

**COOK ISLANDS NATIONAL
SUPERANNUATION FUND**

Financial Statements

For the Year Ended 31 December 2018

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Independent Auditor's Report

To the Members of the Cook Islands National Superannuation Fund

Opinion	<p>We have audited the financial statements of the Cook Islands National Superannuation Fund (the "Fund") which comprise the statement of net assets as at 31 December 2018, and the statement of changes in net assets and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.</p> <p>In our opinion, the accompanying financial statements, on pages 2 to 20, present fairly, in all material respects, the financial position of the Fund as at 31 December 2018, and its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards (applicable accounting framework).</p>
Basis for opinion	<p>We conducted our audit in accordance with International Standards on Auditing ('ISAs') and International Standards on Auditing (New Zealand) ('ISAs (NZ)'). Our responsibilities under those standards are further described in the <i>Auditor's Responsibilities for the Audit of the Financial Statements</i> section of our report.</p> <p>We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.</p> <p>We are independent of the Fund in accordance with Professional and Ethical Standard 1 (Revised) <i>Code of Ethics for Assurance Practitioners</i> issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' <i>Code of Ethics for Professional Accountants</i>, and we have fulfilled our other ethical responsibilities in accordance with these requirements.</p> <p>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.</p>
Trustees' responsibilities for the financial statements	<p>The trustees are responsible on behalf of the Fund for the preparation and fair presentation of the financial statements in accordance with the applicable accounting framework, 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.</p> <p>In preparing the financial statements, the trustees are responsible on behalf of the Fund for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.</p>
Auditor's responsibilities for the audit of the financial statements	<p>Our objectives are 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 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 and ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and 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.</p> <p>A further description of our responsibilities for the audit of the financial statements is located on at the External Reporting Board's website at:</p> <p>https://www.xrb.govt.nz/Site/Auditing_Assurance_Standards/Current_Standards/Page8.aspx</p> <p>This description forms part of our auditor's report.</p>
Restriction on use	<p>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.</p>

Deloitte Limited

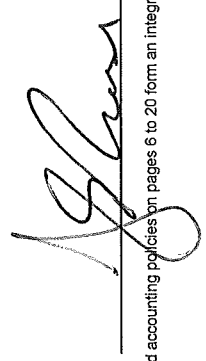
Auckland, New Zealand
21 June 2019

COOK ISLANDS NATIONAL SUPERANNUATION FUND

Statement of Net Assets
As at 31 December 2018

Note	Total December 2018 NZ\$	Total December 2017 NZ\$	Conservative Fund December 2018 NZ\$	Conservative Fund December 2017 NZ\$	Balanced Fund December 2018 NZ\$	Balanced Fund December 2017 NZ\$	Growth Fund December 2018 NZ\$	Growth Fund December 2017 NZ\$	Reserve Fund December 2018 NZ\$	Reserve Fund December 2017 NZ\$
ASSETS										
	2,723,804	2,817,961	1,506,013	1,576,274	188,679	35,144	(104,892)	(587)	1,134,004	1,207,130
Cash at Bank	402,460	513,843	402,460	513,843	-	-	-	-	-	-
Cash at Cook Islands Bank	717,164	876,432	693,285	847,182	13,741	15,408	10,138	13,842	-	-
Contributions Receivable - Member	695,488	854,743	676,177	829,107	13,414	13,757	9,897	11,879	-	-
Contributions Receivable - Employer	153,182,154	143,077,035	148,464,200	139,486,849	2,814,313	2,188,502	1,903,641	1,401,684	-	-
Investments at Fair Value Through Profit or Loss	39,256	-	34,756	-	4,500	-	-	-	-	-
Unsettled Trade	-	9,555	-	9,318	-	145	-	92	-	-
Cook Islands Prepayments	303,800	165,776	295,635	162,041	4,911	2,962	3,254	1,373	-	-
Property, plant and equipment	158,068,126	148,315,345	152,072,526	143,424,614	3,039,558	2,255,319	1,822,038	1,428,282	1,134,004	1,207,130
Total Assets										
Less LIABILITIES										
Accounts Payable	113,272	136,296	109,637	132,905	2,091	2,073	1,544	1,318	-	-
Group Life Premiums Payable	-	90,750	-	89,340	-	1,380	-	30	-	-
Benefits Payable	6,458	52,955	6,458	52,955	-	-	-	-	-	-
Investment Payable	-	-	-	-	-	-	-	-	-	-
Forfeited Benefits Payable	1,096,470	1,195,691	26,147	19,073	-	-	-	-	1,096,470	1,195,691
PIE Tax Payable	27,014	19,681	142,242	294,273	-	-	1,912	1,566	1,096,470	1,195,691
Total Liabilities	1,243,214	1,495,373	142,242	294,273	2,590	3,843	1,912	1,566	1,096,470	1,195,691
NET ASSETS AVAILABLE FOR BENEFITS	156,824,912	146,819,972	151,930,284	143,130,341	3,036,968	2,251,476	1,820,126	1,426,716	37,534	11,439
ASSETS ALLOCATED TO RESERVE										
	156,824,912	146,819,972	(656,809)	(740,623)	(13,129)	23,214	(7,869)	13,507	677,807	703,902
	-	-	151,273,475	142,389,718	3,023,839	2,274,690	1,812,257	1,440,223	715,341	715,341
LIABILITY FOR ACCRUED BENEFITS										
Represented by:										
Member Accounts	77,459,387	72,340,943	74,800,900	70,259,510	1,691,372	1,295,825	967,115	785,608	-	-
Employer Accounts	78,650,184	73,763,688	76,472,575	72,130,208	1,332,467	978,865	845,142	654,615	-	-
Reserve Account	500,000	500,000	-	-	-	-	-	-	500,000	500,000
Pension Reserve	215,341	215,341	-	-	-	-	-	-	215,341	215,341
Total	156,824,912	146,819,972	151,273,475	142,389,718	3,023,839	2,274,690	1,812,257	1,440,223	715,341	715,341

