	20.98%
+10%	3	7,048	38.35%	4	9,136	51.53%



Notes to the financial statements (continued)

Note 12 Banking portfolio investments (continued)

Provision for Losses on Banking Portfolio Investments

Group	30 June 2023	30 June 2022
<i>In thousands of New Zealand Dollars</i>		
The total charge of provisions was made up as follows:		
PROVISIONS FOR DOUBTFUL LOANS		
Opening balance	7,343	6,710
Opening transfer from Non-performing Interest	-	-
Movement in provision as a result of IFRS 9	-	-
Bad debts written out of provisions	(39)	(32)
Allowance for hardship	-	-
Provisions for doubtful loans	519	665
Balance at end	7,823	7,343
Net increase/(decrease) in provision for doubtful loans	480	633

Note 13 Inventories

	Group		Parent	
	30 June 2023	30 June 2022	30 June 2023	30 June 2022
<i>In thousands of New Zealand Dollars</i>				
Trading stock	4,312	5,073	1	1
Spare parts	128	138	-	-
Fuels	3,393	2,645	-	-
Other	980	777	-	-
Total inventories	8,813	8,633	1	1

Accounting policy:

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is determined on a weighted average basis, which is determined using the first-in-first-out principle. The cost of inventories includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred bringing them to their existing location and condition.



Notes to the financial statements (continued)

Note 14 Property, plant and equipment
In thousands of New Zealand Dollars

GROUP

	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 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	0	0	2,710	61	220	53	290	1,070	1,292	172	2,433	3	84	8,387
Disposals	0	0	(2)	0	(186)	0	(32)	(239)	0	0	(197)	0	0	(656)
Transfers/adjustments	0	0	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
Additions	-	-	4,766	-	774	42	152	1,160	1,517	887	40	6	74	9,358
Disposals	-	-	(2)	-	(154)	-	(976)	(537)	-	-	-	-	-	(1,673)
Transfers/adjustments	-	-	(65)	-	83	23	11	109	(312)	75	31	(33)	-	(128)
At 30 June 2023	10,985	3,035	114,119	2,957	9,315	847	3,193	42,495	4,184	30,132	57,353	34,740	32,091	345,357

Depreciation and impairment

At 1 July 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	(92)	(14)	(849)
Depreciation	-	-	2,817	64	563	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
Disposals	-	-	(1)	-	(115)	-	(975)	(432)	-	-	(2)	(1)	-	(1,623)
Transfers	-	-	1	(1)	7	65	(1)	(163)	-	(7)	(2)	(1)	-	(167)
Depreciation	-	-	2,780	65	562	23	273	2,359	-	1,295	1,450	901	1,331	11,185
At 30 June 2023	-	-	42,891	488	6,857	647	2,733	27,988	-	20,572	17,690	9,666	3,856	133,367

	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
Net Book Values														
At 1 July 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
At 30 June 2023	10,985	3,035	71,228	2,470	2,458	200	460	14,507	4,184	9,460	39,683	25,085	28,236	211,970



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 2021	415	224	639
Additions	51	-	51
Disposals	-	-	-
Transfers/adjustments	-	-	-
At 30 June 2022	466	224	690
Additions	19	56	75
Disposals	(1)	(55)	(56)
Transfers/adjustments	-	-	-
At 30 June 2023	484	225	709
Depreciation and impairment			
At 1 July 2021	(318)	(186)	(504)
Disposals	-	-	-
Depreciation	(43)	(18)	(61)
Impairment	-	-	-
Transfers/adjustments	-	-	-
At 30 June 2022	(361)	(204)	(565)
Disposals	1	55	56
Depreciation	(41)	(18)	(59)
Impairment	-	-	-
Transfers/adjustments	-	-	-
At 30 June 2023	(401)	(167)	(568)
Net Book Values			
At 1 July 2021	97	38	135
At 30 June 2022	105	20	125
At 30 June 2023	83	58	141

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 (2022: \$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

In 2022 an impairment of \$84,745 was recognised 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

Cost	Carrying Amount
At 1 July 2021	6,498
Additions	0
Transfer	179
At 30 June 2022	6,677
Additions	4,294
Disposals	(456)
Transfer	(95)
At 30 June 2023	10,420
Amortisation and impairment	
At 1 July 2021	4,547
Amortisation for the year	397
At 30 June 2022	4,944
Transfer	(74)
Disposals	(443)
Amortisation for the year	1,307
At 30 June 2023	5,734
Work in progress	
At 1 July 2022	9
Additions	0
At 30 June 2023	9
Amortisation for the year	0
At 30 June 2023	9
Net book values	
At 30 June 2022	1,742
At 30 June 2023	4,695

