

COOK ISLANDS NATIONAL SUPERANNUATION FUND

Financial Statements

For the Year Ended 31 December 2016

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Independent Auditor's Report

To the Members of Cook Islands Superannuation Fund

Opinion

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 2016, 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.

In our opinion, the accompanying financial statements, on pages 2 to 18, present fairly, in all material respects, the financial position of the Fund as at 31 December 2016, 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').

Basis for opinion

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 *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

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

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

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.

Trustees' responsibilities for the financial statements

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 directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 directors either intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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.

A further description of our responsibilities for the audit of the financial statements is located on at the External Reporting Board's website at:

https://www.xrb.govt.nz/Site/Auditing_Assurance_Standards/Current_Standards/Page8.aspx

This description forms part of our auditor's report.

Restriction on use

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.

Deloitte Limited

Auckland, New Zealand
9 June 2017

COOK ISLANDS NATIONAL SUPERANNUATION FUND

Statement of Net Assets

As at 31 December 2016	Note	Total 2016 NZ\$	Total 2015 NZ\$	Conservative Fund 2016 NZ\$	Conservative Fund 2015 NZ\$	Balanced Fund 2016 NZ\$	Balanced Fund 2015 NZ\$	Growth Fund 2016 NZ\$	Growth Fund 2015 NZ\$	Reserve Fund 2016 NZ\$	Reserve Fund 2015 NZ\$
ASSETS											
Cash at Bank		930,997	168,592	877,331	506,385	45,792	(204,263)	7,874	(133,530)	-	-
Cash at Cook Islands Bank		584,008	1,645,722	584,008	1,645,722	-	-	-	-	-	-
Contributions Receivable - Member	16	1,129,347	739,621	1,129,347	739,621	-	-	-	-	-	-
Contributions Receivable - Employer	16	1,117,873	739,621	1,117,873	739,621	-	-	-	-	-	-
Investments at Fair Value Through Profit or Loss	4	121,310,226	105,219,782	119,466,852	104,826,882	1,315,420	250,088	527,954	142,812	-	-
Government Funding Receivable (POBOC)		-	20,084	-	20,003	-	53	-	28	-	-
Cook Islands Prepayments		8,996	-	8,851	-	105	-	40	-	-	-
Inter-Fund Receivable		-	357,523	-	-	-	224,468	-	133,055	-	-
Other Debtors		-	43,612	-	43,438	-	114	-	60	-	-
Property, plant and equipment	15	44,631	50,233	43,911	50,032	519	132	201	69	-	-
Total Assets		125,126,078	108,984,790	123,228,173	108,571,704	1,361,836	270,592	536,069	142,494	-	-
Less LIABILITIES											
Accounts Payable		147,333	86,062	144,959	85,718	1,712	225	662	119	-	-
Group Life Premiums Payable		35,221	-	34,654	-	409	-	158	-	-	-
Benefits Payable		149,900	133,344	149,900	133,344	-	-	-	-	-	-
Investment Payable		242,248	-	242,248	-	-	-	-	-	-	-
Forfeited Benefits Payable	18	1,776,115	-	-	-	-	-	-	-	1,776,115	-
Inter-Fund Payable		-	357,523	-	357,523	-	-	-	-	-	-
PIE Tax Payable		18,123	21,003	17,876	20,980	151	15	96	8	-	-
Total Liabilities		2,368,940	597,932	589,637	597,565	2,272	240	916	127	1,776,115	-
NET ASSETS AVAILABLE FOR BENEFITS		122,757,138	108,386,858	122,638,536	107,974,139	1,359,564	270,352	535,153	142,367	(1,776,115)	-
ASSETS ALLOCATED TO RESERVE		-	-	(2,090,552)	(1,003,254)	12,452	3,735	4,243	1,579	2,073,857	997,940
		122,757,138	108,386,858	120,547,984	106,970,885	1,372,016	274,087	539,396	143,946	297,742	997,940
LIABILITY FOR ACCRUED BENEFITS											
<i>Represented By:</i>											
Member Accounts		60,287,262	53,206,252	59,276,930	52,801,079	731,038	266,234	279,294	138,939	-	-
Employer Accounts		62,172,134	54,182,666	61,271,054	54,169,806	640,978	7,853	260,102	5,007	-	-
Reserve Account		100,000	809,255	-	-	-	-	-	-	100,000	809,255
Pension Reserve		197,742	188,685	-	-	-	-	-	-	197,742	188,685
	8	122,757,138	108,386,858	120,547,984	106,970,885	1,372,016	274,087	539,396	143,946	297,742	997,940

For and on behalf of the Trustee, Public Trust, who authorised the issue of these financial statements on 9 June 2017.

