

**COOK ISLANDS NATIONAL  
SUPERANNUATION FUND**

**Financial Statements**

**For the Year Ended 31 December 2017**

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## Independent Auditor's Report

### To the Members of the Cook Islands National 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 2017, 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 2017, 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 trustees 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 trustees 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](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.



Auckland, New Zealand  
18 June 2018

## COOK ISLANDS NATIONAL SUPERANNUATION FUND

### Statement of Net Assets

As at 31 December 2017

Note	Total December 2017 NZ\$	Total December 2016 NZ\$	Conservative Fund December 2017 NZ\$	Conservative Fund December 2016 NZ\$	Balanced Fund December 2017 NZ\$	Balanced Fund December 2016 NZ\$	Growth Fund December 2017 NZ\$	Growth Fund December 2016 NZ\$	Reserve Fund December 2017 NZ\$	Reserve Fund December 2016 NZ\$
<b>ASSETS</b>										
Cash at Bank	2,817,961	930,997	1,576,274	877,331	35,144	45,792	(587)	7,874	1,207,130	-
Cash at Cook Islands Bank	513,843	584,008	513,843	584,008	-	-	-	-	-	-
Contributions Receivable - Member	16 876,432	1,129,347	847,182	1,129,347	15,408	-	13,842	-	-	-
Contributions Receivable - Employer	16 854,743	1,117,873	829,107	1,117,873	13,757	-	11,879	-	-	-
Investments at Fair Value Through Profit or Loss	4 143,077,035	121,310,226	139,486,849	119,466,852	2,188,502	1,315,420	1,401,684	527,954	-	-
Cook Islands Prepayments	9,556	8,996	9,318	8,851	145	105	92	40	-	-
Property, plant and equipment	15 165,776	44,631	162,041	43,911	2,362	519	1,373	201	-	-
<b>Total Assets</b>	<b>148,315,345</b>	<b>125,126,078</b>	<b>143,424,814</b>	<b>123,228,173</b>	<b>2,255,319</b>	<b>1,361,836</b>	<b>1,428,282</b>	<b>536,069</b>	<b>1,207,130</b>	<b>-</b>
<b>Less LIABILITIES</b>										
Accounts Payable	136,296	147,333	132,905	144,959	2,073	1,712	1,318	662	-	-
Group Life Premiums Payable	90,750	35,221	89,340	34,654	1,380	409	30	158	-	-
Benefits Payable	52,955	149,900	52,955	149,900	-	-	-	-	-	-
Investment Payable	-	242,248	-	242,248	-	-	-	-	-	-
Forfeited Benefits Payable	18 1,195,691	1,776,115	-	-	-	-	-	-	1,195,691	1,776,115
PIE Tax Payable	19,681	18,123	19,073	17,876	390	151	218	96	-	-
<b>Total Liabilities</b>	<b>1,495,373</b>	<b>2,368,940</b>	<b>294,273</b>	<b>589,637</b>	<b>3,843</b>	<b>2,272</b>	<b>1,566</b>	<b>916</b>	<b>1,195,691</b>	<b>1,776,115</b>
<b>NET ASSETS AVAILABLE FOR BENEFITS</b>	<b>146,819,972</b>	<b>122,757,138</b>	<b>143,130,341</b>	<b>122,638,536</b>	<b>2,251,476</b>	<b>1,359,564</b>	<b>1,426,716</b>	<b>535,153</b>	<b>11,439</b>	<b>(1,776,115)</b>
<b>ASSETS ALLOCATED TO RESERVE</b>	<b>-</b>	<b>-</b>	<b>(740,623)</b>	<b>(2,090,552)</b>	<b>23,214</b>	<b>12,452</b>	<b>13,507</b>	<b>4,243</b>	<b>703,902</b>	<b>2,073,857</b>
	<b>146,819,972</b>	<b>122,757,138</b>	<b>142,389,718</b>	<b>120,547,984</b>	<b>2,274,690</b>	<b>1,372,016</b>	<b>1,440,223</b>	<b>539,396</b>	<b>715,341</b>	<b>297,742</b>
<b>LIABILITY FOR ACCRUED BENEFITS</b>										
<i>Represented By:</i>										
Member Accounts	72,340,943	60,287,262	70,259,510	59,276,930	1,295,825	731,038	785,608	279,294	-	-
Employer Accounts	73,763,688	62,172,134	72,130,208	61,271,054	978,865	640,978	654,615	260,102	-	-
Reserve Account	500,000	100,000	-	-	-	-	-	-	500,000	100,000
Pension Reserve	215,341	197,742	-	-	-	-	-	-	215,341	197,742
8	<b>146,819,972</b>	<b>122,757,138</b>	<b>142,389,718</b>	<b>120,547,984</b>	<b>2,274,690</b>	<b>1,372,016</b>	<b>1,440,223</b>	<b>539,396</b>	<b>715,341</b>	<b>297,742</b>