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	30 June 2023	30 June 2022
<i>In thousands of New Zealand Dollars</i>		
Opening balance 1 July	5,578	5,824
Additions / (Disposals)	190	-
Transfers	47	-
Depreciation	(294)	(246)
Closing balance at 30 June	5,521	5,578

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

<i>In thousands of New Zealand Dollars</i>	Group 30 June 2023	30 June 2022	Parent 30 June 2023	30 June 2022
Trade and other payables from exchange transactions				
Trade creditors	2,317	1,355	907	86
Interest accrual	508	669	-	-
Provisions	402	349	-	-
Other payables and accruals	4,288	4,716	85	416
Total trade and other payables from exchange transactions	7,515	7,089	992	502
Trade and other payables from non-exchange transactions				
Value added tax	174	196	-	-
Total trade and other payables from non-exchange transactions	174	196	-	-
Total trade and other payables	7,689	7,285	992	502

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

Provisions

<i>In thousands of New Zealand Dollars</i>	Group 30 June 2023	30 June 2022	Parent 30 June 2023	30 June 2022
Opening land lease provision	349	415	-	-
Additional provision made in the period	(371)	(486)	-	-
Provision utilised in the period	424	420	-	-
Closing land lease provision	402	349	-	-
Opening other provision	-	-	-	-
Additional provision made in the period	-	-	-	-
Closing other provision	-	-	-	-
Total Provision	402	349	-	-

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.

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

<i>In thousands of New Zealand Dollars</i>	Group		Parent	
	2023	2022	2023	2022
Income tax receivable				
Income tax receivable (payable) c/f 1 July	1,066	1,092	672	672
Reclassified from / (to) tax payable	-	-	-	-
Reclassified from future income tax benefit	-	-	-	-
Income tax on current year surplus	(211)	(26)	44	-
Income tax benefit on dividends paid	120	-	-	-
Income tax paid	-	-	-	-
Income tax receivable 30 June	975	1,066	716	672
Future Income Tax Benefit				
Future Income Tax Benefit c/f 1 July	1,037	574	182	-
Reclassified from / (to) deferred tax asset	12	132	-	-
Tax losses recognised in current year surplus	(509)	331	13	182
Income tax benefit on dividend paid	-	-	-	-
Future Income Tax Benefit	540	1,037	195	182
Deferred tax asset				
Deferred tax asset c/f 1 July	1,907	2,008	9	9
Reclassified from / (to) future income tax benefit	(12)	(50)	-	-
Deferred tax on current year surplus	306	(51)	(2)	-
Deferred tax asset 30 June	2,201	1,907	7	9
Income tax payable				
Income tax payable c/f 1 July	277	517	-	-
Reclassified to tax receivable	-	-	-	-
Income tax on current year dividend paid	120	-	-	-
Income tax paid	(127)	-	-	-
Tax benefit on dividends paid	-	-	-	-
Reclass from prior year adjustment	-	(56)	-	-
Reclassified to FITB	-	132	-	-
Adjustment for RMD advice on FX treatment	-	(316)	-	-
Income tax payable 30 June	270	277	-	-
Deferred tax liability				
Deferred tax liability c/f 1 July	230	341	38	38
Deferred tax on current year surplus	(12)	(23)	-	-
Reclass from prior year adjustment	-	(38)	(38)	(38)
Reclassified to deferred tax asset	-	(50)	-	-
Deferred tax liability 30 June	218	230	-	-
Tax Losses				
Opening tax losses	3,299	2,332	-	-
Utilisation of tax losses	-	-	-	-
Addition of tax losses	235	967	-	-
Closing tax losses 30 June	3,534	3,299	-	-

Notes to the financial statements (continued)

Note 18 Taxes (continued)

Reconciliation of effective tax rate

<i>In thousands of New Zealand Dollars</i>	Group		Parent	
	2023	2022	2023	2022
Surplus before taxation for the year	(6,557)	(8,336)	(142)	(912)
(Surplus)/deficit for tax exempt entities	2,297	2,386	-	-
Equity accounted earnings from associate	96	365	-	-
Unrealised gains(loss) of FX	759			
Profit excluding tax	(3,405)	(5,585)	(142)	(912)
Prima facie taxation at 20%	(681)	(1,117)	(28)	(182)
Difference for tax at other rates (NZ 30%)	(6)	-	-	-
Tax effect of non-assessable income	68	49	-	-
Tax effect of non-deductible expenses	334	630	16	-
Tax effect on prior period adjustments	-	(399)	-	-
Tax on dividend distributed to Government by tax exempt entity	120	-	-	-
Taxable income not recognised in accounts	441	35	-	-
Tax impact on Govt Grants accounting under IAS 20	(16)	-	-	-
Tax losses not recognised	-	17	-	-
Additional tax losses accumulated	185	193	-	-
Income tax expense	444	(592)	(13)	(182)
Income tax expense is represented by:				
Current	743	(436)	(15)	(182)
Deferred	(299)	(156)	2	-
	444	(592)	(13)	(182)

Income tax losses carried forward:

Individual entities within the group have combined carried forward tax losses of \$3,534,000 (2022: \$3,299,000).

