

**COOK ISLANDS NATIONAL  
SUPERANNUATION FUND**

**Financial Statements**

**For the Year Ended 31 December 2015**

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**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF COOK ISLANDS NATIONAL SUPERANNUATION FUND**

**Report on the Financial Statements**

We have audited the accompanying financial statements of the Cook Islands National Superannuation Fund (the "Fund") on pages 2 to 18, which comprise the statement of net assets as at 31 December 2015, and the statement of changes in net assets and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

**Trustee's Responsibility for the Financial Statements**

The Trustees are responsible for the preparation of financial statements, in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards and that give a true and fair view of the matters to which they relate, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibilities**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view of the matters to which they relate in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates, as well as the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other than in our capacity as auditor and the provision of taxation advice, we have no relationship with or interests in the Fund. These services have not impaired our independence as auditor of the Fund.

**Opinion**

In our opinion, the financial statements on pages 2 to 18:

- comply with New Zealand Equivalents to International Financial Reporting Standards;
- comply with International Financial Reporting Standards;
- give a true and fair view of the financial position of the Fund as at 31 December 2015, and its financial performance and its cash flows for the year ended on that date.

**Chartered Accountants**  
24 June 2016  
Wellington, New Zealand

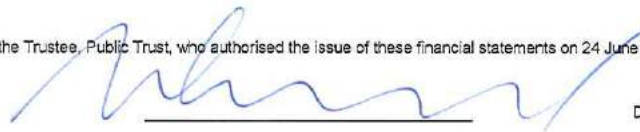
## COOK ISLANDS NATIONAL SUPERANNUATION FUND

### Statement of Net Assets

As at 31 December 2015	Note	Total 2015 NZ\$	Total 2014 NZ\$	Conservative Fund 2015 NZ\$	Conservative Fund 2014 NZ\$	Balanced Fund 2015 NZ\$	Balanced Fund 2014 NZ\$	Growth Fund 2015 NZ\$	Growth Fund 2014 NZ\$	Reserve Fund 2015 NZ\$	Reserve Fund 2014 NZ\$
<b>ASSETS</b>											
Cash at Bank		168,592	977,425	508,385	977,425	(204,263)	-	(133,530)	-	-	-
Cash at Cook Islands Bank		1,645,722	1,098,821	1,645,722	1,098,821	-	-	-	-	-	-
Contributions Receivable - Member	16	739,621	855,084	739,621	855,084	-	-	-	-	-	-
Contributions Receivable - Employer	16	739,621	855,085	739,621	855,085	-	-	-	-	-	-
Investments at Fair Value Through Profit or Loss	4	105,219,782	91,880,513	104,826,882	91,880,513	250,088	-	142,812	-	-	-
Government Funding Receivable (POBOC)		20,084	39,623	20,003	39,623	53	-	28	-	-	-
Inter-Fund Receivable		357,523	-	-	-	224,468	-	133,055	-	-	-
Other Debtors		43,612	-	43,438	-	114	-	60	-	-	-
Property, plant and equipment	15	50,233	46,114	50,032	46,114	132	-	69	-	-	-
<b>Total Assets</b>		<b>108,984,790</b>	<b>95,732,665</b>	<b>108,571,704</b>	<b>95,732,665</b>	<b>270,592</b>	<b>-</b>	<b>142,494</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Less LIABILITIES</b>											
Accounts Payable		86,062	75,112	85,718	75,112	225	-	119	-	-	-
Group Life Premiums Payable		-	48,408	-	48,408	-	-	-	-	-	-
Benefits Payable		133,344	232,449	133,344	232,449	-	-	-	-	-	-
Inter-Fund Payable		357,523	-	357,523	-	-	-	-	-	-	-
PIE Tax Payable		21,003	-	20,980	-	15	-	8	-	-	-
<b>Total Liabilities</b>		<b>597,932</b>	<b>355,969</b>	<b>597,565</b>	<b>355,969</b>	<b>240</b>	<b>-</b>	<b>127</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET ASSETS AVAILABLE FOR BENEFITS</b>		<b>108,386,858</b>	<b>95,376,696</b>	<b>107,974,139</b>	<b>95,376,696</b>	<b>270,352</b>	<b>-</b>	<b>142,367</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>ASSETS ALLOCATED TO RESERVE</b>		<b>-</b>	<b>-</b>	<b>(1,003,254)</b>	<b>(680,387)</b>	<b>3,735</b>	<b>-</b>	<b>1,579</b>	<b>-</b>	<b>997,940</b>	<b>680,387</b>
		<b>108,386,858</b>	<b>95,376,696</b>	<b>106,970,885</b>	<b>94,696,309</b>	<b>274,087</b>	<b>-</b>	<b>143,946</b>	<b>-</b>	<b>997,940</b>	<b>680,387</b>
<b>LIABILITY FOR ACCRUED BENEFITS</b>											
<i>Represented By:</i>											
Member Accounts		53,206,252	46,865,630	52,801,079	46,865,630	266,234	-	138,939	-	-	-
Employer Accounts		54,182,666	47,830,679	54,169,806	47,830,679	7,853	-	5,007	-	-	-
Reserve Account		809,255	500,000	-	-	-	-	-	-	609,255	500,000
Pension Reserve		188,685	180,387	-	-	-	-	-	-	188,685	180,387
	8	<b>108,386,858</b>	<b>95,376,696</b>	<b>106,970,885</b>	<b>94,696,309</b>	<b>274,087</b>	<b>-</b>	<b>143,946</b>	<b>-</b>	<b>997,940</b>	<b>680,387</b>

For and on behalf of the Trustee, Public Trust, who authorised the issue of these financial statements on 24 June 2016.

Trustee:



Date: 24 June 2016

The notes and accounting policies on pages 6 to 18 form an integral part of these financial statements.