For and on behalf of the Trustee, Public Trust, who authorised the issue of these financial statements on 18 June 2018.

Trustee:

Date:

18 June 2018

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 2017

		Total 2017 NZ\$	Total 2016 NZ\$	Conservative Fund 2017 NZ\$	Conservative Fund 2016 NZ\$	Balanced Fund 2017 NZ\$	Balanced Fund 2016 NZ\$	Growth Fund 2017 NZ\$	Growth Fund 2016 NZ\$	Reserve Fund 2017 NZ\$	Reserve Fund 2016 NZ\$
<b>INVESTMENT ACTIVITIES</b>											
<b>Investment Revenue</b>											
Gains on Investments at Fair Value Through Profit or Loss	5	2,053,468	1,543,358	1,961,123	1,522,650	50,279	12,615	42,066	8,093	-	-
Distributions Received		11,643,531	6,492,412	11,348,138	6,453,245	198,908	23,485	96,485	15,682	-	-
Interest Received		31,489	31,924	17,069	31,410	588	371	374	143	13,458	-
		<u>13,728,488</u>	<u>8,067,694</u>	<u>13,326,330</u>	<u>8,007,305</u>	<u>249,775</u>	<u>36,471</u>	<u>138,925</u>	<u>23,918</u>	<u>13,458</u>	<u>-</u>
<b>Investment Expenses</b>											
Investment Management Fees (Net of Rebates)		898,824	758,739	880,918	752,344	11,813	4,179	6,093	2,216	-	-
<b>Net Investment Revenue</b>		<u>12,829,664</u>	<u>7,308,955</u>	<u>12,445,412</u>	<u>7,254,961</u>	<u>237,962</u>	<u>32,292</u>	<u>132,832</u>	<u>21,702</u>	<u>13,458</u>	<u>-</u>
<b>OTHER INCOME</b>											
Insurance Proceeds Received		380,693	352,167	380,693	352,167	-	-	-	-	-	-
Profit Share Distribution - Insurance Policy		56,513	-	55,107	-	860	-	546	-	-	-
Cook Islands Government Funding	10	100,836	181,588	98,327.0	178,662	1,534	2,110	975	816	-	-
		<u>538,042</u>	<u>533,755</u>	<u>534,127</u>	<u>530,829</u>	<u>2,394</u>	<u>2,110</u>	<u>1,521</u>	<u>816</u>	<u>-</u>	<u>-</u>
<b>OTHER EXPENSES</b>											
Cook Islands Office Expenses	10	796,648	773,413	776,827	760,948	12,117	8,989	7,704	3,476	-	-
Administration Fees		400,335	350,736	390,375	345,084	6,089	4,076	3,871	1,576	-	-
Auditor's Remuneration - Other Services		1,850	2,900	1,804	2,853	28	34	18	13	-	-
Auditor's Remuneration - Audit Fees		29,981	28,307	29,235	27,851	456	329	290	127	-	-
Group Insurance Premiums		363,151	356,728	356,041	350,979	5,749	4,146	1,361	1,603	-	-
Bank Fees		3,580	4,608	3,491	4,533	54	54	35	21	-	-
Trustee Fees		62,699	36,000	61,139	35,420	954	418	606	162	-	-
Legal Fees		-	7,895	-	7,768	-	92	-	35	-	-
Consulting Fees		31,582	18,942	30,797	18,637	480	220	305	85	-	-
Printing Costs		10,852	6,643	10,582	6,536	165	77	105	30	-	-
General Expenses		9,642	-	9,402	-	147	-	93	-	-	-
Depreciation Expense	15	26,307	17,213	25,653	16,936	400	200	254	77	-	-
<b>Total Other Expenses</b>		<u>1,736,627</u>	<u>1,603,385</u>	<u>1,695,346</u>	<u>1,577,545</u>	<u>26,639</u>	<u>18,635</u>	<u>14,642</u>	<u>7,205</u>	<u>-</u>	<u>-</u>
<b>Surplus before Taxation and Membership Activities</b>		<u>11,631,079</u>	<u>6,239,325</u>	<u>11,284,193</u>	<u>6,208,245</u>	<u>213,716</u>	<u>15,767</u>	<u>119,711</u>	<u>15,313</u>	<u>13,458</u>	<u>-</u>
Income Tax Expense		31,124	34,969	28,250	34,568	554	245	301	156	2,019	-
<b>Surplus after Taxation and before Membership Activities</b>		<u>11,599,955</u>	<u>6,204,356</u>	<u>11,255,943</u>	<u>6,173,677</u>	<u>213,162</u>	<u>15,522</u>	<u>119,410</u>	<u>15,157</u>	<u>11,439</u>	<u>-</u>