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:

<i>In thousands of New Zealand Dollars</i>	Group		Parent	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial instruments at cost				
Investment in Shares				
Opening balance at 1 July 2021	128	128	-	-
Additional investments made	-	-	-	-
Investments sold	-	-	-	-
At 30 June 2022	128	128	-	-
Additional investments made	-	-	-	-
Investments sold	-	-	-	-
At 30 June 2023	128	128	-	-

There have been no changes to investments in shares during the 2023 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 2023 Telecom Cook Islands Limited changed its balance date from 31 December to 31 March.

Cobalt Seabed Resources Limited (formerly CIIC Seabed Resources Limited) was established during the 2018 period. The principal activity of Cobalt 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)
Cobalt Seabed Resources Limited (12 months to 31/12/21) audited	50%	3,619	5,384	-	(521)
Telecom Cook Islands Limited (15 months to 30/06/2023)	40%	33,469	3,791	35,329	1,290
Cobalt Seabed Resources Limited (12 months to 31/12/22) audited	50%	3,643	6,001	-	(594)

Notes to the financial statements (continued)

Note 20 (a) Investment in Associates (continued)

Investment in associates - Group

In thousands of New Zealand Dollars

	Telecom Cook Islands Limited	2023 Cobalt Seabed Resources Limited	Total	Telecom Cook Islands Limited	2022 Cobalt Seabed Resources Limited	Total
Equity accounted investee						
Opening balance at 1 July	11,967	-	11,967	12,332	-	12,332
Investment at cost	-	-	-	-	-	-
Share of profit/(loss)	504	-	504	(365)	-	(365)
Dividend received	(600)	-	(600)	-	-	0
Balance at 30 June	11,871	-	11,871	11,967	-	11,967

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

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		Parent	
	30 June 2023	30 June 2022	30 June 2023	30 June 2022
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

	2023			2022		
	Total	Due within one year	Over one year	Total	Due within one year	Over one year
<i>In thousands of New Zealand Dollars</i>						
Call deposits	79,179	79,179	-	71,844	71,844	-
Client term deposits	38,166	37,110	1,056	40,701	39,844	857
TOTAL	117,345	116,289	1,056	112,545	111,688	857

The Parent does not have banking customer deposits.

Notes to the financial statements (continued)

Note 22 Borrowings

In thousands of New Zealand Dollars

	Group	
	30 June	30 June
	2023	2022
Current portion		
ADB Ports Authority	1,033	0
Crown - Ports Authority	0	0
ADB - Avaroa Cable Limited	1,223	500
	2,256	500
Non current portion		
ADB - Ports Authority	15,280	19,515
Crown - Ports Authority	4,538	0
ADB - Avaroa Cable Limited	22,620	19,388
	42,438	38,903

There are no borrowings in the Parent (2022: nil).

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 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.

Ports Authority Borrowings

In thousands of New Zealand Dollars

	L2472	L2473	L2739	Total
As at 1 July 2022	7,887	4,775	4,458	17,120
Payment towards Loan Interest	(449)	(73)	(194)	(716)
Payment towards Loan Principle	(397)	(22)	(247)	(666)
Interest accrued during the year	455	73	307	835
Movement in foreign exchange	0	(260)	0	(260)
As at 30 June 2023	7,496	4,493	4,324	16,313
Current Liability	431	414	188	1,033
Non-current Liability	7,065	4,079	4,136	15,280

During the year, the Authority continued to receive concessionary deferral of loan repayments under the subsidiary agreement (i.e. with MFEM) with principal and interest payments deferred since May 2020. During this time, MFEM continued to meet repayments under the head agreement with ADB. Recommencement of loan repayments interest and principle by the Authority began in November 2023. The payments made by MFEM are to be repaid by the Authority by the end of the ADB loan term. This portion of the borrowing is recognised separately in 'Cook Islands Government Borrowings'.