## COOK ISLANDS NATIONAL SUPERANNUATION FUND

### Statement of Changes in Net Assets

	Note	Total 2015 NZ\$	Total 2014 NZ\$	Conservative Fund 2015 NZ\$	Conservative Fund 2014 NZ\$	Balanced Fund 2015 NZ\$	Balanced Fund 2014 NZ\$	Growth Fund 2015 NZ\$	Growth Fund 2014 NZ\$	Reserve Fund 2015 NZ\$	Reserve Fund 2014 NZ\$
For the Year Ended 31 December 2015											
<b>INVESTMENT ACTIVITIES</b>											
<b>Investment Revenue</b>											
Gains/(Loss) on Investments at Fair Value Through Profit or Loss	5	4,531,764	9,326,874	4,525,220	9,326,874	4,354	-	2,190	-	-	-
Distributions Received		543,040	225,167	542,490	225,167	421	-	129	-	-	-
Interest Received		25,441	31,932	25,348	31,932	61	-	32	-	-	-
		<u>5,100,245</u>	<u>9,583,973</u>	<u>5,093,058</u>	<u>9,583,973</u>	<u>4,836</u>	<u>-</u>	<u>2,351</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Investment Expenses</b>											
Investment Management Fees (Net of Rebates)		670,159	566,441	669,549	566,441	377	-	233	-	-	-
Net Investment Revenue		<u>4,430,086</u>	<u>9,017,532</u>	<u>4,423,509</u>	<u>9,017,532</u>	<u>4,459</u>	<u>-</u>	<u>2,118</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>OTHER INCOME</b>											
Insurance Proceeds Received		230,311	126,541	230,311	126,541	-	-	-	-	-	-
Cook Islands Government Funding	10	269,741	277,457	259,226	277,457	338	-	177	-	-	-
		<u>500,052</u>	<u>403,998</u>	<u>489,537</u>	<u>403,998</u>	<u>338</u>	<u>-</u>	<u>177</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>OTHER EXPENSES</b>											
Cook Islands Office Expenses	10	613,554	412,702	612,240	412,702	861	-	453	-	-	-
Administration Fees		324,135	300,389	323,478	300,389	431	-	227	-	-	-
Auditor's Remuneration - Other Services		6,750	2,825	6,739	2,825	7	-	4	-	-	-
Auditor's Remuneration - Audit Fees		28,506	33,333	28,402	33,333	68	-	36	-	-	-
Group Insurance Premiums		345,400	289,296	344,599	289,296	525	-	276	-	-	-
Bank Fees		1,740	536	1,735	536	3	-	2	-	-	-
Trustee Fees		38,000	28,000	37,904	28,000	63	-	33	-	-	-
Legal Fees		6,711	-	6,711	-	-	-	-	-	-	-
Consulting Fees		21,420	15,900	21,344	15,900	50	-	26	-	-	-
Printing Costs		8,842	938	8,818	938	16	-	8	-	-	-
General Expenses		2,478	-	2,470	-	6	-	3	-	-	-
Depreciation Expense	15	15,220	8,615	15,188	8,615	21	-	11	-	-	-
Total Other Expenses		<u>1,412,758</u>	<u>1,092,534</u>	<u>1,409,628</u>	<u>1,092,534</u>	<u>2,051</u>	<u>-</u>	<u>1,079</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Surplus before Taxation and Membership Activities</b>											
		3,517,380	8,328,996	3,513,418	8,328,996	2,746	-	1,216	-	-	-
<b>Income Tax Expense</b>											
		47,634	25,691	47,611	25,691	15	-	8	-	-	-
<b>Surplus after Taxation and before Membership Activities</b>											
		<u>3,469,746</u>	<u>8,303,305</u>	<u>3,465,807</u>	<u>8,303,305</u>	<u>2,731</u>	<u>-</u>	<u>1,208</u>	<u>-</u>	<u>-</u>	<u>-</u>

## COOK ISLANDS NATIONAL SUPERANNUATION FUND

### Statement of Changes in Net Assets (Cont'd)

Note

	Total 2015 NZ\$	Total 2014 NZ\$	Conservative Fund 2015 NZ\$	Conservative Fund 2014 NZ\$	Balanced Fund 2015 NZ\$	Balanced Fund 2014 NZ\$	Growth Fund 2015 NZ\$	Growth Fund 2014 NZ\$	Reserve Fund 2015 NZ\$	Reserve Fund 2014 NZ\$
<b>MEMBERSHIP ACTIVITIES</b>										
<b>Contributions</b>										
Member Contributions	4,389,901	4,796,321	4,391,129	4,798,321	5,007	-	3,765	-	-	-
Member Voluntary Contributions	228,305	76,527	194,805	76,527	33,000	-	500	-	-	-
Employer Contributions	4,320,214	4,760,028	4,311,442	4,760,026	5,007	-	3,765	-	-	-
Contributions Yet To Be Allocated	2,041,875	827,711	2,041,875	827,711	-	-	-	-	-	-
<b>Total Contributions</b>	<b>10,980,295</b>	<b>10,460,587</b>	<b>10,939,251</b>	<b>10,460,587</b>	<b>43,014</b>	<b>-</b>	<b>8,030</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Benefits Paid</b>										
Retirement	503,481	576,517	503,481	576,517	-	-	-	-	-	-
Death	194,265	173,053	194,265	173,053	-	-	-	-	-	-
Insurance Proceeds Paid	148,396	134,686	148,396	134,686	-	-	-	-	-	-
Pensions Paid	254,699	198,248	254,699	198,248	-	-	-	-	-	-
Medical Disability	135,036	24,163	135,036	24,163	-	-	-	-	-	-
Expatriate Withdrawal Benefit	214,002	255,041	214,002	255,041	-	-	-	-	-	-
<b>Total Benefits Paid</b>	<b>1,449,879</b>	<b>1,361,710</b>	<b>1,449,879</b>	<b>1,361,710</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Switches In	357,523	-	-	-	224,467	-	133,056	-	-	-
Switches Out	(357,523)	-	(357,523)	-	-	-	-	-	-	-
<b>Net Membership Activities</b>	<b>9,540,416</b>	<b>9,098,877</b>	<b>9,131,849</b>	<b>9,098,877</b>	<b>267,481</b>	<b>-</b>	<b>141,086</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Increase in Net Assets During The Year</b>	<b>13,010,162</b>	<b>17,402,182</b>	<b>12,597,656</b>	<b>17,402,182</b>	<b>270,212</b>	<b>-</b>	<b>142,294</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Decrease in Net Assets Allocated to Reserve</b>	<b>-</b>	<b>-</b>	<b>(323,080)</b>	<b>(117,726)</b>	<b>3,675</b>	<b>-</b>	<b>1,652</b>	<b>-</b>	<b>317,553</b>	<b>117,726</b>
<b>Increase in Net Assets During the Year</b>	<b>13,010,162</b>	<b>17,402,182</b>	<b>12,274,576</b>	<b>17,284,456</b>	<b>274,087</b>	<b>-</b>	<b>143,946</b>	<b>-</b>	<b>317,553</b>	<b>117,726</b>
<b>Benefits Accrued</b>										
<b>Allocated to:</b>										
Member Accounts	6,340,622	8,343,289	5,935,449	8,343,289	266,234	-	136,939	-	-	-
Employer Accounts	6,351,987	8,941,167	6,339,127	8,941,167	7,853	-	5,007	-	-	-
Reserve Accounts	317,553	117,726	-	-	-	-	-	-	317,553	117,726
	<b>13,010,162</b>	<b>17,402,182</b>	<b>12,274,576</b>	<b>17,284,456</b>	<b>274,087</b>	<b>-</b>	<b>143,946</b>	<b>-</b>	<b>317,553</b>	<b>117,726</b>

The notes and accounting policies on pages 6 to 18 form an integral part of these financial statements.