Trustee:

Date:

9 June 2017

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

For the Year Ended 31 December 2016

		Total 2016 NZ\$	Total 2015 NZ\$	Conservative Fund 2016 NZ\$	Conservative Fund 2015 NZ\$	Balanced Fund 2016 NZ\$	Balanced Fund 2015 NZ\$	Growth Fund 2016 NZ\$	Growth Fund 2015 NZ\$	Reserve Fund 2016 NZ\$	Reserve Fund 2015 NZ\$
INVESTMENT ACTIVITIES											
Investment Revenue											
Gains on Investments at Fair Value Through Profit or Loss	5	7,087,892	4,531,764	7,037,373	4,525,220	30,188	4,354	20,331	2,190	-	-
Distributions Received		947,878	543,040	938,522	542,490	5,912	421	3,444	129	-	-
Interest Received		31,924	25,441	31,410	25,348	371	61	143	32	-	-
		8,067,694	5,100,245	8,007,305	5,093,058	36,471	4,836	23,918	2,351	-	-
Investment Expenses											
Investment Management Fees (Net of Rebates)		758,739	670,159	752,344	669,549	4,179	377	2,216	233	-	-
Net Investment Revenue		7,308,955	4,430,086	7,254,961	4,423,509	32,292	4,459	21,702	2,118	-	-
OTHER INCOME											
Insurance Proceeds Received		352,167	230,311	352,167	230,311	-	-	-	-	-	-
Cook Islands Government Funding	10	181,588	269,741	178,662.0	269,226	2,110	338	816	177	-	-
		533,755	500,052	530,829	499,537	2,110	338	816	177	-	-
OTHER EXPENSES											
Cook Islands Office Expenses	10	773,413	613,554	760,948	612,240	8,989	861	3,476	453	-	-
Administration Fees		350,736	324,136	345,084	323,478	4,076	431	1,576	227	-	-
Auditor's Remuneration - Other Services		2,900	6,750	2,853	6,739	34	7	13	4	-	-
Auditor's Remuneration - Audit Fees		28,307	28,506	27,851	28,402	329	68	127	36	-	-
Group Insurance Premiums		356,728	345,400	350,979	344,599	4,146	525	1,603	276	-	-
Bank Fees		4,608	1,740	4,533	1,735	54	3	21	2	-	-
Trustee Fees		36,000	38,000	35,420	37,904	418	63	162	33	-	-
Legal Fees		7,895	6,711	7,768	6,711	92	-	35	-	-	-
Consulting Fees		18,942	21,420	18,637	21,344	220	50	85	26	-	-
Printing Costs		6,643	8,842	6,536	8,818	77	16	30	8	-	-
General Expenses		-	2,479	-	2,470	-	6	-	3	-	-
Depreciation Expense	15	17,213	15,220	16,936	15,188	200	21	77	11	-	-
Total Other Expenses		1,603,385	1,412,758	1,577,545	1,409,628	18,635	2,051	7,205	1,079	-	-
Surplus before Taxation and Membership Activities		6,239,325	3,517,380	6,208,245	3,513,418	15,767	2,746	15,313	1,216	-	-
Income Tax Expense		34,969	47,634	34,568	47,611	245	15	156	8	-	-
Surplus after Taxation and before Membership Activities		6,204,356	3,469,746	6,173,677	3,465,807	15,522	2,731	15,157	1,208	-	-

COOK ISLANDS NATIONAL SUPERANNUATION FUND

Statement of Changes in Net Assets (Cont'd)