Notes to the financial statements (continued)

Note 22 Borrowings (continued)

Cook Islands Government Loan

In thousands of New Zealand Dollars

	30 June 2023	30 June 2022
As at 1 July	3,560	2,297
Payments made during the year	978	1,263
As at 30 June 2023	4,538	3,560
Current Liability	-	-
Total borrowings	4,538	3,560

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 (2022: USD\$12,356,000)

Interest and commitment charges accrued as at balance date is USD \$185,000 (2022: USD\$46,000)

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 2023	30 June 2022
Current portion	1,223	500
Non current portion	22,620	19,388
Total borrowings	23,843	19,888

Avaroa Cable Limited -Loan Covenant Breaches

- Marine Protection Legislation

During the financial year the Cook Islands Government were in breach of a loan covenant under their lending arrangements with the executive Asian order Development is submitted Bank. to The Cook covenant Islands' requires Parliament that of within draft 12 legislation months to of the ensure effective adequate date of protection lending, of an the enactment Manatua of Cablean system in Cook Islands' waters. This was outstanding at balance date. The carrying amount of the lending at balance date is \$23,842,606. This breach of covenant in the Cook Islands Government's loan agreement with the Asia Development Bank has consequential impacts to the subsidiary agreement with the ACL. To mitigate the impact of the Asian Development Bank acting on this breach and calling up the loan proceeds at year end, the Cook Islands Government have provided a waiver prior to balance date. This waiver confirms the loan proceeds under the subsidiary agreement will not be called upon if the Asian Development Bank called up the loan proceeds under its lending arrangements with the Cook Islands Government, and the Cook Islands Government will provide the balance of the undrawn portion of the \$15,000,000 USD lent under the subsidiary loan agreement which was yet to be drawn down by ACL at year end, in order for ACL to bring the Cook Islands' portion of the Manatua Cable Project to completion. The Group therefore consider the preparation of financial statements on a going concern basis to be appropriate.



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	
	30 June 2023	30 June 2022	30 June 2023	30 June 2022
<i>In thousands of New Zealand Dollars</i>				
Cash and cash equivalents	20,705	23,199	999	291
Term deposits	73,635	60,482	808	791
Trade and other receivables	7,177	6,684	1,083	695
Banking portfolio investments	80,858	82,513	-	-
Taxation receivable	975	1,066	716	672
Related party receivables	765	1,713	187	275
	184,115	175,657	3,793	2,724

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	
	30 June 2023	30 June 2022	30 June 2023	30 June 2022
<i>In thousands of New Zealand Dollars</i>				
Trade and other payables	8,986	8,455	1,044	550
Employee entitlements	857	797	221	130
Banking customer deposits	117,345	112,525	-	-
Income tax payable	270	277	-	-
Related party payables	746	766	1,510	1,510
Bank loan	44,694	39,403	-	-
Dividends payable	240	-	240	-
	173,138	162,223	3,015	2,190

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 2023 and 2022 respectively, the carrying amounts of such receivables, net of allowances are not materially different from their calculated fair values.
- The fair value of other financial liabilities is estimated by discounting future cashflows using rates currently available for debt on similar terms, credit risk and remaining maturities.

Credit risk

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

	Group		Parent	
	30 June 2023	30 June 2022	30 June 2023	30 June 2022
<i>In thousands of New Zealand Dollars</i>				
Cash and cash equivalents	19,262	21,905	999	291
Term deposits	73,635	60,482	808	791
Trade and other receivables	7,177	6,684	1,083	695
Banking portfolio investments	80,858	82,513	-	-
Taxation receivable	975	1,066	716	672
Related party receivables	765	1,713	187	275
Maximum exposure to credit risk	182,672	174,363	3,793	2,724

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 monitor 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 monthly 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
<i>In thousands of New Zealand Dollars</i>	2023				2022
Maximum exposure to credit risk					
Gross carrying amount	31,794	48,270	9,390	89,454	90,588
Loans with renegotiated terms					
Gross carrying amount	25,576	32,830	3,116	61,522	54,815
	25,576	32,830	3,116	61,522	54,815
Neither past due nor impaired					
Gross carrying amount	23,775	45,748	8,979	78,502	78,729
Less restaged loans not in arrears*	-	-	-	-	(43,376)
	23,775	45,748	8,979	78,502	35,353
Past due but not impaired (days in arrears)					
0 - 30	163	1,104	126	1,393	2,525
31 - 60	-	-	-	-	-
61-90	-	-	12	12	49
90+ days	-	63	64	127	236
	163	1,167	202	1,532	2,810
Individually impaired					
Balance as at 1 July	7,040	2,150	172	9,362	9,560
Additions	1,273	110	123	1,506	2,571
Loan repayments	(105)	(8)	(19)	(132)	(1,318)
Amounts written off	-	-	(39)	(39)	(32)
Transferred out	(352)	(897)	(28)	(1,277)	(1,420)
Balance as at 30 June	7,856	1,355	209	9,420	9,361

* 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 as at 30 June 2022 was \$648k.