**COOK ISLANDS NATIONAL SUPERANNUATION FUND**

Statement of Cash Flows For the Year Ended 31 December 2015	Note	Total 2015 NZ\$	Total 2014 NZ\$	Conservative Fund 2015 NZ\$	Conservative Fund 2014 NZ\$	Balanced Fund 2015 NZ\$	Balanced Fund 2014 NZ\$	Growth Fund 2015 NZ\$	Growth Fund 2014 NZ\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>									
<i>Cash provided from</i>									
Member Contributions		5,589,613	4,834,529	5,580,841	4,834,529	5,007	-	3,765	-
Member Voluntary Contributions		228,305	76,527	194,805	76,527	33,000	-	500	-
Employer Contributions		5,509,926	4,798,236	5,501,154	4,798,236	5,007	-	3,765	-
Insurance Proceeds		230,311	126,541	230,311	126,541	-	-	-	-
Cook Islands Government Funding		270,940	281,875	270,403	281,875	352	-	185	-
Interest Received		31,827	30,957	31,824	30,957	2	-	1	-
		<u>11,860,922</u>	<u>10,148,665</u>	<u>11,809,338</u>	<u>10,148,665</u>	<u>43,388</u>	<u>-</u>	<u>8,216</u>	<u>-</u>
<i>Cash applied to</i>									
Benefits Paid		1,434,586	1,127,183	1,434,586	1,127,183	-	-	-	-
Insurance Proceeds Paid		114,399	126,541	114,399	126,541	-	-	-	-
Administration Fees		322,700	299,485	322,160	299,486	354	-	186	-
Cook Islands Office Expenses		766,435	459,299	765,961	459,299	966	-	508	-
Group Insurance Premiums		393,808	275,088	393,007	275,088	525	-	276	-
Printing Costs		5,842	18,638	5,842	18,638	-	-	-	-
Audit Fees		28,506	32,833	28,506	32,833	-	-	-	-
Taxation Fees		6,750	2,850	6,750	2,850	-	-	-	-
Trustee Fees		38,001	28,000	37,932	28,000	46	-	23	-
Legal Fees		6,711	-	6,711	-	-	-	-	-
Consulting Fees		17,640	15,900	17,578	15,900	41	-	21	-
General Expenses		2,479	-	2,470	-	6	-	3	-
Bank Fees		1,740	536	1,735	536	3	-	2	-
Income Tax Paid		397	429	397	429	-	-	-	-
		<u>3,141,994</u>	<u>2,386,783</u>	<u>3,139,034</u>	<u>2,386,783</u>	<u>1,941</u>	<u>-</u>	<u>1,019</u>	<u>-</u>
<b>Net Cash Flows from Operating Activities</b>	<b>9</b>	<b>8,718,928</b>	<b>7,761,882</b>	<b>8,670,304</b>	<b>7,761,882</b>	<b>41,427</b>	<b>-</b>	<b>7,197</b>	<b>-</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>									
<i>Cash provided from</i>									
Sale of Investments		5,727,965	-	5,727,965	-	-	-	-	-
<i>Cash applied to</i>									
Purchase of Investments		(14,708,825)	(7,765,000)	(14,322,408)	(7,765,000)	(245,690)	-	(140,727)	-
<b>Net Cash Flows from Investing Activities</b>		<b>(8,980,860)</b>	<b>(7,765,000)</b>	<b>(8,594,443)</b>	<b>(7,765,000)</b>	<b>(245,690)</b>	<b>-</b>	<b>(140,727)</b>	<b>-</b>
<b>Net (Decrease)/Increase in Cash Held</b>		<b>(261,932)</b>	<b>(3,118)</b>	<b>75,861</b>	<b>(3,118)</b>	<b>(204,263)</b>	<b>-</b>	<b>(133,530)</b>	<b>-</b>
<b>Cash at Beginning of Year</b>		<b>2,076,246</b>	<b>2,079,364</b>	<b>2,076,246</b>	<b>2,079,364</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Cash at End of Year</b>		<b>1,814,314</b>	<b>2,076,246</b>	<b>2,152,107</b>	<b>2,076,246</b>	<b>(204,263)</b>	<b>-</b>	<b>(133,530)</b>	<b>-</b>

The notes and accounting policies on pages 6 to 18 form an integral part of these financial statements.

## COOK ISLANDS NATIONAL SUPERANNUATION FUND

### Notes to the Financial Statements For the Year Ended 31 December 2015

#### 1. Scheme Description

The Fund commenced operations on 19 September 2001 on the signing of the Trust Deed by the Board of the Cook Islands National Superannuation Fund and Public Trust a New Zealand crown entity established under the Public Trust Act 2001.

The Fund is a defined contribution superannuation scheme. Upon retirement, most contributing member accounts are transferred to pensioner accounts. The pension paid to a retired member (or their surviving spouse) is based on the account balance at retirement and a rate of pension conversion applied by the Trustee. The rate of conversion is set by the Trustee based on actuarial advice. The Fund does not have the actuarial risks associated with defined benefit schemes because the conversion rate can be altered by the Trustee.

The Fund is domiciled in the Cook Islands and the registered office is located in the Clarkes Building, Parekura, Rarotonga, Cook Islands.

#### Funding Arrangements

The members and employers both contribute to the Fund at rates of 5% of pensionable salary. These contributions are in accordance with those mandated for employees and employers under the Cook Islands National Superannuation Act 2000.

#### Termination Terms

The Trust Deed sets out the basis on which the Fund can be terminated. Clause 133 of the Trust Deed also covers the situation where the Fund can be wound-up, upon the date determined by the Fund's National Superannuation Board in consultation with the Trustee and the Cook Islands Government.

#### Changes in the Fund

As of 1 July 2015 the Fund offered members investment choice and now comprises of three investment funds being Conservative, Balanced and Growth. The financial statements have been presented at an investment fund level.

The Trust Deed dated 9 September 2001 was rescinded and replaced by a Trust Deed dated 30 June 2015. The Trust Deed provides for the establishment of separate investment funds and allows Members to nominate a fund or funds they wish to invest in. Amendments were also made to the provisions relating to the provision of insurance benefits to members and to the ability of members to transfer to other superannuation schemes.

#### 1.1 Going Concern

At a hearing in the High Court of the Cook Islands in 2013, the Minister responsible for the Fund took action against various parties relating to the non-payment of compulsory contributions as mandated under the Cook Islands National Superannuation Fund Act 2000. In February 2014 a judgement was issued which concluded that the compulsory nature of contributions was a breach of the Articles of the Cook Islands Constitution and a declaration that the Act was invalid was issued on 31 March 2014. The Minister appealed the High Court decision. The Court of Appeal judgement issued in November 2014 found that the Act does comply with the Cook Islands Constitution.