	Total 2016 NZ\$	Total 2015 NZ\$	Conservative Fund 2016 NZ\$	Conservative Fund 2015 NZ\$	Balanced Fund 2016 NZ\$	Balanced Fund 2015 NZ\$	Growth Fund 2016 NZ\$	Growth Fund 2015 NZ\$	Reserve Fund 2016 NZ\$	Reserve Fund 2015 NZ\$
MEMBERSHIP ACTIVITIES										
Contributions										
Member Contributions	5,229,079	4,399,901	5,138,584	4,391,129	54,539	5,007	35,956	3,765	-	-
Member Voluntary Contributions	225,619	228,305	189,728	194,805	27,893	33,000	7,998	500	-	-
Employer Contributions	5,317,620	4,320,214	5,227,125	4,311,442	54,539	5,007	35,956	3,765	-	-
Contributions Yet To Be Allocated	1,283,819	2,041,875	1,283,819	2,041,875	-	-	-	-	-	-
Total Contributions	12,056,137	10,990,295	11,839,256	10,939,251	136,971	43,014	79,910	8,030	-	-
Benefits Paid										
Retirement	721,067	503,481	721,067	503,481	-	-	-	-	-	-
Death	437,796	194,265	437,796	194,265	-	-	-	-	-	-
Insurance Proceeds Paid	294,643	148,396	294,643	148,396	-	-	-	-	-	-
Pensions Paid	327,933	254,699	327,933	254,699	-	-	-	-	-	-
Medical Disability	90,399	135,036	90,399	135,036	-	-	-	-	-	-
Withdrawn Membership	6,683	-	6,683	-	-	-	-	-	-	-
Expatriate Withdrawal Benefit	162,186	214,002	162,186	214,002	-	-	-	-	-	-
Voluntarily Contribution Withdrawals	73,400	-	73,400	-	-	-	-	-	-	-
Forfeited Benefits	1,776,115	-	-	-	-	-	-	-	1,776,115	-
Total Benefits Paid	3,890,222	1,449,879	2,114,107	1,449,879	-	-	-	-	1,776,115	-
Switches In	1,234,216	357,523	-	-	936,552	224,467	297,664	133,056	-	-
Switches Out	(1,234,216)	(357,523)	(1,234,216)	(357,523)	-	-	-	-	-	-
Net Membership Activities	8,165,915	9,540,416	8,490,933	9,131,849	1,073,523	267,481	377,574	141,086	(1,776,115)	-
Increase/(Decrease) in Net Assets During The Year	14,370,271	13,010,162	14,664,610	12,597,656	1,089,045	270,212	392,731	142,294	(1,776,115)	-
(Decrease)/Increase in Net Assets Allocated to Reserve	-	-	(1,087,520)	(323,080)	8,884	3,875	2,719	1,652	1,075,917	317,553
Increase/(Decrease) in Net Assets During the Year	14,370,271	13,010,162	13,577,090	12,274,576	1,097,929	274,087	395,450	143,946	(700,198)	317,553
Benefits Accrued										
Allocated to:										
Member Accounts	7,081,001	6,340,622	6,475,842	5,935,449	464,804	266,234	140,355	138,939	-	-
Employer Accounts	7,989,468	6,351,987	7,101,248	6,339,127	633,125	7,853	255,095	5,007	-	-
Reserve Accounts	(700,198)	317,553	-	-	-	-	-	-	(700,198)	317,553
	14,370,271	13,010,162	13,577,090	12,274,576	1,097,929	274,087	395,450	143,946	(700,198)	317,553