For and on behalf of the Trustee, Public Trust, who authorised the issue of these financial statements on 21 June 2019.



Trustee:

Date: 21 June 2019

The notes and accounting policies on pages 6 to 20 form an integral part of these financial statements.

COOK ISLANDS NATIONAL SUPERANNUATION FUND

Statement of Changes in Net Assets
For the Year Ended 31 December 2018

Note	Total December 2018 NZ\$	Total December 2017 NZ\$	Conservative		Conservative		Balanced		Growth		Reserve	
			Fund December 2018 NZ\$	Fund December 2017 NZ\$	Fund December 2018 NZ\$	Fund December 2017 NZ\$	Fund December 2018 NZ\$	Fund December 2017 NZ\$	Fund December 2018 NZ\$	Fund December 2017 NZ\$		
INVESTMENT ACTIVITIES												
Investment Revenue												
5	(1,369,092)	2,053,468	(1,142,110)	1,961,123	(110,089)	50,279	(116,893)	42,066	-	-	-	-
	1,604,727	11,643,531	1,526,596	11,348,138	41,301	198,908	36,730	96,485	-	-	-	-
	52,112	31,489	21,255	17,069	184	588	138	374	30,537	30,537	13,458	13,458
	287,747	13,728,488	405,841	13,326,330	(68,604)	249,775	(60,027)	138,925	30,537	30,537	13,458	13,458
	1,040,101	898,824	1,009,042	880,918	18,202	11,813	12,855	6,093	-	-	-	-
	(752,354)	12,829,664	(603,202)	12,445,412	(86,806)	237,952	(92,884)	132,832	30,537	30,537	13,458	13,458
OTHER INCOME												
	382,386	380,693	382,386	380,693	-	-	-	-	-	-	-	-
	-	56,513	-	55,107	-	860	-	546	-	-	-	-
10	33,612	100,835	32,720	98,327	493	1,534	399	975	-	-	-	-
	415,998	538,042	415,106	534,127	493	2,394	399	1,521	-	-	-	-
OTHER EXPENSES												
10	792,084	796,648	766,663	776,827	14,628	12,117	10,793	7,704	-	-	-	-
	428,039	400,335	414,302	390,375	7,905	6,089	5,832	3,871	-	-	-	-
	3,300	1,850	3,194	1,804	51	28	45	18	-	-	-	-
	29,505	29,961	28,558	29,235	545	456	402	290	-	-	-	-
	374,097	363,151	382,088	356,041	6,921	5,749	5,088	1,361	-	-	-	-
	3,803	3,580	3,637	3,491	69	54	51	35	-	-	-	-
	56,384	62,699	54,575	61,139	1,041	954	768	606	-	-	-	-
	20,889	31,582	20,218	30,797	386	480	285	305	-	-	-	-
	-	10,852	-	10,882	-	165	-	105	-	-	-	-
	17,501	9,642	16,939	9,402	323	147	239	93	-	-	-	-
	111,803	26,307	108,215	25,653	2,065	400	1,523	254	-	-	-	-
15	1,837,405	1,736,627	1,776,389	1,695,346	33,844	26,639	25,025	14,642	46	46	-	-
	(2,173,761)	11,651,079	(1,956,485)	11,284,193	(120,257)	213,716	(117,510)	119,711	30,491	30,491	13,458	13,458
Surplus/(Deficit) before Taxation and Membership Activities												
	43,543	31,124	37,314	28,250	1,007	554	825	301	4,397	4,397	2,019	2,019
Income Tax Expense												
	(2,217,304)	11,599,955	(2,003,799)	11,255,943	(121,264)	213,162	(118,335)	119,410	26,094	26,094	11,489	11,489
Surplus/(Deficit) after Taxation and before Membership Activities												