## COOK ISLANDS NATIONAL SUPERANNUATION FUND

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

	Total 2017 NZ\$	Total 2016 NZ\$	Conservative Fund 2017 NZ\$	Conservative Fund 2016 NZ\$	Balanced Fund 2017 NZ\$	Balanced Fund 2016 NZ\$	Growth Fund 2017 NZ\$	Growth Fund 2016 NZ\$	Reserve Fund 2017 NZ\$	Reserve Fund 2016 NZ\$
<b>MEMBERSHIP ACTIVITIES</b>										
<b>Contributions</b>										
Member Contributions	7,091,592	5,229,079	6,878,646	5,138,584	125,405	54,539	87,541	35,956	-	-
Member Voluntary Contributions	495,926	225,619	349,048	189,728	132,133	27,893	14,745	7,998	-	-
Employer Contributions	7,171,881	5,317,620	6,958,537	5,227,125	125,607	54,539	87,737	35,956	-	-
Contributions Yet To Be Allocated	180,836	1,283,819	180,836	1,283,819	-	-	-	-	-	-
<b>Total Contributions</b>	<b>14,940,235</b>	<b>12,056,137</b>	<b>14,367,067</b>	<b>11,839,256</b>	<b>383,145</b>	<b>136,971</b>	<b>190,023</b>	<b>79,910</b>	<b>-</b>	<b>-</b>
<b>Benefits Paid</b>										
Retirement	640,360	721,067	640,360	721,067	-	-	-	-	-	-
Death	399,598	437,796	399,598	437,796	-	-	-	-	-	-
Insurance Proceeds Paid	277,021	294,643	277,021	294,643	-	-	-	-	-	-
Pensions Paid	419,504	327,933	419,504	327,933	-	-	-	-	-	-
Medical Disability	96,028	90,399	96,028	90,399	-	-	-	-	-	-
Withdrawn Membership	14,848	6,683	14,848	6,683	-	-	-	-	-	-
Expatriate Withdrawal Benefit	629,996	162,186	614,918	162,186	5,963	-	9,115	-	-	-
Voluntarily Contribution Withdrawals	-	73,400	-	73,400	-	-	-	-	-	-
Forfeited Benefits	-	1,776,115	1,776,115	-	-	-	-	-	(1,776,115)	1,776,115
<b>Total Benefits Paid</b>	<b>2,477,355</b>	<b>3,890,222</b>	<b>4,238,382</b>	<b>2,114,107</b>	<b>5,963</b>	<b>-</b>	<b>9,115</b>	<b>-</b>	<b>(1,776,115)</b>	<b>1,776,115</b>
Switches In	1,542,797	1,234,216	496,224	-	438,580	936,552	607,993	297,664	-	-
Switches Out	(1,542,797)	(1,234,216)	(1,389,037)	(1,234,216)	(137,012)	-	(16,748)	-	-	-
<b>Net Membership Activities</b>	<b>12,462,880</b>	<b>8,165,915</b>	<b>9,235,862</b>	<b>8,490,933</b>	<b>678,750</b>	<b>1,073,523</b>	<b>772,153</b>	<b>377,574</b>	<b>1,776,115</b>	<b>(1,776,115)</b>
<b>Increase/(Decrease) in Net Assets During the Year</b>	<b>24,062,835</b>	<b>14,370,271</b>	<b>20,491,805</b>	<b>14,664,610</b>	<b>891,912</b>	<b>1,089,045</b>	<b>891,563</b>	<b>392,731</b>	<b>1,787,554</b>	<b>(1,776,115)</b>
<b>(Decrease)/Increase in Net Assets Allocated to Reserve</b>	<b>-</b>	<b>-</b>	<b>1,349,930</b>	<b>(1,087,520)</b>	<b>10,762</b>	<b>8,884</b>	<b>9,264</b>	<b>2,719</b>	<b>(1,369,955)</b>	<b>1,075,917</b>
<b>Increase/(Decrease) in Net Assets During the Year</b>	<b>24,062,835</b>	<b>14,370,271</b>	<b>21,841,735</b>	<b>13,577,090</b>	<b>902,674</b>	<b>1,097,929</b>	<b>900,827</b>	<b>395,450</b>	<b>417,599</b>	<b>(700,198)</b>
<b>Benefits Accrued</b>										
Allocated to:										
Member Accounts	12,053,682	7,081,001	10,982,581	6,475,842	564,787	464,804	506,314	140,355	-	-
Employer Accounts	11,591,554	7,989,468	10,859,154	7,101,248	337,887	633,125	394,513	255,095	-	-
Reserve Accounts	417,599	(700,198)	-	-	-	-	-	-	417,599	(700,198)
<b>Total Benefits Accrued</b>	<b>24,062,835</b>	<b>14,370,271</b>	<b>21,841,735</b>	<b>13,577,090</b>	<b>902,674</b>	<b>1,097,929</b>	<b>900,827</b>	<b>395,450</b>	<b>417,599</b>	<b>(700,198)</b>