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 2016

Note	Total 2016 NZ\$	Total 2015 NZ\$	Conservative Fund 2016 NZ\$	Conservative Fund 2015 NZ\$	Balanced Fund 2016 NZ\$	Balanced Fund 2015 NZ\$	Growth Fund 2016 NZ\$	Growth Fund 2015 NZ\$
CASH FLOWS FROM OPERATING ACTIVITIES								
<i>Cash provided from</i>								
Member Contributions	5,523,029	5,589,613	5,432,534	5,580,841	54,539	5,007	35,956	3,765
Member Voluntary Contributions	225,491	228,305	189,600	194,805	27,893	33,000	7,998	500
Employer Contributions	5,611,502	5,509,926	5,521,007	5,501,154	54,539	5,007	35,956	3,765
Switches In	1,591,739	-	-	-	1,161,020	-	430,719	-
Insurance Proceeds	352,167	230,311	352,167	230,311	-	-	-	-
Cook Islands Government Funding	201,672	270,940	198,422	270,403	2,344	352	906	185
Interest Received	23,113	31,827	22,740	31,824	269	2	104	1
	<u>13,528,713</u>	<u>11,860,922</u>	<u>11,716,470</u>	<u>11,809,338</u>	<u>1,300,604</u>	<u>43,368</u>	<u>511,639</u>	<u>8,216</u>
<i>Cash applied to</i>								
Benefits Paid	1,768,910	1,434,586	1,768,910	1,434,586	-	-	-	-
Switches Out	1,591,739	-	1,591,739	-	-	-	-	-
Insurance Proceeds Paid	328,640	114,399	328,640	114,399	-	-	-	-
Administration Fees	344,801	322,700	339,244	322,160	4,007	354	1,550	186
Cook Islands Office Expenses	779,009	768,435	767,470	766,961	8,321	966	3,218	508
Group Insurance Premiums	321,506	393,808	316,324	393,007	3,737	525	1,445	276
Printing Costs	6,143	5,842	6,044	5,842	71	-	28	-
Audit Fees	27,508	28,506	27,064	28,506	320	-	124	-
Taxation Fees	4,250	6,750	4,182	6,750	49	-	19	-
Trustee Fees	34,000	38,001	33,452	37,932	395	46	153	23
Legal Fees	7,895	6,711	7,768	6,711	92	-	35	-
Consulting Fees	-	17,640	-	17,578	-	41	-	21
General Expenses	-	2,479	-	2,470	-	6	-	3
Bank Fees	4,608	1,740	4,533	1,735	54	3	21	2
Income Tax Paid	258	397	255	397	2	-	1	-
	<u>5,219,267</u>	<u>3,141,994</u>	<u>5,195,625</u>	<u>3,139,034</u>	<u>17,048</u>	<u>1,941</u>	<u>6,594</u>	<u>1,019</u>
Net Cash Flows from Operating Activities	<u>8,309,446</u>	<u>8,718,928</u>	<u>6,520,845</u>	<u>8,670,304</u>	<u>1,283,556</u>	<u>41,427</u>	<u>505,045</u>	<u>7,197</u>
CASH FLOWS FROM INVESTING ACTIVITIES								
<i>Cash provided from</i>								
Sale of Investments	2,342,710	5,727,965	2,329,710	5,727,965	8,000	-	5,000	-
<i>Cash applied to</i>								
Purchase of Investments	(10,951,465)	(14,708,825)	(9,541,323)	(14,322,408)	(1,041,501)	(245,690)	(368,641)	(140,727)
Net Cash Flows used in Investing Activities	<u>(8,608,755)</u>	<u>(8,980,860)</u>	<u>(7,211,613)</u>	<u>(8,594,443)</u>	<u>(1,033,501)</u>	<u>(245,690)</u>	<u>(363,641)</u>	<u>(140,727)</u>
Net (Decrease)/Increase in Cash Held	<u>(299,309)</u>	<u>(261,932)</u>	<u>(690,768)</u>	<u>75,861</u>	<u>250,055</u>	<u>(204,263)</u>	<u>141,404</u>	<u>(133,530)</u>
Cash at Beginning of Year	<u>1,814,314</u>	<u>2,076,246</u>	<u>2,152,107</u>	<u>2,076,246</u>	<u>(204,263)</u>	<u>-</u>	<u>(133,530)</u>	<u>-</u>
Cash at End of the Period	<u>1,515,005</u>	<u>1,814,314</u>	<u>1,461,339</u>	<u>2,152,107</u>	<u>45,792</u>	<u>(204,263)</u>	<u>7,874</u>	<u>(133,530)</u>

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 2016

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.

On 1 November 2016 the administration manager changed from Aon Hewitt (a division of Aon New Zealand) to Link Market Services Limited.

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

The Trust Deed was amended on 29 November 2016 to allow for Pensioners to retain Voluntary Account balances and for other minor amendments.