COOK ISLANDS NATIONAL SUPERANNUATION FUND

Statement of Changes in Net Assets (Cont'd)
For the Year Ended 31 December 2018

Note	Total		Conservative		Conservative		Balanced		Growth		Growth		Reserve	
	December	2017	December	2017	December	2017	December	2017	December	2017	December	2017	December	2017
	NZ\$	NZ\$	NZ\$	NZ\$	NZ\$	NZ\$	NZ\$	NZ\$	NZ\$	NZ\$	NZ\$	NZ\$	NZ\$	NZ\$
MEMBERSHIP ACTIVITIES														
Contributions	7,107,833	7,091,592	6,879,719	6,878,646	131,265	125,405	96,849	87,541	-	-	-	-	-	-
Member Contributions	835,629	495,925	324,761	349,048	6,196	132,133	4,572	14,745	-	-	-	-	-	-
Member Voluntary Contributions	7,106,834	7,171,881	6,878,751	6,568,537	131,247	125,607	96,866	87,737	-	-	-	-	-	-
Employer Contributions	1,032,717	190,836	1,032,717	180,836	-	-	-	-	-	-	-	-	-	-
Contributions Yet To Be Allocated	15,682,913	14,940,235	15,115,948	14,367,967	268,708	383,145	198,257	190,023	-	-	-	-	-	-
Total Contributions														
Benefits Paid	844,996	640,360	844,996	640,360	-	-	-	-	-	-	-	-	-	-
Retirement	539,749	399,598	539,749	399,598	-	-	-	-	-	-	-	-	-	-
Death	336,626	277,021	336,626	277,021	-	-	-	-	-	-	-	-	-	-
Insurance Proceeds Paid	502,859	419,504	502,859	419,504	-	-	-	-	-	-	-	-	-	-
Pensions Paid	144,575	96,028	144,575	96,028	-	-	-	-	-	-	-	-	-	-
Medical Disability	991,863	628,996	991,863	628,996	-	-	-	-	-	-	-	-	-	-
Withdrawn Membership														
Expatriate Withdrawal Benefit														
Forfeited Benefits														
Total Benefits Paid	3,360,668	2,477,355	3,360,668	4,238,992	-	5,963	-	9,115	-	-	-	-	-	(1,776,115)
Switches In	861,817	1,542,797	13,635	496,224	490,798	498,590	357,984	607,993	-	-	-	-	-	-
Switches Out	(661,817)	(1,542,797)	(487,048)	(1,389,037)	(346,569)	(137,012)	(28,200)	(16,748)	-	-	-	-	-	-
Net Membership Activities	12,222,245	12,462,880	11,281,867	9,235,862	412,937	678,750	527,442	772,153	-	-	-	-	-	1,776,115
Increase in Net Assets During the Year	10,004,941	24,062,835	9,278,067	20,491,805	291,673	891,912	409,107	891,563	26,094	1,787,554	(26,094)	(1,369,955)	-	-
(Decrease)/Increase in Net Assets Allocated to Reserve	-	-	(394,310)	1,349,930	457,476	10,762	(37,072)	9,264	(26,094)	(1,369,955)	-	-	-	-
(Decrease)/Increase in Net Assets During the Year	10,004,941	24,062,835	8,883,757	21,841,735	749,149	902,674	372,035	900,827	-	-	-	-	-	417,599
Benefits Accrued														
Allocated to:														
Member Accounts	5,010,365	12,053,662	4,392,793	10,962,591	419,034	584,787	198,538	506,314	-	-	-	-	-	-
Employer Accounts	4,994,576	11,591,554	4,490,964	10,859,154	330,115	337,867	173,497	394,513	-	-	-	-	-	-
Reserve Account	10,004,941	24,062,835	3,883,757	21,841,735	749,149	902,674	372,035	900,827	-	-	-	-	-	417,599

The notes and accounting policies on pages 6 to 20 form an integral part of these financial statements.