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

# **COOK ISLANDS NATIONAL SUPERANNUATION FUND**

## **Statement of Cash Flows**

For the Year Ended 31 December 2017

Note	Total 2017 NZ\$	Total 2016 NZ\$	Conservative Fund 2017 NZ\$	Conservative Fund 2016 NZ\$	Balanced Fund 2017 NZ\$	Balanced Fund 2016 NZ\$	Growth Fund 2017 NZ\$	Growth Fund 2016 NZ\$	Reserve Fund 2017 NZ\$	Reserve Fund 2016 NZ\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>										
<i>Cash provided from</i>										
Member Contributions	7,433,705	5,523,029	7,246,266	5,432,534	111,696	54,539	75,743	35,956	-	-
Member Voluntary Contributions	485,709	225,491	342,445	189,600	130,482	27,893	12,782	7,998	-	-
Employer Contributions	7,513,996	5,611,502	7,326,186	5,521,007	111,912	54,539	75,898	35,956	-	-
Switches In	1,542,797	1,591,739	496,224	-	438,580	1,161,020	607,993	430,719	-	-
Insurance Proceeds	247,364	352,167	247,364	352,167	-	-	-	-	-	-
Cook Islands Government Funding	100,836	201,672	98,327	198,422	1,534	2,344	975	906	-	-
Profit Share Distribution	56,513	-	55,107	-	860	-	546	-	-	-
Interbank Transfer	-	-	(1,776,115)	-	-	-	-	-	1,776,115	-
Interest Received	54,352	23,113	40,136	22,740	463	269	295	104	13,458	-
	17,435,272	13,528,713	14,075,940	11,716,470	795,527	1,300,604	774,232	511,639	1,789,573	-
<i>Cash applied to</i>										
Benefits Paid	2,679,557	1,768,910	2,284,055	1,768,910	5,963	-	9,115	-	580,424	-
Switches Out	1,542,797	1,591,739	1,389,037	1,591,739	137,012	-	16,748	-	-	-
Insurance Proceeds Paid	141,838	328,640	141,838	328,640	-	-	-	-	-	-
Administration Fees	398,972	344,801	389,350	339,244	5,937	4,007	3,685	1,550	-	-
Cook Islands Office Expenses	958,406	779,009	934,860	767,470	14,438	8,321	9,108	3,218	-	-
Group Insurance Premiums	307,624	321,506	301,357	316,324	4,778	3,737	1,489	1,445	-	-
Printing Costs	8,852	6,143	8,689	6,044	111	71	52	28	-	-
Audit Fees	28,116	27,508	27,651	27,064	331	320	134	124	-	-
Taxation Fees	3,350	4,250	3,280	4,182	45	49	25	19	-	-
Trustee Fees	58,007	34,000	56,542	33,452	849	395	516	153	-	-
Legal Fees	-	7,895	-	7,768	-	92	-	35	-	-
Consulting Fees	37,630	-	36,892	-	491	-	247	-	-	-
General Expenses	9,297	-	9,066	-	141	-	90	-	-	-
Bank Fees	3,580	4,608	3,491	4,533	54	54	35	21	-	-
Income Tax Paid	2,230	258	207	255	2	2	2	1	2,019	-
	6,380,256	5,219,267	5,586,415	5,195,625	170,153	17,048	41,246	6,594	582,443	-