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 ("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 2016

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 the other comprehensive income (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 unitised 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 2016

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 2016

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 2016

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 Fund	Conservative Fund	Balanced Fund	Balanced Fund	Growth Fund	Growth Fund
	2016	2015	2016	2015	2016	2015	2016	2015
	NZ\$	NZ\$	NZ\$	NZ\$	NZ\$	NZ\$	NZ\$	NZ\$
Russell Global Opportunities Fund \$NZ Hedged CI B	26,343,292	21,337,002	25,496,312	21,162,212	550,560	99,217	296,420	75,573
Russell Global Bond Fund Class B	66,760,523	57,846,574	66,267,745	57,745,979	411,321	78,253	81,457	22,342
Russell Investments NZ Shares Fund	11,848,770	11,635,026	11,467,611	11,542,702	251,193	53,029	129,966	39,295
Russell Investments NZ Fixed Interest Fund	16,357,641	14,401,180	16,235,184	14,375,989	102,346	19,589	20,111	5,602
Total Investments	121,310,226	105,219,782	119,466,852	104,826,882	1,315,420	250,088	527,954	142,812

5. Investments at Fair Value Through Profit or Loss

	Total	Total	Conservative Fund	Conservative Fund	Balanced Fund	Balanced Fund	Growth Fund	Growth Fund
	2016	2015	2016	2015	2016	2015	2016	2015
	NZ\$	NZ\$	NZ\$	NZ\$	NZ\$	NZ\$	NZ\$	NZ\$
Gains/(Losses) on Investments held at Fair Value								
Russell Global Opportunities Fund \$NZ Hedged CI B	2,379,413	1,257,309	2,323,857	1,256,499	34,802	1,103	20,754	(293)
Russell Global Bond Fund Class B	3,610,261	1,555,150	3,609,311	1,555,560	63	(265)	887	(145)
Russell Investments NZ Shares Fund	646,382	1,026,263	651,105	1,020,054	(3,525)	3,562	(1,198)	2,647
Russell Investments NZ Fixed Interest Fund	451,836	693,042	453,100	693,107	(1,152)	(46)	(112)	(19)
Total Gains on Investments at Fair Value Through Profit or Loss	7,087,892	4,531,764	7,037,373	4,525,220	30,188	4,354	20,331	2,190

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.

	2016	2015
	NZ\$	NZ\$
Conservative Fund	120,547,984	106,970,885
Balanced Fund	1,372,016	274,087
Growth Fund	539,396	143,946
Total	122,459,396	107,388,918

7. Guaranteed Benefits

No guarantees have been made in respect of any part of the liability for promised benefits (2015: Nil).

COOK ISLANDS NATIONAL SUPERANNUATION FUND

Notes to the Financial Statements
For the Year Ended 31 December 2016

8. Liability for Accrued Benefits

a) Changes in Accrued Benefits allocated to Compulsory Accounts

	Conservative Fund 2016 NZ\$	Conservative Fund 2015 NZ\$	Balanced Fund 2016 NZ\$	Balanced Fund 2015 NZ\$	Growth Fund 2016 NZ\$	Growth Fund 2015 NZ\$	Reserve Fund 2016 NZ\$	Reserve Fund 2015 NZ\$	Total 2016 NZ\$	Total 2015 NZ\$
Opening Balance	106,970,885	94,696,309	274,087	-	143,946	-	-	-	107,388,918	94,696,309
Contributions	11,839,256	10,939,251	136,971	43,014	79,910	8,030	-	-	12,056,137	10,990,295
Withdrawals	(2,114,107)	(1,449,879)	-	-	-	-	-	-	(2,114,107)	(1,449,879)
Switches In	-	-	936,552	224,467	297,664	133,056	-	-	1,234,216	357,523
Switches Out	(1,234,216)	(357,523)	-	-	-	-	-	-	(1,234,216)	(357,523)
Foregone Benefits	(167,780)	(279,819)	-	-	-	-	-	-	(167,780)	(279,819)
Insurance Proceeds	352,167	230,311	-	-	-	-	-	-	352,167	230,311
Group Insurance Expense	(350,979)	(344,599)	(4,146)	(525)	(1,604)	(276)	-	-	(356,729)	(345,400)
Interest Allocation - Member	2,603,187	1,717,861	15,610	3,760	10,269	1,618	430,119	-	3,059,185	1,723,239
Interest Allocation - Employer	2,635,652	1,736,386	12,942	3,371	9,211	1,518	430,118	-	3,087,923	1,741,275
Unallocated Interest	13,919	82,587	-	-	-	-	-	-	13,919	82,587
Transfer from/(to) Reserve Account	-	-	-	-	-	-	(860,237)	-	(860,237)	-
Closing Balance	120,547,984	106,970,885	1,372,016	274,087	539,396	143,946	-	-	122,459,396	107,388,918