COOK ISLANDS NATIONAL SUPERANNUATION FUND

Statement of Cash Flows

For the Year Ended 31 December 2018

Note	Total		Conservative		Conservative		Balanced		Growth		Growth		Reserve	
	December 2018	December 2017	December 2018	December 2017	December 2018	December 2017	December 2018	December 2017	December 2018	December 2017	December 2018	December 2017	December 2018	December 2017
	NZ\$	NZ\$	NZ\$	NZ\$	NZ\$	NZ\$	NZ\$	NZ\$	NZ\$	NZ\$	NZ\$	NZ\$	NZ\$	NZ\$
CASH FLOWS FROM OPERATING ACTIVITIES														
<i>Cash provided from</i>														
Member Contributions	7,779,831	7,433,705	7,345,402	7,246,266	236,692	111,696	197,837	75,743	-	-	-	-	-	-
Member Voluntary Contributions	357,217	485,709	273,344	342,445	59,586	130,482	24,287	12,782	-	-	-	-	-	-
Employer Contributions	7,752,092	7,513,996	7,317,596	7,326,186	236,692	111,912	197,804	75,898	-	-	-	-	-	-
Switches In	861,817	1,542,787	13,635	496,224	490,798	438,580	357,384	607,993	-	-	-	-	-	-
Insurance Proceeds	382,886	247,364	382,386	247,364	-	-	-	-	-	-	-	-	-	-
Cook Islands Government Funding	33,612	100,836	32,720	98,327	493	1,534	399	975	-	-	-	-	-	-
Profit Share Distribution	-	56,513	-	55,107	-	860	-	546	-	-	-	-	-	-
Interbank Transfer	-	-	(1,776,115)	-	-	-	-	-	-	-	-	-	-	-
Interest Received	60,913	54,352	29,192	40,136	336	463	247	295	-	-	-	-	-	-
	17,227,368	17,435,272	15,394,275	14,075,940	1,024,597	795,527	777,958	774,232	-	-	-	-	-	-
<i>Cash applied to</i>														
Benefits Paid	3,462,403	2,879,557	3,363,182	2,284,055	-	5,963	-	9,115	-	-	-	-	-	-
Switches Out	861,817	1,542,797	487,048	1,389,037	346,569	137,012	28,200	16,748	-	-	-	-	-	-
Insurance Proceeds Paid	43,993	141,838	43,993	141,838	-	-	-	-	-	-	-	-	-	-
Administration Fees	424,218	398,972	410,857	389,350	7,227	5,937	5,624	3,685	-	-	-	-	-	-
Cook Islands Office Expenses	1,054,379	958,405	1,019,920	934,860	19,878	14,438	14,581	9,108	-	-	-	-	-	-
Group Insurance Premiums	464,847	307,624	451,428	301,357	8,301	4,778	5,118	1,489	-	-	-	-	-	-
Printing Costs	-	8,652	-	8,689	-	111	-	52	-	-	-	-	-	-
Audit Fees	31,665	28,116	30,725	27,651	538	331	402	134	-	-	-	-	-	-
Taxation Fees	3,300	3,350	3,194	3,280	61	45	45	25	-	-	-	-	-	-
Trustee Fees	28,144	58,007	27,420	56,642	420	849	304	516	-	-	-	-	-	-
Legal Fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Consulting Fees	37,563	37,630	36,592	36,892	561	491	410	247	-	-	-	-	-	-
General Expenses	31,734	9,297	30,718	9,066	586	141	430	90	-	-	-	-	-	-
Bank Fees	3,798	3,580	3,637	3,491	69	54	45	35	-	-	-	-	-	-
Income Tax Paid	4,406	2,230	3	207	-	2	6	2	-	-	-	-	-	-
	6,452,257	6,380,256	5,908,716	5,586,415	384,711	170,153	55,165	41,246	-	-	-	-	-	-
	10,775,110	11,055,016	9,485,567	8,489,525	639,886	625,374	722,793	732,987	-	-	-	-	-	-
Net Cash Flows from Operating Activities														
CASH FLOWS FROM INVESTING ACTIVITIES														
<i>Cash provided from</i>														
Sale of Investments	7,345,279	3,623,810	7,114,915	3,602,690	196,964	21,120	34,000	-	-	-	-	-	-	-
<i>Cash applied to</i>														
Purchase of Investments	(18,325,929)	(12,862,027)	(16,781,516)	(11,463,437)	(663,315)	(657,142)	(861,098)	(741,448)	-	-	-	-	-	-
	(10,980,650)	(9,238,217)	(9,667,201)	(7,860,747)	(466,351)	(636,022)	(827,098)	(741,448)	-	-	-	-	-	-
Net Cash Flows used In Investing Activities														
Net (Decrease)/Increase in Cash Held	(205,540)	1,816,799	(181,644)	628,778	153,635	(10,648)	(104,305)	(8,461)	(73,126)	-	-	-	-	-
Cash at Beginning of Year	3,331,804	1,515,005	2,090,117	1,461,339	35,144	45,792	(687)	7,874	1,207,130	-	-	-	-	-
Cash at End of the Year	3,126,264	3,331,804	1,908,473	2,090,117	188,679	35,144	(104,892)	(587)	1,134,004	1,207,130	582,443	1,776,115	13,458	1,789,573

The notes and accounting policies on pages 6 to 20 form an integral part of these financial statements.

COOK ISLANDS NATIONAL SUPERANNUATION FUND

Notes to the Financial Statements
For the Year Ended 31 December 2018

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 138 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

There were no amendments to the Trust Deed during the year.

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. The judgement of the Privy Council issued in November 2016 found that the Act does comply with the Cook Islands constitution. The judgement allowed the appeal on the grounds that the employer contributions of migrant workers forfeited to the Fund under Section 53 of the Act were unjustifiably discriminatory in relation to the Constitution and invited written submissions. However, given the decision to allow the appeal in relation to employer contributions of migrant workers, the Trustee in consultation with the Cook Islands National Superannuation Board initiated a repayment plan to impacted members.

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 Reduced Disclosure Regime ("NZ IFRS RDR") and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities. The financial statements comply with International Financial Reporting Standards Reduced Disclosure Regime ("IFRS RDR") as issued by the External Reporting Board, and has applied disclosure concessions. The Fund qualifies for NZ IFRS RDR as it does not have public accountability and it is not a large for-profit public sector entity.

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 2018

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.

Classification of Expenditure

Expenditure in the Statement of Changes in Net Assets and Statement of Cash Flows is allocated to the investment funds on a basis according to member registry balances. This methodology is consistent with the prior year.

3. Summary of Significant Accounting Policies

Standards, amendments and interpretations to existing standards that are effective and have been adopted by the Fund

The following new standards relevant to the Fund have been issued and were adopted on 1 January 2018.

NZ IFRS 9 Financial Instruments

NZ IFRS 9 Financial Instruments addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of NZ IFRS 9 was issued on September 2014. It replaces the guidance in NZ IAS 39 Financial Instruments: Recognition and Measurement that relates to the classification and measurement of financial instruments.

NZ IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income, and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset.

Under NZ IFRS 9 a new expected credit losses model replaces the incurred loss impairment model for financial assets used in NZ IAS 39. There are no changes to classification and measurement rules for financial liabilities. However, for financial liabilities that have been designated at fair value through profit or loss, fair value changes attributable to changes in credit risk must be presented in other comprehensive income.