The Respondents were granted leave to appeal to the Privy Council. A hearing was held in April 2015 and as at the date of issuing the financial statements a decision from the Court had not been received.

#### 2. Basis of Preparation

##### Statement of Compliance

The financial statements of the Fund have been prepared in accordance with the Trust Deed governing the Fund and New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). They comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS") and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities. The financial statements comply with International Financial Reporting Standards ("IFRS") as issued by the External Reporting Board.

##### Measurement Base

The measurement base adopted is that of historical cost modified by the revaluation of financial assets which are measured at fair value through profit or loss.

## COOK ISLANDS NATIONAL SUPERANNUATION FUND

Notes to the Financial Statements  
For the Year Ended 31 December 2015

### 2. Basis of Preparation (Cont'd)

#### Functional and Presentation Currency

These financial statements are rounded to the nearest dollar and presented in New Zealand dollars because that is the currency of the primary economic environment in which the Fund operates.

#### Classification of Assets and Liabilities

The Fund operates as a superannuation scheme. As such, the assets and liabilities are disclosed in the Statement of Net Assets in an order that reflects their relative liquidity.

### 3. Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

#### Standards, amendments and interpretations to existing standards that are not yet effective and have not been applied in preparing the financial statements

NZ IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. NZ IFRS 9 (2010) introduces additions relating to financial liabilities. NZ IFRS 9 (2013) introduces new requirements for hedge accounting.

NZ IFRS 9 (2009) contains two primary measurement categories for financial assets: amortised cost and fair value. A financial asset would be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and the asset's contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets would be measured at fair value. As the Fund will continue to measure investments at fair value, this standard is not expected to have significant impact on the Fund's financial statements.

NZ IFRS 9 (2010) introduces a new requirement in respect of financial liabilities designated under the fair value option to generally present fair value changes that are attributable to the liability's credit risk in OCI rather than in profit or loss. As the Fund does not have financial liabilities measured under the fair value option, this standard is not expected to have any impact on the Fund's financial statements.

NZ IFRS 9 (2013) introduces new requirements for hedge accounting that align hedge accounting more closely with risk management. As the Fund does not apply hedge accounting, this standard is not expected to have any impact on the Fund's financial statements.

The mandatory effective date of NZIFRS 9 will be the Fund's financial statements for the year ending 31 December 2018.

#### Interest Income

Interest income is recognised in the Statement of Changes in Net Assets using the effective interest method.

#### Investment Income

Interest income, distribution income and other income from unithold investments are recognised in the Statement of Changes in Net Assets to the extent that it is probable that the economic benefits will flow to the Fund and the income can be readily measured.

#### Income and Expenses

Income and expenses are accounted for on an accruals basis.

#### Receivables

Receivables do not carry any interest, and are short-term in nature and are stated at their amortised cost.



## COOK ISLANDS NATIONAL SUPERANNUATION FUND

Notes to the Financial Statements  
For the Year Ended 31 December 2015

### 3. Summary of Significant Accounting Policies (Cont'd)

#### Payables

Payables include liabilities and accrued expenses owing by the Fund which are unpaid as at balance date. These amounts are unsecured and are usually paid within 30 days of recognition. These amounts are stated at amortised cost.

#### Goods and Services Tax (GST)

The Fund is not registered for GST and consequently all components of the financial statements are stated inclusive of GST where appropriate.

#### Accrued Benefits

Accrued benefits (also known as promised retirement benefits) are the benefits which the Fund is presently obliged to transfer in the future to employees and participants, as a result of membership of the Fund, up to the date at which the actuarial valuation of accrued benefits is determined.

#### Taxation

The Fund is an overseas superannuation scheme which has no liability for New Zealand taxation other than Non Resident Withholding Tax.

The Fund invests into various Portfolio Investment Entities ("PIE"). The tax liability arising on income with a Portfolio Investor Rate ("PIR") 28% is allocated to the Fund, and is satisfied by cancellation of the units held by the Fund.

The tax expense represents PIE tax and Non Resident Withholding Tax.

#### Statement of Cash Flows

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

Cash includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Operating activities - include all transactions and other events that are not investing activities or financing activities.

Investing activities - comprise acquisition and disposal of investments. Investments include securities not falling within the definition of cash.

#### Contributions and Benefits

Contributions and benefits are accounted for on an accrual basis. Contributions are recognised in the Statement of Changes in Net Assets when they become receivable, or are received.

Benefits are recognised in Statement of Changes in Net Assets when they become payable or are paid.

#### Financial instruments

##### Classification

The Fund classifies its investments as financial assets at fair value through profit or loss.

Financial assets and financial liabilities designated at fair value through profit or loss at inception are those that are managed and their performance evaluated on a fair value basis in accordance with the Fund's documented investment strategy. The Fund's policy is for the Trustee to evaluate the information about these financial assets on a fair value basis together with other related financial information. The Trustee has determined that all financial assets and liabilities of the Fund are designated at fair value through profit or loss with the exception of receivables and payables which are measured at amortised cost.

## COOK ISLANDS NATIONAL SUPERANNUATION FUND

Notes to the Financial Statements  
For the Year Ended 31 December 2015

### 3. Summary of Significant Accounting Policies (Cont'd)

#### Financial instruments (Cont'd)

##### *Recognition/derecognition*

The Fund recognises financial assets and financial liabilities on the date it becomes party to the contractual agreement (trade date) and recognises changes in fair value of the financial assets or financial liabilities from this date. Investments are derecognised when the right to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership. All realised and unrealised gains or losses on financial assets and financial liabilities held at fair value through profit or loss are recognised in the Statement of Changes in Net Assets.

##### *Measurement*

Financial assets and liabilities held at fair value through profit or loss are measured initially at fair value excluding any transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately. Subsequent to initial recognition, all financial assets and financial liabilities held at fair value through profit or loss are measured at fair value with changes in their fair value recognised in the Statement of Changes in Net Assets.

##### *Fair value measurement*

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer a liability takes place either:

- In the principal market of the asset or liability.
- In the absence of a principal market, in the most advantageous market for the asset or liability.
- The principal or most advantageous market must be accessible by the Fund.

The fair value of financial assets at fair value through profit or loss is based on the prices provided by the investment manager. For further details please refer to Note 14.

#### **Property, Plant and Equipment**

Property, plant and equipment assets are stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is provided on a straight line basis at rates that will write off the cost of assets over their estimated useful lives.