No restaging of loans was undertaken at 30 June 2023 as sufficient time had passed for borrowers to demonstrate repaying history.

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 2023 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 \$450,000 (2022: \$150,000.).

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 2023					30 June 2022				
	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	9	397	414	4,170	5,289	79	508	144	3,909	4,639
Changes to opening balance due to transfer between stages:										
Collective Provision - New	21	0	85	-	106	1	-	162	-	164
Collective Provision - Stage 1	358	(348)	-	(8)	(0)	-	-	-	-	-
Collective Provision - Stage 2	-	1	(1)	-	(0)	-	-	-	-	-
Collective Provision - Stage3	-	(2)	2	-	(0)	-	-	-	-	-
Specific Individual Provision - Stage3	-	(7)	(108)	112	0	(71)	(111)	117	588	524
Charge to statement of comprehensive income in current year	(222)	(30)	40	490	278	-	-	-	(27)	(27)
Bad Debts written-off	-	-	-	-	-	-	-	-	-	-
Balance as at 30 June	164	2	435	5,073	5,673	9	397	414	4,470	5,289
Mortgage										
Balance at beginning of Period - 1 July	21	297	803	687	1,799	114	339	584	678	1,715
Changes to opening balance due to transfer between stages:										
Collective Provision - New	7	-	-	-	7	5	-	-	-	5
Collective Provision - Stage 1	380	(251)	(110)	(6)	-	-	-	-	-	-
Collective Provision - Stage 2	-	-	-	-	-	-	-	-	-	-
Collective Provision - Stage3	(11)	(2)	223	(220)	-	-	-	-	-	-
Specific Individual Provision - Stage3	-	-	-	-	-	(88)	(42)	219	(11)	79
Charge to statement of comprehensive income in current year	(335)	(15)	416	83	141	-	-	-	-	-
Bad Debts written-off	-	-	-	-	-	-	-	-	-	-
Balance as at 30 June	102	9	1,394	602	1,947	31	297	803	667	1,799
Personal										
Balance at beginning of Period - 1 July	18	11	122	106	255	195	52	73	35	357
Changes to opening balance due to transfer between stages:										
Collective Provision - New	11	-	-	2	13	4	-	3	-	7
Collective Provision - Stage 1	70	(8)	150	(12)	(0)	7	-	-	(7)	-
Collective Provision - Stage 2	(0)	8	-	(5)	(0)	-	-	-	-	-
Collective Provision - Stage3	(0)	(0)	0	-	(0)	-	-	-	-	-
Specific Individual Provision - Stage3	(1)	(1)	(8)	5	-	(191)	(41)	45	84	(103)
Charge to statement of comprehensive income in current year	(49)	(0)	15	13	(25)	-	-	-	-	-
Bad Debts written-off	-	-	-	-	-	-	-	-	(5)	(5)
Balance as at 30 June	47	2	85	70	204	16	11	122	106	255
Total										
Balance at beginning of Period - 1 July	57	703	1,338	6,242	7,943	389	898	801	4,621	6,709
Changes to opening balance due to transfer between stages:										
Collective Provision - New	39	0	85	2	126	10	-	165	-	165
Collective Provision - Stage 1	925	(630)	(190)	(28)	(0)	7	-	-	(7)	-
Collective Provision - Stage 2	(0)	7	(1)	(5)	(0)	-	-	-	-	-
Collective Provision - Stage3	(1)	(4)	225	(220)	(0)	-	-	-	-	-
Specific Individual Provision - Stage3	(11)	(8)	(110)	115	(11)	(349)	(194)	383	681	501
Charge to statement of comprehensive income in current year	(606)	(61)	476	574	384	-	-	-	-	-
Bad Debts written-off	-	-	-	-	-	-	-	-	(53)	(53)
Balance as at 30 June	318	9	1,853	6,644	7,824	57	703	1,338	5,242	7,343

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	
	30 June 2023	30 June 2022	30 June 2023	30 June 2022
<i>In thousands of New Zealand Dollars</i>				
Concentration by Location				
New Zealand financial institutions	54,561	40,370	-	-
New Zealand other institutions	1,125	1,736	-	-
Australia financial institutions	6	3	-	-
Rarotonga financial institutions	37,214	40,271	1,807	1,082
Rarotonga - lending	71,282	69,575	-	-
Outer islands - lending	9,577	13,253	-	-
Rarotonga - Related parties	765	1,713	187	275
Other	8,141	7,134	1,799	1,422
	182,672	174,055	3,793	2,780