NZ IFRS 9 relaxes the requirements for hedge effectiveness by removing the 80% to 125% hedge effectiveness threshold. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as that used by management for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under NZ IAS 39.

There is no impact of transitioning to NZ IFRS 9 on the Fund's financial statements, other than the small changes to disclosures as required by the new standard.

NZ IFRS 15 Revenue from Contracts with Customers

NZ IFRS 15 establishes principles for reporting information about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. An entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue by identifying the contract with the customer, identifying the performance obligations in the contract, determining the transaction price, allocating the transaction price to the performance obligations in the contract, and recognising revenue when or as the entity satisfies a performance obligation.

There is no impact of transitioning to NZ IFRS 15 on the Fund's financial statements.

Interest Income

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

COOK ISLANDS NATIONAL SUPERANNUATION FUND

Notes to the Financial Statements
For the Year Ended 31 December 2018

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

Investment Income

Distribution income and other income from uninvested 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.

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.

COOK ISLANDS NATIONAL SUPERANNUATION FUND

Notes to the Financial Statements
For the Year Ended 31 December 2018

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

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.

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%
Motor Vehicle	20%
IT System	33%

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 2018

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 Trustee has 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 other than the adoption of NZ IFRS 9 Financial Instruments.

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

	Total 2018 NZ\$	Total 2017 NZ\$	Conservative Fund 2018 NZ\$	Conservative Fund 2017 NZ\$	Balanced Fund 2018 NZ\$	Balanced Fund 2017 NZ\$	Growth Fund 2018 NZ\$	Growth Fund 2017 NZ\$
Russell Global Opportunities Fund \$NZ Hedged CI B	28,946,255	34,794,657	26,943,455	33,050,257	1,039,543	955,130	963,257	789,270
Russell Global Bond Fund Class B	85,296,731	74,569,244	84,044,715	73,728,052	931,839	636,742	320,177	204,450
Russell Investments NZ Shares Fund	16,967,394	15,282,936	15,825,255	14,489,595	603,792	436,636	538,347	356,705
Russell Investments NZ Fixed Interest Fund	21,971,774	18,430,198	21,650,775	18,218,945	239,139	159,994	81,860	51,259
Total Investments	153,182,154	143,077,035	148,464,200	139,486,849	2,814,313	2,188,502	1,903,641	1,401,684

5. Gains on Investments at Fair Value Through Profit or Loss

	Total 2018 NZ\$	Total 2017 NZ\$	Conservative Fund 2018 NZ\$	Conservative Fund 2017 NZ\$	Balanced Fund 2018 NZ\$	Balanced Fund 2017 NZ\$	Growth Fund 2018 NZ\$	Growth Fund 2017 NZ\$
Russell Global Opportunities Fund \$NZ Hedged CI B	(3,732,260)	(391,437)	(3,471,573)	(398,521)	(134,280)	(5,533)	(126,407)	12,617
Russell Global Bond Fund Class B	1,511,377	(256,731)	1,491,302	(254,456)	14,882	(2,186)	5,193	(89)
Russell Investments NZ Shares Fund	214,149	1,965,798	208,730	1,884,801	3,218	52,634	2,201	28,363
Russell Investments NZ Fixed Interest Fund	637,642	735,838	629,431	729,299	6,091	5,364	2,120	1,175
Total Gains on Investments at Fair Value Through Profit or Loss	(1,369,092)	2,053,468	(1,142,110)	1,961,123	(110,089)	50,279	(116,893)	42,066

COOK ISLANDS NATIONAL SUPERANNUATION FUND

Notes to the Financial Statements
For the Year Ended 31 December 2018

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.

	2018 NZ\$	2017 NZ\$
Conservative Fund	151,271,064	142,389,718
Balanced Fund	2,801,139	2,274,690
Growth Fund	2,037,368	1,440,223
Total	156,109,571	146,104,631

7. Guaranteed Benefits

No guarantees have been made in respect of any part of the liability for promised benefits (2017: Nil).