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

	Conservative Fund 2016 NZ\$	Conservative Fund 2015 NZ\$	Balanced Fund 2016 NZ\$	Balanced Fund 2015 NZ\$	Growth Fund 2016 NZ\$	Growth Fund 2015 NZ\$	Reserve Fund 2016 NZ\$	Reserve Fund 2015 NZ\$	Total 2016 NZ\$	Total 2015 NZ\$
Opening Balance	-	-	-	-	-	-	809,255	500,000	809,255	500,000
Interest Allocation - General Reserve	-	-	-	-	-	-	38,843	23,000	38,843	23,000
Foregone Benefits	-	-	-	-	-	-	167,780	279,819	167,780	279,819
Foregone Benefits to be paid	-	-	-	-	-	-	(1,776,115)	-	(1,776,115)	-
Interest Allocation - Forfeited Benefits	-	-	-	-	-	-	-	6,436	-	6,436
Transfer (to)/from Compulsory Account	-	-	-	-	-	-	860,237	-	860,237	-
Closing Balance	-	-	-	-	-	-	100,000	809,255	100,000	809,255

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

	Conservative Fund 2016 NZ\$	Conservative Fund 2015 NZ\$	Balanced Fund 2016 NZ\$	Balanced Fund 2015 NZ\$	Growth Fund 2016 NZ\$	Growth Fund 2015 NZ\$	Reserve Fund 2016 NZ\$	Reserve Fund 2015 NZ\$	Total 2016 NZ\$	Total 2015 NZ\$
Opening Balance	-	-	-	-	-	-	188,685	180,387	188,685	180,387
Interest Allocation - Pension Reserve	-	-	-	-	-	-	9,057	8,298	9,057	8,298
Closing Balance	-	-	-	-	-	-	197,742	188,685	197,742	188,685
Total Liability for Accrued Benefits	120,547,984	106,970,885	1,372,016	274,087	539,396	143,946	297,742	997,940	122,757,138	108,386,858

COOK ISLANDS NATIONAL SUPERANNUATION FUND

Notes to the Financial Statements
For the Year Ended 31 December 2016

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

	Conservative Fund 2016 NZ\$	Conservative Fund 2015 NZ\$	Balanced Fund 2016 NZ\$	Balanced Fund 2015 NZ\$	Growth Fund 2016 NZ\$	Growth Fund 2015 NZ\$	Reserve Fund 2016 NZ\$	Reserve Fund 2015 NZ\$	Total 2016 NZ\$	Total 2015 NZ\$
Increase/(Decrease) in Net Assets During the Year	14,664,610	12,597,656	1,089,045	270,212	392,731	142,294	(1,776,115)	-	14,370,271	13,010,162
Less Non Cash Items:										
(Gains) on Investments at Fair Value Through Profit or Loss	(7,037,373)	(4,525,220)	(30,188)	(4,354)	(20,331)	(2,190)	-	-	(7,087,892)	(4,531,764)
Distributions Received	(938,522)	(542,490)	(5,912)	(421)	(3,444)	(129)	-	-	(947,878)	(543,040)
Interest Received	(8,669)	6,476	(102)	(59)	(40)	(31)	-	-	(8,811)	6,386
Investment Management Fees	752,344	669,549	4,179	377	2,216	233	-	-	758,739	670,159
Depreciation Expense	16,936	15,188	200	21	77	11	-	-	17,213	15,220
Cook Islands Net Expense	13,241	(153,540)	902	(94)	349	(47)	-	-	14,492	(153,681)
PIE Tax Expense	37,418	26,234	106	-	67	-	-	-	37,591	26,234
Less Movements in Other Working Capital Items:										
(Increase)/Decrease in Contributions Receivable	(696,115)	337,545	-	-	-	-	-	-	(696,115)	337,545
Decrease/(Increase) in Inter Fund Receivable	-	-	224,467	(224,467)	133,055	(133,056)	-	-	357,522	(357,523)
(Decrease)/Increase in Inter Fund Payable	(357,523)	357,523	-	-	-	-	-	-	(357,523)	357,523
Increase/(Decrease) in Benefits Payable	16,556	(99,105)	-	-	-	-	-	-	16,556	(99,105)
Increase/(Decrease) in Other Payables	61,046	(40,492)	723	197	277	104	-	-	62,046	(40,191)
Increase in Forfeited Benefits Payable	-	-	-	-	-	-	1,776,115	-	1,776,115	-
(Decrease)/Increase in PIE Tax Payable	(3,104)	20,980	136	15	88	8	-	-	(2,880)	21,003
Net Cash Flows from Operating Activities	6,520,845	8,670,304	1,283,556	41,427	505,045	7,197	-	-	8,309,446	8,718,928