Concentration by Counterparty

	Credit rating	30 June 2023	30 June 2022	30 June 2023	30 June 2022
Australia New Zealand Bank	AA-	42,255	42,860	106	53
Bank of South Pacific	B+	14,722	17,180	770	158
Kiwi Bank	AA-	19,363	13,597	-	-
Bank of New Zealand	AA-	15,419	6,999	-	-
Westpac Banking Corporation	AA-	17	5	-	-
Banzpay	BB-	1,125	1,736	-	-
National Australia Bank Group	AA-	6	3	-	-
Bank of the Cook Islands	N/A	-	-	931	871
Loans to customers	N/A	80,858	82,828	-	-
Related parties	N/A	765	1,713	187	275
Other	N/A	8,141	7,134	1,799	1,422
Total		182,672	174,055	3,793	2,780

Concentration by Sector

Banks	91,783	80,642	1,807	1,082
Other institutions	1,125	1,736	-	-
Housing	40,909	43,023	-	-
Personal	7,757	7,166	-	-
Business	32,193	32,641	-	-
Related parties	765	1,713	187	275
Other	8,141	7,134	1,799	1,422
Total	182,672	174,055	3,793	2,780

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 Chief Executive Officer.

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 addition, 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 2023 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 2023.

Group <i>In thousands of New Zealand Dollars</i>	GROUP		PARENT	
	30 June 2023	30 June 2022	30 June 2023	30 June 2022
Interest bearing Financial assets	173,755	164,900	1,807	1,082
Interest bearing Financial liabilities	162,039	151,928	-	-
Net exposure	11,716	12,972	1,807	1,082
100bp increase effect on profit	(117)	(130)	(18)	(11)
100bp decrease effect on profit	117	130	18	11

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						
<i>In thousands of New Zealand Dollars</i>						
	Weighted average Interest rate	Carrying Amount	0 to 12 months	1 - 5 years	> 5 years	Non sensitive
Balance as at 30 June 2023						
Financial Assets						
Cash on hand	N/A	1,443	-	-	-	1,443
Cash at bank	1.87%	19,262	19,262	-	-	-
Term deposits	5.35%	73,635	73,635	-	-	-
Trade and sundry receivables	N/A	7,177	-	-	-	7,177
Related party receivables	N/A	765	-	-	-	765
Taxation receivable	N/A	975	-	-	-	975
Banking portfolio investments	9.29%	80,858	80,858	-	-	-
Total Financial Assets		184,115	173,755	-	-	10,359
Financial Liabilities						
Trade and other payables	N/A	8,986	-	-	-	8,986
Employee entitlements	N/A	857	-	-	-	857
Banking customer deposits	3.04%	117,345	116,488	857	-	-
Income tax payable	N/A	270	-	-	-	270
Related party payables	N/A	746	-	-	-	746
Bank loan	5.47%	44,694	2,256	-	42,438	-
Dividends payable	N/A	240	-	-	-	240
Total Financial Liabilities		173,138	118,744	857	42,438	11,099
Interest Rate Gap		10,977	55,011	(857)	(42,438)	(739)

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 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 other sundry receivab	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

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 2023						
Financial Assets						
Cash and cash equivalents	1.87%	999	999	-	-	-
Term deposits	5.35%	808	808	-	-	-
Trade and sundry receivables	N/A	1,083	-	-	-	1,083
Taxation receivable	N/A	716	-	-	-	716
Related party receivables	N/A	187	-	-	-	187
Total Financial Assets		3,793	1,807	-	-	1,986
Financial Liabilities						
Trade and other payables	N/A	1,044	-	-	-	1,044
Employee entitlements	N/A	221	-	-	-	221
Related party payables	N/A	1,510	-	-	-	1,510
Dividends payable	N/A	240	-	-	-	240
Total Financial Liabilities		3,015	-	-	-	3,015
Interest Rate Gap		778	1,807	-	-	(1,029)

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 2022						
Financial Assets						
Cash and cash equivalents	0.40%	291	291	-	-	-
Term Deposits	1.58%	791	791	-	-	-
Trade and other sundry receivab	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)

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 2023	30 June 2022
% of Risk Weighted Assets		
Tier One Capital	20.68%	20.18%
Total Capital	21.93%	21.43%