8. Liability for Accrued Benefits

a) Changes in Accrued Benefits allocated to Compulsory Accounts

	Total		Conservative		Conservative		Balanced		Balanced		Growth		Growth		Reserve	
	2018 NZ\$	2017 NZ\$	Fund 2018 NZ\$	Fund 2017 NZ\$	Fund 2018 NZ\$	Fund 2017 NZ\$	Fund 2018 NZ\$	Fund 2017 NZ\$	Fund 2018 NZ\$	Fund 2017 NZ\$	Fund 2018 NZ\$	Fund 2017 NZ\$	Fund 2018 NZ\$	Fund 2017 NZ\$	Fund 2018 NZ\$	Fund 2017 NZ\$
Opening Balance	146,104,631	122,459,396	142,389,718	120,547,984	2,274,690	1,372,016	1,440,223	539,396	-	-	-	-	-	-	-	-
Contributions	15,582,913	14,940,235	15,115,948	14,367,067	268,708	383,145	198,257	190,023	-	-	-	-	-	-	-	-
Withdrawals	(3,360,668)	(2,477,355)	(3,360,668)	(2,462,277)	-	(5,963)	-	(9,115)	-	-	-	-	-	-	-	-
Switches In	881,817	1,542,797	13,635	496,224	490,798	438,580	357,384	607,993	-	-	-	-	-	-	-	-
Switches Out	(851,817)	(1,542,797)	(487,048)	(1,389,037)	(346,569)	(137,012)	(28,200)	(16,748)	-	-	-	-	-	-	-	-
Insurance Proceeds	382,386	380,693	382,386	380,693	-	(5,749)	-	-	-	-	-	-	-	-	-	-
Group Insurance Expense	(374,097)	(963,151)	(362,088)	(356,041)	(6,921)	-	(5,088)	(1,361)	-	-	-	-	-	-	-	-
Interest Allocation - Member	(1,105,041)	5,757,745	(992,074)	5,362,867	(64,885)	129,130	(61,128)	70,023	13,047	13,047	13,047	13,047	13,047	13,047	195,725	195,725
Interest Allocation - Employer	(1,120,556)	5,798,518	(1,032,024)	5,442,238	(49,458)	100,543	(52,120)	60,012	(26,094)	(26,094)	(26,094)	(26,094)	(26,094)	(26,094)	(391,450)	(391,450)
Transfer from/(to) Reserve Account	-	(391,450)	(394,310)	-	457,476	-	(37,072)	-	-	-	-	-	-	-	-	-
Closing Balance	156,109,569	146,104,631	151,273,475	142,389,718	3,023,839	2,274,690	1,812,257	1,440,223	-	-	-	-	-	-	-	-

COOK ISLANDS NATIONAL SUPERANNUATION FUND

Notes to the Financial Statements
For the Year Ended 31 December 2018

8. Liability for Accrued Benefits (Cont'd)

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

	Total 2018 NZ\$	Total 2017 NZ\$	Conservative Fund 2018 NZ\$	Conservative Fund 2017 NZ\$	Balanced Fund 2018 NZ\$	Balanced Fund 2017 NZ\$	Growth Fund 2018 NZ\$	Growth Fund 2017 NZ\$	Reserve Fund 2018 NZ\$	Reserve Fund 2017 NZ\$
Opening Balance	500,000	100,000	-	-	-	-	-	-	500,000	100,000
Interest Allocation - General Reserve	-	8,550	-	-	-	-	-	-	-	8,550
Transfer (to)/from Compulsory Account	-	391,450	-	-	-	-	-	-	-	391,450
Closing Balance	500,000	500,000	-	-	-	-	-	-	500,000	500,000

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

	Total 2018 NZ\$	Total 2017 NZ\$	Conservative Fund 2018 NZ\$	Conservative Fund 2017 NZ\$	Balanced Fund 2018 NZ\$	Balanced Fund 2017 NZ\$	Growth Fund 2018 NZ\$	Growth Fund 2017 NZ\$	Reserve Fund 2018 NZ\$	Reserve Fund 2017 NZ\$
Opening Balance	215,341	197,742	-	-	-	-	-	-	215,341	197,742
Interest Allocation - Pension Reserve	-	17,599	-	-	-	-	-	-	-	17,599
Closing Balance	215,341	215,341	-	-	-	-	-	-	215,341	215,341
Total Liability for Accrued Benefits	156,824,910	146,819,972	151,273,475	142,389,718	3,023,839	2,274,690	1,812,257	1,440,223	715,341	715,341

COOK ISLANDS NATIONAL SUPERANNUATION FUND

Notes to the Financial Statements
For the Year Ended 31 December 2018

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

	Total 2018 NZ\$	Total 2017 NZ\$	Conservative Fund 2018 NZ\$	Conservative Fund 2017 NZ\$	Balanced Fund 2018 NZ\$	Balanced Fund 2017 NZ\$	Growth Fund 2018 NZ\$	Growth Fund 2017 NZ\$	Reserve Fund 2018 NZ\$	Reserve Fund 2017 NZ\$
Increase in Net Assets During the Year	10,004,941	24,062,634	8,883,757	20,491,805	749,149	891,912	372,035	891,563	-	1,787,554
(Less)/Add Non Cash Items:										
Losses/(Gains) on Investments at Fair Value	1,369,092	(2,053,468)	1,142,110	(1,961,123)	110,089	(50,279)	116,893	(42,066)	-	-
Distributions Received	(1,604,727)	(11,643,531)	(1,526,696)	(11,348,138)	(41,301)	(198,908)	(36,730)	(96,485)	-	-
Investment Management Fees	1,040,101	898,824	1,009,042	880,918	18,202	11,813	12,856	6,093	-	-
Depreciation Expense	111,803	26,307	108,215	25,653	2,065	400	1,523	254	-	-
Cook Islands Net Expense	(249,828)	(147,453)	(241,809)	(143,784)	(4,615)	(2,243)	(3,404)	(1,426)	-	-
PIE Tax Expense	31,808	27,336	30,637	26,846	704	314	467	176	-	-
Asset Allocation to Reserve	-	-	(83,814)	-	(195,309)	-	253,029	-	26,094	-
(Less)/Add Movements in Other Working Capital Items:										
Decrease/(Increase) in Contributions Receivable	314,523	516,045	306,827	570,931	2,010	(29,166)	5,686	(25,720)	-	-
Decrease/(Increase) in Cook Islands Prepayments	9,555	(560)	9,318	(467)	145	(40)	92	(52)	-	-
(Decrease)/Increase in Accounts Payable	(23,024)	(11,037)	(23,268)	(12,054)	18	361	226	656	-	-
(Decrease)/Increase in Group Life Premiums	(90,750)	55,529	(89,340)	54,986	(1,380)	971	(30)	(128)	-	-
Decrease in Benefits Payable	(46,497)	(96,945)	(46,497)	(96,945)	-	-	-	-	-	-
Decrease in Forfeited Benefits Payable	(99,220)	(580,424)	-	-	-	-	-	-	(99,220)	(580,424)
Increase in PIE Tax Payable	7,333	1,558	7,074	1,197	109	239	150	122	-	-
Net Cash Flows from Operating Activities	10,775,110	11,055,016	9,485,557	8,489,525	639,886	625,374	722,793	732,987	(73,126)	1,207,130