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 National Superannuation 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 2016 the Fund received POBOC funding from the Cook Islands Government of \$181,588 (2015: \$269,741) which was used to pay for some of the total Cook Islands Office expenses which are set out below:

	2016 \$	2015 \$
Legal and Professional Fees	865	1,205
Salaries and Personnel Costs	388,286	332,591
Other Expenses	384,262	279,759
Cook Islands Office Expenses	773,413	613,555

COOK ISLANDS NATIONAL SUPERANNUATION FUND

Notes to the Financial Statements
For the Year Ended 31 December 2016

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 2016

	Total	Total	Conservative Fund	Balanced Fund	Growth Fund	Conservative Fund	Balanced Fund	Growth Fund
	Loans and Receivables	Assets at Fair Value through profit and loss	Loans and Receivables	Loans and Receivables	Loans and Receivables	Assets at Fair Value through profit and loss	Assets at Fair Value through profit and loss	Assets at Fair Value through profit and loss
Investments at fair value through profit or loss	-	121,310,226	-	-	-	119,466,852	1,315,420	527,954
Cash at bank	1,515,005	-	1,461,339	45,792	7,874	-	-	-
Receivables	2,247,220	-	2,247,220	-	-	-	-	-
Total	3,762,225	121,310,226	3,708,559	45,792	7,874	119,466,852	1,315,420	527,954

Financial Liabilities as per the Statement of Net Assets as at 31 December 2016

	Total	Total	Conservative Fund	Balanced Fund	Growth Fund	Conservative Fund	Balanced Fund	Growth Fund
	Other Financial Liabilities	Liabilities at Fair Value	Other Financial Liabilities	Other Financial Liabilities	Other Financial Liabilities	Liabilities at Fair Value	Liabilities at Fair Value	Liabilities at Fair Value
Accounts payable	147,333	-	144,959	1,712	662	-	-	-
Other payables	185,121	-	184,554	409	158	-	-	-
Total	332,454	-	329,513	2,121	820	-	-	-

COOK ISLANDS NATIONAL SUPERANNUATION FUND

Notes to the Financial Statements
For the Year Ended 31 December 2016

11. Financial Instruments (Cont'd)

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

	Total	Total	Conservative Fund	Balanced Fund	Growth Fund	Conservative Fund	Balanced Fund	Growth Fund
	Loans and Receivables	Assets at Fair Value through profit and loss	Loans and Receivables	Loans and Receivables	Loans and Receivables	Assets at Fair Value through profit and loss	Assets at Fair Value through profit and loss	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)	-	-	-
Prepayments and Receivables	1,499,326	-	1,499,245	53	28	-	-	-
Total	3,313,640	105,219,782	3,651,352	(204,210)	(133,502)	104,826,882	250,088	142,812

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

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

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 unitised 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 unitised 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 2016

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 unitised funds which invest in cash and fixed interest investments. There is no maturity period for unitised 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 unitised funds.