The following depreciation rates have been applied:

Furniture and Fittings	10%
Equipment	25%

#### **Capital Risk Management**

The Fund's primary purpose is to ensure that its net assets are sufficient to meet all present and future obligations of the Fund, as defined by the liability for accrued benefits.

The Fund achieves this through obtaining contributions from members and members employers. These are then invested into financial assets.

## COOK ISLANDS NATIONAL SUPERANNUATION FUND

Notes to the Financial Statements  
For the Year Ended 31 December 2015

### 3. Summary of Significant Accounting Policies (Cont'd)

#### Critical Judgement and Accounting Estimates

The Trustee discussed the development, selection and disclosure of the Fund's critical accounting policies and estimates and the application of these policies and estimates. The Trustee has applied judgement in selecting the accounting policy to designate financial assets held at fair value through profit or loss at inception. However it is possible to determine the fair values of all financial assets as quoted unit prices from the Investment Managers which are readily available and therefore there are no material sources of estimation uncertainty in the preparation of the Fund's financial statements. However as with all investments their value is subject to variation due to market fluctuations. For the purposes of the fair value hierarchy of financial assets at fair value through profit or loss, the Trustees have to apply their judgement as to what constitutes "directly observable prices". For further details please refer to note 14 (Fair Value).

#### Changes in Accounting Policies

There have been no changes to accounting policies during the year.

### 4. Financial Assets Held at Fair Value Through Profit or Loss

	Total	Total	Conservative	Conservative	Balanced	Balanced	Growth Fund	Growth Fund
	2015	2014	Fund	Fund	Fund	Fund	2015	2014
	NZ\$	NZ\$	2015	2014	2015	2014	NZ\$	NZ\$
Russell Global Opportunities Fund \$NZ Hedged CI B	21,337,002	23,942,905	21,162,212	23,942,905	99,217	-	75,573	-
Russell Global Bond Fund Class B	57,846,574	46,028,603	57,745,979	46,028,603	78,253	-	22,342	-
Russell Investments NZ Shares Fund	11,635,026	10,420,588	11,542,702	10,420,588	53,029	-	39,295	-
Russell Investments NZ Fixed Interest Fund	14,401,180	11,468,417	14,375,989	11,468,417	19,589	-	5,602	-
<b>Total Investments</b>	<b>105,219,782</b>	<b>91,860,513</b>	<b>104,826,882</b>	<b>91,860,513</b>	<b>250,088</b>	<b>-</b>	<b>142,812</b>	<b>-</b>

### 5. Investments at Fair Value Through Profit or Loss

	Total	Total	Conservative	Conservative	Balanced	Balanced	Growth Fund	Growth Fund
	2015	2014	Fund	Fund	Fund	Fund	2015	2014
	NZ\$	NZ\$	2015	2014	2015	2014	NZ\$	NZ\$
Gains/(Losses) on Investments held at Fair Value								
Russell Global Opportunities Fund \$NZ Hedged CI B	1,257,309	2,579,598	1,256,499	2,579,598	1,103	-	(293)	-
Russell Global Bond Fund Class B	1,555,150	4,437,718	1,555,560	4,437,718	(255)	-	(145)	-
Russell Investments NZ Shares Fund	1,026,263	1,518,205	1,020,054	1,518,205	3,562	-	2,647	-
Russell Investments NZ Fixed Interest Fund	693,042	791,353	693,107	791,353	(46)	-	(19)	-
<b>Total Gains on Investments at Fair Value Through Profit or Loss</b>	<b>4,531,764</b>	<b>9,326,874</b>	<b>4,525,220</b>	<b>9,326,874</b>	<b>4,354</b>	<b>-</b>	<b>2,190</b>	<b>-</b>

### 6. Vested Benefits

Vested Benefits are benefits payable to members or beneficiaries under the conditions of the Trust Deed, on the basis of all members ceasing to be members of the Fund at balance date.

	2015	2014
	NZ\$	NZ\$
Conservative Fund	106,870,885	94,696,309
Balanced Fund	274,067	-
Growth Fund	143,946	-
<b>Total</b>	<b>107,388,918</b>	<b>94,696,309</b>

### 7. Guaranteed Benefits

No guarantees have been made in respect of any part of the liability for promised benefits (2014: Nil).

## COOK ISLANDS NATIONAL SUPERANNUATION FUND

Notes to the Financial Statements  
For the Year Ended 31 December 2015

### 8. Liability for Accrued Benefits

#### a) Changes in Accrued Benefits allocated to Compulsory Accounts

	Conservative Fund 2015 NZ\$	Conservative Fund 2014 NZ\$	Balanced Fund 2015 NZ\$	Balanced Fund 2014 NZ\$	Growth Fund 2015 NZ\$	Growth Fund 2014 NZ\$	Reserve Fund 2015 NZ\$	Reserve Fund 2014 NZ\$	Total 2015 NZ\$	Total 2014 NZ\$
Opening Balance	94,696,309	77,411,853	-	-	-	-	-	-	94,696,309	77,411,853
Contributions	10,939,251	10,460,587	43,014	-	8,030	-	-	-	10,990,295	10,460,587
Withdrawals	(1,449,879)	(1,361,710)	-	-	-	-	-	-	(1,449,879)	(1,361,710)
Switches In	-	-	224,467	-	133,056	-	-	-	357,523	-
Switches Out	(357,523)	-	-	-	-	-	-	-	(357,523)	-
Foregone Benefits	(279,819)	(250,460)	-	-	-	-	-	-	(279,819)	(250,460)
Insurance Proceeds	230,311	126,541	-	-	-	-	-	-	230,311	126,541
Group Insurance Expense	(344,599)	(289,296)	(525)	-	(276)	-	-	-	(345,400)	(289,296)
Interest Allocation - Member	1,717,851	4,168,707	3,760	-	1,618	-	-	-	1,723,239	4,168,707
Interest Allocation - Employer	1,736,386	4,208,745	3,371	-	1,518	-	-	-	1,741,275	4,208,745
Unallocated Interest	82,587	-	-	-	-	-	-	-	82,587	-
Transfer from/(to) Reserve Account	-	221,342	-	-	-	-	-	-	-	221,342
Closing Balance	106,970,885	94,696,309	274,087	-	143,946	-	-	-	107,388,918	94,696,309

#### b) Changes in Accrued Benefits allocated to the General Reserve Account

	Conservative Fund 2015 NZ\$	Conservative Fund 2014 NZ\$	Balanced Fund 2015 NZ\$	Balanced Fund 2014 NZ\$	Growth Fund 2015 NZ\$	Growth Fund 2014 NZ\$	Reserve Fund 2015 NZ\$	Reserve Fund 2014 NZ\$	Total 2015 NZ\$	Total 2014 NZ\$
Opening Balance	-	-	-	-	-	-	500,000	400,000	500,000	400,000
Interest Allocation - General Reserve	-	-	-	-	-	-	23,000	43,589	23,000	43,589
Foregone Benefits	-	-	-	-	-	-	279,819	250,460	279,819	250,460
Interest Allocation - Forfeited Benefits	-	-	-	-	-	-	6,436	27,293	6,436	27,293
Transfer (to)/from Compulsory Account	-	-	-	-	-	-	-	(221,342)	-	(221,342)
Closing Balance	-	-	-	-	-	-	809,255	500,000	809,255	500,000