COOK ISLANDS NATIONAL SUPERANNUATION FUND

Notes to the Financial Statements
For the Year Ended 31 December 2018

10. Cook Islands Office Income and Expenses

A proportion of the Cook Islands Office expenses were 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 National Superannuation Board, as well as various administrative expenses incurred in the running of the Cook Islands Office. The POBOC funding ceased in June 2018.

During the year ended 31 December 2018 the Fund received POBOC funding from the Cook Islands Government of \$33,612 (2017: \$100,836) which was used to pay for some of the total Cook Islands Office expenses which are set out below:

	2018	2017	
	NZ\$	NZ\$	
Legal and Professional Fees	-	483	
Salaries and Personnel Costs	411,104	435,345	
Other Expenses	380,980	360,820	
Cook Islands Office Expenses	792,084	796,648	

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 instruments by category

Financial assets at fair value through profit or loss
Investments at fair value through profit or loss

	Total	Conservative	Balanced	Growth	Reserve Fund
	2018	Fund	Fund	Fund	Fund
	NZ\$	2018	2018	2018	2018
	NZ\$	NZ\$	NZ\$	NZ\$	NZ\$
	153,182,154	148,464,200	2,814,313	1,903,641	-
Financial assets at amortised cost					
Cash at bank	3,126,264	1,908,473	188,679	(104,892)	1,134,004
Receivables	1,455,908	1,404,218	31,655	20,035	-
Total financial assets	157,764,326	151,776,891	3,034,647	1,818,784	1,134,004

Financial liabilities at amortised cost

Accounts payable	113,272	109,637	2,091	1,544	-
Other payables	6,458	6,458	-	-	-
Total financial liabilities	119,730	116,095	2,091	1,544	-

COOK ISLANDS NATIONAL SUPERANNUATION FUND

Notes to the Financial Statements
For the Year Ended 31 December 2018

11. Financial Instruments (Cont'd)

Financial instruments by category

Financial assets at fair value through profit or loss
Investments at fair value through profit or loss

	Total 2017 NZ\$	Conservative Fund 2017 NZ\$	Balanced Fund 2017 NZ\$	Growth Fund 2017 NZ\$	Reserve Fund 2017 NZ\$
	143,077,035	139,486,849	2,188,502	1,401,684	-
Financial assets at amortised cost					
Cash at bank	3,331,804	2,090,117	35,144	(587)	1,207,130
Receivables	1,731,175	1,676,289	29,166	25,720	-
Total financial assets	148,140,014	143,253,255	2,252,812	1,426,817	1,207,130

Financial liabilities at amortised cost

Accounts payable	136,296	132,905	2,073	1,318	-
Other payables	143,705	142,295	1,350	30	-
Total financial liabilities	280,001	275,200	3,453	1,348	-

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 unlisted 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 unlisted 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 Opportunities 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 2018

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 2018 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 2018 NZ\$	Conservative Fund 2018 NZ\$	Conservative Fund 2017 NZ\$	Balanced Fund 2018 NZ\$	Balanced Fund 2017 NZ\$	Growth Fund 2018 NZ\$	Growth Fund 2017 NZ\$
+ / (-) 10% increase/decrease	15,318,215	14,307,703	14,846,420	281,431	218,850	190,364	140,168

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

	Sector	Domiciled
Russell Global Bond Fund Class B	Income Assets	Australia
Russell Global Opportunities Fund \$NZ Hedged CI B	Growth Assets	Australia
Russell Investments NZ Shares Fund	Growth Assets	New Zealand
Russell Investments NZ Fixed Interest Fund	Income Assets	New Zealand

COOK ISLANDS NATIONAL SUPERANNUATION FUND

Notes to the Financial Statements
For the Year Ended 31 December 2018

12. Actuarial Valuation

The most recent actuarial valuation dated 2 November 2017 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 2016. The next actuarial valuation will be based on the Fund's financial and membership information as at 31 December 2019.

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

	NZ\$
Value of Accrued Benefits	
Members' Accounts	117,706,509
Pensioners' Liabilities	5,042,409
Total Accrued Benefits (A)	<u>122,748,918</u>
Value of Assets (B)	<u>122,757,138</u>
Surplus (B - A)	8,220

The Fund's Actuary calculated the Pensioners' Liabilities of \$5,042,409 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 February 2018.

13. Reserve Account Policy

Amounts in the Reserve Account may be applied by the Trustee:

- (a) to the credit of one or more member accounts, pension accounts, or the pension reserve account;
- (b) to make a payment under clause 67 of the Trust Deed;
- (c) to pay particular fund expenses;
- (d) to meet general fund expenses; or
- (e) 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).