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 design, manufacture, installation, integration, testing and commissioning of the Manutua Cable System. At 30 June 2023, Avaroa Cable Limited's remaining share of the commitment to Subcom under this contract is USD \$270,730 (2022: 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 2023, Avaroa Cable Limited's remaining share of the commitment to Land Holdings under this contract is USD \$14,484,383 (2022: \$12,355,778)

Operating lease rentals

The Group as lessee

Future minimum lease payments under non-cancellable operating leases:

<i>In thousands of New Zealand Dollars</i>	Group		Parent	
	30 June 2023	30 June 2022	30 June 2023	30 June 2022
<i>Land and Buildings</i>				
Due within one year	332	209	-	-
Due within two to five years	1213	1,171	-	-
Later than five years	3768	3,225	-	-
Total operating lease expense commitments	5,313	4,605	-	-

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 buildings.

Te Aponga Uira

The Authority leases land that is utilised for electricity 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 2023	30 June 2022	30 June 2023	30 June 2022
Buildings				
Due within one year	57	57	-	-
Due within one to two years	44	16	-	-
Due within two to five years	41	3	-	-
Total	142	76	-	-

The Group lets properties under operating leases. Property rental income earned on operating leases during the year was \$696,000 (2022: \$614,000).

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 2023 these undrawn loans total \$1,742,000 (2022: \$1,187,000).

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.

	Pre 30/6/2021	30/06/2022	30/06/2023	Total
Opening balance		2,046	1,257	-
Funds received by DCD from NZ MFAT under the GFA	15,000	-	-	15,000
Funds disbursed from DCD to ACL for Manatua project operating and capital costs	(12,779)	(726)	(847)	(14,352)
Funds disbursed from DCD to other CIG agencies for costs incurred	(175)	(96)	(28)	(299)
Foreign exchange gain/(loss) in USD held by DCD		33	(4)	29
Balance of funds received by DCD from NZ MFAT under the GFA	2,046	1,257	378	378

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 2023							
Trading Revenue	9,900	5,010	884	25,363	7,614	3,713	52,484
Crown Appropriation	130	-	9,834	-	2,117	125	12,207
Other Revenue	106	619	692	296	1,004	50	2,767
Expenses	(9,541)	(5,220)	(15,005)	(28,609)	(10,439)	(5,064)	(73,877)
Other Gains / (Losses)	504	(511)	-	129	-	(260)	(138)
Surplus / (Deficit) before tax	1,100	(102)	(3,596)	(2,821)	297	(1,436)	(6,557)
Total Assets	220,703	36,195	12,000	65,378	71,609	31,430	437,315
Total Liabilities	125,192	26,087	8,660	2,592	(822)	18,788	180,487
Capital Expenditure	4,744	111	914	1,664	1,726	199	9,358

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

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 assistance 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 residual impacts 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:

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 maintained and where confirmed by experts to be replaced. The cost of replacement will be recognised when works are completed. The impairment at year end is considered immaterial to these financial statements

Cook Island Government Property Corporation

Subsequent to year end, the board of directors for Telecom Cook Islands Ltd declared and paid dividends totalling \$6,000,000.

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.



Notes to the financial statements (continued)

Note 28 Crown Reporting

Statement of Crown Reporting As at 30 June 2023

Crown Appropriations

2023

<i>In thousands of New Zealand Dollars</i>	Budget	Carry Forward from 2022	Transfers	Carry Forward to 2024	Final Appropriation	Spend	Variance
Bulk Funding							
Personnel	1,458				1,458	1,654	(196)
Operating	824				824	1,632	(808)
Depreciation	45				45	59	(14)
	<u>2,327</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,327</u>	<u>3,345</u>	<u>(1,018)</u>
<i>The variance has been funded from other revenue and dividends received and reserves.</i>							
Administered Payments							
Infrastructure Committee	100		12		112	117	(5)
Government Facility Development Division	420		(40)		380	357	23
School Security	230		20		250	250	-
Joint Venture with Seabed Minerals Authority	50				50	48	2
Provision for Land Rentals	400		8		408	408	-
	<u>1,200</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,200</u>	<u>1,180</u>	<u>20</u>
Payments on behalf of the Crown (POBOC)							
Bank of the Cook Islands-social assistance subsidy	128				128	128	-
Airport Authority subsidy	2,048				2,048	2,048	-
Ports Authority - subsidy	110				110	110	-
Te Tatou Vai (CI)	3,000				3,000	3,088	(88)
	<u>5,286</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,286</u>	<u>5,374</u>	<u>(88)</u>
Capital Expenditure							
Aitutaki Island Plan & Orongo Development	500	422	350		1,272	1,274	(2)
Govt Building Projects - Rarotonga	1,079	643	490	(650)	1,562	1,521	41
Pa Enua Govt Building Projects - Northern Group	500	77	25	(90)	512	511	1
Pa Enua Govt Building Projects - Southern Group	500		125	(100)	525	524	1
Arorangi Prison Remedial Works		30			30	28	2
Land Acquisition	700		(600)	(95)	5	-	5
Rarotonga Cyclone Shelters - Remediation	400	-	(200)		200	180	20
To Tatou Vai	3,000		(190)	(2,450)	360	360	-
Airport Authority - Rarotonga Airport Slab	850			(780)	70	70	-
	<u>7,529</u>	<u>1,172</u>	<u>-</u>	<u>(4,165)</u>	<u>4,536</u>	<u>4,468</u>	<u>68</u>