#### c) Changes in Accrued Benefits allocated to the Pension Reserve Account

	Conservative Fund 2015 NZ\$	Conservative Fund 2014 NZ\$	Balanced Fund 2015 NZ\$	Balanced Fund 2014 NZ\$	Growth Fund 2015 NZ\$	Growth Fund 2014 NZ\$	Reserve Fund 2015 NZ\$	Reserve Fund 2014 NZ\$	Total 2015 NZ\$	Total 2014 NZ\$
Opening Balance	-	-	-	-	-	-	180,387	162,651	180,387	162,651
Interest Allocation - Pension Reserve	-	-	-	-	-	-	8,298	17,726	8,298	17,726
Closing Balance	-	-	-	-	-	-	188,685	180,377	188,685	180,387
<b>Total Liability for Accrued Benefits</b>	<b>106,970,885</b>	<b>94,696,309</b>	<b>274,087</b>	<b>-</b>	<b>143,946</b>	<b>-</b>	<b>997,940</b>	<b>680,387</b>	<b>108,386,858</b>	<b>95,376,696</b>

## COOK ISLANDS NATIONAL SUPERANNUATION FUND

Notes to the Financial Statements  
For the Year Ended 31 December 2015

### 9. Reconciliation of Increase in Net Assets to Net Cash Flows from Operating Activities

	Total 2015 NZ\$	Total 2014 NZ\$	Conservative Fund 2015 NZ\$	Conservative Fund 2014 NZ\$	Balanced Fund 2015 NZ\$	Balanced Fund 2014 NZ\$	Growth Fund 2015 NZ\$	Growth Fund 2014 NZ\$
Increase in Net Assets During the Year	13,010,162	17,402,182	12,597,656	17,402,182	270,212	-	142,294	-
<b>Less Non Cash Items:</b>								
(Gains) on Investments at Fair Value Through Profit or Loss	(4,531,764)	(9,326,874)	(4,525,220)	(9,326,874)	(4,354)	-	(2,190)	-
Switches Out/(In)	-	-	357,523	-	(224,467)	-	(133,056)	-
Distributions Received	(543,040)	(225,167)	(542,490)	(225,167)	(421)	-	(129)	-
Interest Received	6,386	(975)	6,476	(975)	(59)	-	(31)	-
Investment Management Fees	670,159	566,441	669,549	566,441	377	-	233	-
Depreciation Expense	15,220	8,615	15,188	8,615	21	-	11	-
Cook Islands Net Expense	(153,681)	(42,179)	(153,540)	(42,179)	(94)	-	(47)	-
PIE Tax Expense	26,234	25,262	26,234	25,262	-	-	-	-
<b>Less Movements in Other Working Capital Items:</b>								
(Decrease)/Increase in Benefits Payable	(99,105)	107,986	(99,105)	107,986	-	-	-	-
(Decrease)/Increase in Other Payables	(40,191)	(2,113)	(40,492)	(2,113)	197	-	104	-
Decrease/(Increase) in Contributions Receivable	337,545	(751,296)	337,545	(751,296)	-	-	-	-
Increase in PIE Tax Payable	21,003	-	20,980	-	15	-	8	-
<b>Net Cash Flows from Operating Activities</b>	<b>8,718,928</b>	<b>7,761,882</b>	<b>8,670,304</b>	<b>7,761,882</b>	<b>41,427</b>	<b>-</b>	<b>7,197</b>	<b>-</b>

### 10. Cook Islands Office Income and Expenses

At present the majority of the Cook Islands Office expenses are funded directly by the Cook Islands Government through a budget appropriation referred to as POBOC. These expenses are then paid directly by the Fund and include items such as legal fees, salaries, direct expenses of the Cook Islands Board, as well as various administrative expenses incurred in the running of the Cook Islands Office. The level of POBOC funding may change in the future.

During the year ended 31 December 2015 the Fund received POBOC funding from the Cook Islands Government of \$269,741 (2014: \$277,457) which was used to pay for some of the total Cook Islands Office expenses which are set out below:

	2015 \$	2014 \$
Legal and Professional Fees	1,205	439
Salaries and Personnel Costs	332,591	242,562
Other Expenses	279,759	169,701
<b>Cook Islands Office Expenses</b>	<b>613,555</b>	<b>412,702</b>

## COOK ISLANDS NATIONAL SUPERANNUATION FUND

Notes to the Financial Statements  
For the Year Ended 31 December 2015

### 11. Financial Instruments

The Fund utilises a number of financial instruments in the course of its normal investing activities. Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in the accounting policies.

The Trustee has approved a Statement of Investment Policies and Objectives which establishes investment objectives and target asset allocations for the Fund. Performance against these targets is reviewed at least quarterly by the Trustee and asset reallocations undertaken as required.

#### Financial Assets as per the Statement of Net Assets as at 31 December 2015

	Total Loans and Receivables	Total Assets at Fair Value through profit and loss	Conservative Fund Loans and Receivables	Balanced Fund Loans and Receivables	Growth Fund Loans and Receivables	Conservative Fund Assets at Fair Value through profit and loss	Balanced Fund Assets at Fair Value through profit and loss	Growth Fund Assets at Fair Value through profit and loss
Investments at fair value through profit or loss	-	105,219,782	-	-	-	104,826,882	250,088	142,812
Cash at bank	1,814,314	-	2,152,107	(204,263)	(133,530)	-	-	-
Receivables	1,499,326	-	1,499,245	53	28	-	-	-
<b>Total</b>	<b>3,313,640</b>	<b>105,219,782</b>	<b>3,651,352</b>	<b>(204,210)</b>	<b>(133,502)</b>	<b>104,826,882</b>	<b>250,088</b>	<b>142,812</b>

#### Financial Liabilities as per the Statement of Net Assets as at 31 December 2015

	Total Other Financial Liabilities	Total Liabilities at Fair Value	Conservative Fund Other Financial Liabilities	Balanced Fund Other Financial Liabilities	Growth Fund Other Financial Liabilities	Conservative Fund Liabilities at Fair Value	Balanced Fund Liabilities at Fair Value	Growth Fund Liabilities at Fair Value
Accounts payable	86,062	-	85,718	225	119	-	-	-
Other payables	133,344	-	133,344	-	-	-	-	-
<b>Total</b>	<b>219,406</b>	<b>-</b>	<b>219,062</b>	<b>225</b>	<b>119</b>	<b>-</b>	<b>-</b>	<b>-</b>