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14. Fair Value (Cont'd)

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.

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 2018	Level 1	Level 2	Level 3	Total
Fair Value Measurements				
Unlisted Investment Funds				
Russell Global Opportunities Fund \$NZ Hedged Class B	-	28,946,255	-	28,946,255
Russell Global Bond Fund Class B	-	85,296,731	-	85,296,731
Russell Investments NZ Shares Fund	-	16,967,394	-	16,967,394
Russell Investments NZ Fixed Interest Fund	-	21,971,774	-	21,971,774
Total Financial Assets	-	153,182,154	-	153,182,154
Financial Assets at 31 December 2017				
Fair Value Measurements				
Unlisted Investment Funds				
Russell Global Opportunities Fund \$NZ Hedged Class B	-	34,794,657	-	34,794,657
Russell Global Bond Fund Class B	-	74,569,244	-	74,569,244
Russell Investments NZ Shares Fund	-	15,282,936	-	15,282,936
Russell Investments NZ Fixed Interest Fund	-	18,430,198	-	18,430,198
Total Financial Assets	-	143,077,035	-	143,077,035

As the investments are unlisted and fair value is based on prices determined by the investment manager, they have been classified in both 2018 and 2017 financial periods as level 2.

There were no transfers between levels during the year.

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15. Property, Plant and Equipment

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

	Total		Conservative Fund		Conservative Fund		Balanced Fund		Balanced Fund		Growth Fund		Growth Fund	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	NZ\$	NZ\$	NZ\$	NZ\$	NZ\$	NZ\$	NZ\$	NZ\$	NZ\$	NZ\$	NZ\$	NZ\$	NZ\$	NZ\$
Furniture and Fittings														
At Cost	32,945	28,225	32,059	27,770	533	328	353	127						
Depreciation Expense for the Year	(2,774)	(2,804)	(2,552)	(2,734)	(107)	(43)	(115)	(27)						
Accumulated Depreciation	(18,733)	(15,959)	(18,229)	(15,677)	(303)	(196)	(201)	(86)						
	14,212	12,266	13,830	12,093	230	132	152	41						
Equipment														
At Cost	115,324	108,217	112,225	106,429	1,864	1,276	1,235	512						
Depreciation Expense for the Year	(10,521)	(15,095)	(9,413)	(14,721)	(520)	(229)	(588)	(145)						
Accumulated Depreciation	(99,308)	(88,787)	(96,639)	(87,226)	(1,805)	(1,085)	(1,064)	(476)						
	16,016	19,430	15,586	19,203	259	191	171	36						
Motor Vehicle														
At Cost	25,300	3,300	24,620	3,218	409	50	271	32						
Depreciation Expense for the Year	(2,925)	(364)	(2,847)	(354)	(47)	(6)	(31)	(4)						
Accumulated Depreciation	(3,289)	(364)	(3,201)	(354)	(53)	(6)	(35)	(4)						
	22,011	2,936	21,419	2,864	356	44	236	28						
IT System														
At Cost	355,188	139,188	345,642	135,725	5,742	2,117	3,804	1,346						
Depreciation Expense for the Year	(95,583)	(8,044)	(92,998)	(7,844)	(1,554)	(122)	(1,031)	(78)						
Accumulated Depreciation	(103,627)	(8,044)	(100,842)	(7,844)	(1,676)	(122)	(1,109)	(78)						
	251,561	131,144	244,800	127,881	4,066	1,995	2,695	1,268						
Net Book Value	303,800	165,776	295,635	162,041	4,911	2,362	3,254	1,373						

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16. Contributions Receivable

	Total		Conservative Fund		Conservative Fund		Balanced Fund		Balanced Fund		Growth Fund		Growth Fund	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Contributions Receivable - Member														
Gross Contributions Receivable - Member	744,032	893,501	NZ\$ 720,153	NZ\$ 864,251	NZ\$ 13,741	NZ\$ 15,408	NZ\$ 10,138	NZ\$ 13,842						
Provision for non-recovery of contributions - Member	(26,868)	(17,069)	(26,868)	(17,069)	-	-	-	-						
Net Contributions Receivable - Member	717,164	876,432	693,285	847,182	13,741	15,408	10,138	13,842						
Contributions Receivable - Employer														
Gross Contributions Receivable - Employer	726,356	871,811	703,045	846,175	13,414	13,757	9,897	11,879						
Provision for non-recovery of contributions - Employer	(26,868)	(17,068)	(26,868)	(17,068)	-	-	-	-						
Net Contributions Receivable - Employer	699,488	854,743	676,177	829,107	13,414	13,757	9,897	11,879						

The provision for non-recovery of contribution provisions represents 100% (2017: 56%) 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. Privy Council Decision

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 judgement of the Privy Council issued in November 2016 found that the Act does comply with the Cook Islands constitution. The judgement allowed the appeal on the grounds that the employer contributions of migrant workers forfeited to the Fund under Section 53 of the Act were unjustifiably discriminatory in relation to the Constitution and invited written submissions. However, given the decision to allow the appeal in relation to employer contributions of migrant workers the Trustees in consultation with the Cook Islands National Superannuation Board initiated a repayment plan to impacted members.

19. Events after Balance Date

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