Statement of Corporate Intent (SCI)

<i>In thousands of New Zealand Dollars</i>	Group		Parent	
	Actual	SCI	Actual	SCI
Total Revenue	67,458	72,888	8,974	8,000
Earning before interest, depreciation & tax	11,085	21,641	(83)	250
Net profit before tax	(6,557)	9,928	(142)	200
Total Assets	437,314	578,389	10,794	5,400
Total Shareholders Funds	256,827	418,130	881	2,127
Total Dividends Paid	240	600	240	600

Budget amounts have been extracted from the 2021-2025 Budget Book Estimate dated and signed by Hon. Mark Brown on 8th June 2021.
Statement of Corporate Intent amounts have been extracted from CIIC Statement of Corporate Intent 2022-2026.



Notes to the financial statements (continued)

Note 28 Crown Reporting (continued)

Statement of Crown Reporting As at 30 June 2023

Crown Appropriations

2022							
<i>In thousands of New Zealand Dollars</i>							
	Budget	Carry Forward from 2021	Transfers	Carry Forward to 2023	Final Appropriation	Spend	Variance
Bulk Funding							
Personnel	1,508				1,508	1,453	55
Operating	974				974	1,650	(676)
Depreciation	45				45	61	(16)
	<u>2,527</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,527</u>	<u>3,164</u>	<u>(637)</u>
<i>The variance has been funded from other revenue received and reserves.</i>							
Administered Payments							
Infrastructure Committee	100				100	129	(29)
Government Facility Development Division	420				420	456	(36)
School Security	180		40		220	258	(38)
Joint Venture with Seabed Minerals Authority	50		(40)		10	5	5
Provision for Land Rentals	500				500	495	5
	<u>1,250</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,250</u>	<u>1,343</u>	<u>(93)</u>
Payments on behalf of the Crown (POBOC)							
Bank of the Cook Islands-social assistance subsidy	128				128	128	-
Airport Authority subsidy	2,048				2,048	2,048	-
Ports Authority - subsidy	110				110	110	-
Te Tatou Vai (CI)	3,000				3,000	2,991	9
	<u>5,286</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,286</u>	<u>5,277</u>	<u>9</u>
Capital Expenditure							
Aitutaki Island Plan & Orongo Development	1,000		500	(422)	1,078	1,096	(18)
Govt Building Projects - Rarotonga	2,200		888	(643)	2,445	2,491	(46)
Pa Enua Govt Building Projects - Northern Group	550			(77)	473	528	(55)
Pa Enua Govt Building Projects - Southern Group	400				400	455	(55)
Arorangi Prison Remedial Works	150			(30)	120	132	(12)
Land Acquisition	700				700	-	700
Rarotonga Cyclone Shelters - Remediation	100			-	100	86	14
To Tatou Vai	3,000		(1,388)		1,612	484	1,128
	<u>8,100</u>	<u>-</u>	<u>-</u>	<u>(1,172)</u>	<u>6,928</u>	<u>5,272</u>	<u>1,656</u>

Statement of Corporate Intent (SCI)

<i>In thousands of New Zealand Dollars</i>		Group		Parent	
		Actual	SCI	Actual	SCI
Total Revenue		58,278	64,046	8,553	8,000
Earning before interest, depreciation & tax		5,776	10,701	(851)	(100)
Net profit before tax		(8,336)	(1,012)	(912)	(150)
Total Assets		428,315	529,289	10,066	5,300
Total Shareholders Funds		258,632	370,030	1,250	1,927
Total Dividends Paid		-	-	-	-

Budget amounts have been extracted from the 2021-2025 Budget Book Estimate dated and signed by Hon. Mark Brown on 8th June 2021.
Statement of Corporate Intent amounts have been extracted from CIIC Statement of Corporate Intent 2022-2026.