## COOK ISLANDS NATIONAL SUPERANNUATION FUND

Notes to the Financial Statements  
For the Year Ended 31 December 2015

### 11. Financial Instruments (Cont'd)

Financial Assets as per the Statement of Net Assets as at 31 December 2014

	Total Loans and Receivables	Total Assets at Fair Value through profit and loss	Conservative Fund Loans and Receivables	Balanced Fund Loans and Receivables	Growth Fund Loans and Receivables	Conservative Fund Assets at Fair Value through profit and loss	Balanced Fund Assets at Fair Value through profit and loss	Growth Fund Assets at Fair Value through profit and loss
Investments at fair value through profit or loss	-	91,860,513	-	-	-	91,860,513	-	-
Cash at bank	2,076,246	-	2,076,246	-	-	-	-	-
Prepayments and Receivables	1,749,792	-	1,749,792	-	-	-	-	-
<b>Total</b>	<b>3,826,038</b>	<b>91,860,513</b>	<b>3,826,038</b>	<b>-</b>	<b>-</b>	<b>91,860,513</b>	<b>-</b>	<b>-</b>

Financial Liabilities as per the Statement of Net Assets as at 31 December 2014

	Total Other Financial Liabilities	Total Liabilities at Fair Value	Conservative Fund Other Financial Liabilities	Balanced Fund Other Financial Liabilities	Growth Fund Other Financial Liabilities	Conservative Fund Liabilities at Fair Value	Balanced Fund Liabilities at Fair Value	Growth Fund Liabilities at Fair Value
Accounts payable	75,112	-	75,112	-	-	-	-	-
Other payables	280,857	-	280,857	-	-	-	-	-
<b>Total</b>	<b>355,969</b>	<b>-</b>	<b>355,969</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

#### Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Financial instruments which potentially expose the Fund to credit risk consist of cash, receivables, and investments in unithised funds. The maximum credit exposure to credit risk is the carrying value of these financial assets.

Credit risk management activities are undertaken by the investment manager in accordance with investment mandate set by the Trustee.

#### Liquidity Risk

Liquidity risk is the risk that the Fund may encounter difficulty in raising funds to meet its obligation to pay members. However, to control liquidity risk, the Fund invests in financial assets, which are readily redeemable. In addition, the Fund invests within established limits to ensure there is no concentration of risk. There are no significant financial liabilities.

#### Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Due to the unithised nature of the investments it is not practical to determine the sensitivity of the unit price to changes in foreign exchange rates, interest rates, or other market factors of the underlying investments. Risk management activities are undertaken by the Fund's investment manager to operate within the guidelines provided by the Trustee.

#### Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund has an indirect exposure to currency risk through its investments in the Russell Global Opportunities Fund \$NZ Hedged CI B and the Russell Global Bond Fund Class B. Currency hedging is used by the Investment Manager to hedge the exposure back to New Zealand dollars.

## COOK ISLANDS NATIONAL SUPERANNUATION FUND

Notes to the Financial Statements  
For the Year Ended 31 December 2015

### 11. Financial Instruments (Cont'd)

#### Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of interest-bearing financial instruments will fluctuate because of changes in market interest rates. The Fund is indirectly exposed to interest rate risk in that future interest rate movements will indirectly affect the valuation of investments in unithised funds which invest in cash and fixed interest investments. There is no maturity period for unithised investments.

Interest rate risk management activities are undertaken by the Investment Manager in accordance with the investment mandate set by the Trustee.

#### Other Price Risk

Other price risk is the risk that the value of the Fund's investments will decrease due to a change in the unit prices of the Fund's unithised funds.

As at 31 December 2015 the Fund is exposed to other price risk through its investments in Funds managed by Russell Investment Management Limited.

A ten percent decrease/increase in the unit prices of the Fund's investments in the unithised funds would have an adverse/positive impact on the value of the Funds assets of:

	Total 2015 NZ\$	Total 2014 NZ\$	Conservative Fund 2015 NZ\$	Conservative Fund 2014 NZ\$	Balanced Fund 2015 NZ\$	Balanced Fund 2014 NZ\$	Growth Fund 2015 NZ\$	Growth Fund 2014 NZ\$
+ / (-) 10% increase/decrease	10,521,978	9,186,051	10,482,688	9,186,051	25,009	-	14,281	-

#### Capital Management

Net assets available to pay benefits are considered to be the Fund's capital for the purposes of capital management. The Fund does not have to comply with externally imposed capital requirements.

The Fund's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns to its members and maximise the Fund's members value.

#### Investment Strategy

The Fund's investment objectives are to exceed the New Zealand Consumer Price Index (CPI) net of fees and tax measured over rolling 3-year periods per investment fund choice as listed below:-

Conservative Fund	3.8%
Balanced Fund	4.7%
Growth Fund	5.3%

To meet these investment objectives, net contributions per investment fund choice are invested into the following asset mixes:-

	Conservative	Balanced	Growth
Growth Assets (Equities)	30%	60%	80%
Income Assets (Bonds)	70%	40%	20%

#### Trust Name

Russell Global Bond Fund Class B  
Russell Global Opportunities Fund \$NZ Hedged CI B  
Russell Investments NZ Shares Fund  
Russell Investments NZ Fixed Interest Fund

#### Sector

Income Assets  
Growth Assets  
Growth Assets  
Income Assets

#### Domiciled

Australia  
Australia  
New Zealand  
New Zealand



## COOK ISLANDS NATIONAL SUPERANNUATION FUND

Notes to the Financial Statements  
For the Year Ended 31 December 2015

### 12. Actuarial Valuation

The most recent Actuarial Valuation dated 9 October 2014 was undertaken by Marcelo Lardies, of Aon New Zealand, Fellow of the New Zealand Society of Actuaries. The Actuarial Valuation was based on the Fund's financial and membership information as at 31 December 2012. The next Actuarial Valuation will be based on the Fund's financial and membership information as at 31 December 2015.

The results of the Actuarial Valuation show that the Fund has a small excess of assets over liabilities as follows:-

Value of Accrued Benefits	
Members' Accounts	\$ 60,618,862
Pensioners' Liabilities	<u>\$ 2,053,190</u>
Total Accrued Benefits (A)	\$ 62,672,052
Value of Assets (B)	<u>\$ 64,250,186</u>
Surplus (B - A)	\$ 1,578,134

The Fund's Actuary calculated the Pensioners' Liabilities of \$2,053,190 as the present value of the expected future pension payments to existing pensioners and their spouses (if applicable).