As at 31 December 2016 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 unitised funds would have an adverse/positive impact on the value of the Funds assets of:

	Total	Total	Conservative Fund	Conservative Fund	Balanced Fund	Balanced Fund	Growth Fund	Growth Fund
	2016	2015	2016	2015	2016	2015	2016	2015
	NZ\$	NZ\$	NZ\$	NZ\$	NZ\$	NZ\$	NZ\$	NZ\$
+ / (-) 10% increase/decrease	12,131,022	10,521,978	11,946,685	10,482,688	131,542	25,009	52,795	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	Domiciled
Income Assets	Australia
Growth Assets	Australia
Growth Assets	New Zealand
Income Assets	New Zealand

COOK ISLANDS NATIONAL SUPERANNUATION FUND

Notes to the Financial Statements
For the Year Ended 31 December 2016

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 2016.

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	\$ 2,053,190
Total Accrued Benefits (A)	\$ 62,672,052
Value of Assets (B)	\$ 64,250,186
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:

- (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).

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.

COOK ISLANDS NATIONAL SUPERANNUATION FUND

Notes to the Financial Statements
For the Year Ended 31 December 2016

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 2016	Level 1	Level 2	Level 3	Total
Fair Value Measurements				
Unitised Investment Funds				
Russell Global Opportunities Fund \$NZ Hedged Class B	-	26,343,292	-	26,343,292
Russell Global Bond Fund Class B	-	66,760,523	-	66,760,523
Russell Investments NZ Shares Fund	-	11,848,770	-	11,848,770
Russell Investments NZ Fixed Interest Fund	-	16,357,641	-	16,357,641
Total Financial Assets	-	121,310,226	-	121,310,226

Financial Assets at 31 December 2015	Level 1	Level 2	Level 3	Total
Fair Value Measurements				
Unitised 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
Total Financial Assets	-	105,219,782	-	105,219,782

As the investments are unlisted and fair value is based on prices determined by the investment manager, they have been classified in both 2016 and 2015 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 2016 NZ\$	Total 2015 NZ\$	Conservative Fund 2016 NZ\$	Conservative Fund 2015 NZ\$	Balanced Fund 2016 NZ\$	Balanced Fund 2015 NZ\$	Growth Fund 2016 NZ\$	Growth Fund 2015 NZ\$
Furniture and Fittings								
At Cost	28,225	26,755	27,770	26,648	328	70	127	37
Depreciation Expense for the Year	(2,877)	(2,139)	(2,831)	(2,134)	(33)	(3)	(13)	(2)
Accumulated Depreciation	(13,155)	(10,278)	(12,943)	(10,237)	(153)	(27)	(59)	(14)
	15,070	16,477	14,827	16,411	175	43	68	23
Equipment								
At Cost	103,251	93,111	101,587	92,739	1,200	244	464	128
Depreciation Expense for the Year	(14,336)	(13,081)	(14,105)	(13,054)	(167)	(18)	(64)	(9)
Accumulated Depreciation	(73,690)	(59,355)	(72,503)	(59,118)	(856)	(155)	(331)	(82)
	29,561	33,756	29,084	33,621	344	89	133	46
Net Book Value	44,631	50,233	43,911	50,032	519	132	201	69



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16. Contributions Receivable

	Total 2016 NZ\$	Total 2015 NZ\$	Conservative Fund 2016 NZ\$	Conservative Fund 2015 NZ\$	Balanced Fund 2016 NZ\$	Balanced Fund 2015 NZ\$	Growth Fund 2016 NZ\$	Growth Fund 2015 NZ\$
Contributions Receivable - Member								
Gross Contributions Receivable	1,156,077	775,552	1,156,077	775,552	-	-	-	-
Provision for non-recovery of contributions	(26,730)	(35,931)	(26,730)	(35,931)	-	-	-	-
Net Contributions Receivable - Member	1,129,347	739,621	1,129,347	739,621	-	-	-	-
Contributions Receivable - Employer								
Gross Contributions Receivable - Employer	1,144,603	775,552	1,144,603	775,552	-	-	-	-
Provision for non-recovery of contributions - Employer	(26,730)	(35,931)	(26,730)	(35,931)	-	-	-	-
Net Contributions Receivable - Employer	1,117,873	739,621	1,117,873	739,621	-	-	-	-

The provision for non-recovery of contribution provisions represents 45% (2015: 21%) 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, subsequent to balance date, the Trustee 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.