The Fund's Actuary also stated that provided the Fund's future experience is broadly consistent with the assumptions used in the Actuarial Valuation and the Trustee continues to manage the Declared Rate (the interest rate credited to members' accounts) so that the sum of the Pension, Reserve and Pension Reserve Accounts exceed the value of the pensioner liabilities then:

- no specific, additional funding is required in respect of the pensioners, and
- the Fund will continue to have an excess of assets over liabilities over the following 12 months period.

The Fund's Actuary also recommended that the Trustee adopts a new set of Pension Conversion Rates for new pensioners (no change for current pensioners). The CINSF Board agreed that the recommendations contained in the Report will be adopted with effect from 1 January 2015.

### 13. Reserve Account Policy

Amounts in the reserve account may be applied by the Trustee:

- to the credit of one or more member accounts, pension accounts, or the pension reserve account;
- to make a payment under clause 67 of the Trust Deed;
- to pay particular fund expenses;
- to meet general fund expenses; or
- to pay insurance premiums under clause 63 of the Trust Deed.

### 14. Fair Value

The carrying amount of financial assets and financial liabilities recorded in the financial statements represents their respective fair values, determined in accordance with the Fund's accounting policies.

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement. For this purpose, the significance of an input is assessed against the fair value measurement. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement requires judgement, considering factors specific to the asset or liability. The determination of what constitutes 'observable' requires significant judgement by the Trustee. The Trustee considers 'observable' data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

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### 14. Fair Value (Cont'd)

The following table analyses within the fair value hierarchy the Fund's financial assets and liabilities (by class) measured at fair value:

Financial Assets at 31 December 2015	Level 1	Level 2	Level 3	Total
<b>Fair Value Measurements</b>				
Unlisted Investment Funds				
Russell Global Opportunities Fund \$NZ Hedged Class B	-	21,337,002	-	21,337,002
Russell Global Bond Fund Class B	-	57,846,574	-	57,846,574
Russell Investments NZ Shares Fund	-	11,635,026	-	11,635,026
Russell Investments NZ Fixed Interest Fund	-	14,401,180	-	14,401,180
<b>Total Financial Assets</b>	<b>-</b>	<b>105,219,782</b>	<b>-</b>	<b>105,219,782</b>

Financial Assets at 31 December 2014	Level 1	Level 2	Level 3	Total
<b>Fair Value Measurements</b>				
Unlisted Investment Funds				
Russell Global Opportunities Fund \$NZ Hedged Class B	-	23,942,905	-	23,942,905
Russell Global Bond Fund Class B	-	46,028,603	-	46,028,603
Russell Investments NZ Shares Fund	-	10,420,588	-	10,420,588
Russell Investments NZ Fixed Interest Fund	-	11,468,417	-	11,468,417
<b>Total Financial Assets</b>	<b>-</b>	<b>91,860,513</b>	<b>-</b>	<b>91,860,513</b>

As the investments are unlisted and fair value is based on prices determined by the investment manager, they have been classified in both 2015 and 2014 financial periods as level 2.

There were no transfers between levels during the year.

### 15. Property, Plant and Equipment

The following property, plant and equipment assets are held in the Cook Islands Office as at year end:

	Total 2015 NZ\$	Total 2014 NZ\$	Conservative Fund 2015 NZ\$	Conservative Fund 2014 NZ\$	Balanced Fund 2015 NZ\$	Balanced Fund 2014 NZ\$	Growth Fund 2015 NZ\$	Growth Fund 2014 NZ\$
<b>Furniture and Fittings</b>								
At Cost	26,755	18,060	26,648	18,060	70	-	37	-
Depreciation Expense for the Year	(2,139)	(1,639)	(2,134)	(1,639)	(3)	-	(2)	-
Accumulated Depreciation	(10,278)	(8,139)	(10,237)	(8,139)	(27)	-	(14)	-
	16,477	9,921	16,411	9,921	43	-	23	-
<b>Equipment</b>								
At Cost	93,111	82,467	92,739	82,467	244	-	128	-
Depreciation Expense for the Year	(13,081)	(6,976)	(13,054)	(6,976)	(18)	-	(9)	-
Accumulated Depreciation	(59,355)	(46,274)	(59,118)	(46,274)	(156)	-	(82)	-
	33,755	36,193	33,621	36,193	88	-	47	-
<b>Net Book Value</b>	<b>50,233</b>	<b>46,114</b>	<b>50,032</b>	<b>46,114</b>	<b>132</b>	<b>-</b>	<b>69</b>	<b>-</b>

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### 16. Contributions Receivable

	Total	Total	Conservative	Conservative	Balanced	Balanced	Growth Fund	Growth Fund
	2015	2014	Fund	Fund	Fund	Fund	2015	2014
	NZ\$	NZ\$	2015	2014	2015	2014	NZ\$	NZ\$
			NZ\$	NZ\$	NZ\$	NZ\$		
Contributions Receivable - Member								
Gross Contributions Receivable	775,552	908,392	775,552	908,392	-	-	-	-
Provision for non-recovery of contributions	(35,931)	(53,308)	(35,931)	(53,308)	-	-	-	-
<b>Net Contributions Receivable - Member</b>	<b>739,621</b>	<b>855,084</b>	<b>739,621</b>	<b>855,084</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Contributions Receivable - Employer								
Gross Contributions Receivable - Employer	775,552	908,393	775,552	908,393	-	-	-	-
Provision for non-recovery of contributions - Employer	(35,931)	(53,308)	(35,931)	(53,308)	-	-	-	-
<b>Net Contributions Receivable - Employer</b>	<b>739,621</b>	<b>855,085</b>	<b>739,621</b>	<b>855,085</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

The provision for non-recovery of contribution provisions represents 21% (2014: 20%) of the estimated value of outstanding contributions that certain employers and employees are presently obliged to contribute that are not yet recovered.

### 17. Related Parties

The Fund holds no investments in any of the employer companies or any of their related parties and during the period had no related party transactions.

### 18. Events after Balance Date

At a hearing in the High Court of the Cook Islands in 2013, the Minister responsible for the Fund took action against various parties relating to the non-payment of compulsory contributions as mandated under the Cook Islands National Superannuation Fund Act 2000. In February 2014 a judgement was issued which concluded that the compulsory nature of contributions was a breach of the Articles of the Cook Islands Constitution and a declaration that the Act was invalid was issued on 31 March 2014. The Minister appealed the High Court decision. The Court of Appeal judgement issued in November 2014 found that the Act does comply with the Cook Islands Constitution.

The Respondents were granted leave to appeal to the Privy Council. The appeal was held in April 2016 and as at the date of issuing the financial statements a decision from the Court had not been received.

There were no other significant events after balance date that require disclosure.

There have been no other significant events after balance date that require adjustment to or disclosure in the financial statements.