<b>Net Cash Flows from Operating Activities</b>	<b>9 11,055,016</b>	<b>8,309,446</b>	<b>8,489,525</b>	<b>6,520,845</b>	<b>625,374</b>	<b>1,283,556</b>	<b>732,987</b>	<b>505,045</b>	<b>1,207,130</b>	<b>-</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>										
<i>Cash provided from</i>										
Sale of Investments	3,623,810	2,342,710	3,602,690	2,329,710	21,120	8,000	-	5,000	-	-
<i>Cash applied to</i>										
Purchase of Investments	(12,862,027)	(10,951,465)	(11,463,437)	(9,541,323)	(657,142)	(1,041,501)	(741,448)	(368,641)	-	-
<b>Net Cash Flows used in Investing Activities</b>	<b>(9,238,217)</b>	<b>(8,608,755)</b>	<b>(7,860,747)</b>	<b>(7,211,613)</b>	<b>(636,022)</b>	<b>(1,033,501)</b>	<b>(741,448)</b>	<b>(363,641)</b>	<b>-</b>	<b>-</b>
<b>Net (Decrease)/Increase in Cash Held</b>	<b>1,816,799</b>	<b>(299,309)</b>	<b>628,778</b>	<b>(690,768)</b>	<b>(10,648)</b>	<b>250,055</b>	<b>(8,461)</b>	<b>141,404</b>	<b>1,207,130</b>	<b>-</b>
<b>Cash at Beginning of Year</b>	<b>1,515,005</b>	<b>1,814,314</b>	<b>1,461,339</b>	<b>2,152,107</b>	<b>45,792</b>	<b>(204,263)</b>	<b>7,874</b>	<b>(133,530)</b>	<b>-</b>	<b>-</b>
<b>Cash at End of the Year</b>	<b>3,331,804</b>	<b>1,515,005</b>	<b>2,090,117</b>	<b>1,461,339</b>	<b>35,144</b>	<b>45,792</b>	<b>(587)</b>	<b>7,874</b>	<b>1,207,130</b>	<b>-</b>

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

## COOK ISLANDS NATIONAL SUPERANNUATION FUND

### Notes to the Financial Statements For the Year Ended 31 December 2017

#### 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

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.

##### 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.

## COOK ISLANDS NATIONAL SUPERANNUATION FUND

Notes to the Financial Statements  
For the Year Ended 31 December 2017

### 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.

#### **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.



## COOK ISLANDS NATIONAL SUPERANNUATION FUND

Notes to the Financial Statements  
For the Year Ended 31 December 2017

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

#### **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.

##### *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.

## COOK ISLANDS NATIONAL SUPERANNUATION FUND

Notes to the Financial Statements  
For the Year Ended 31 December 2017

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

#### Financial instruments (Cont'd)

##### *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.

#### 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.

## COOK ISLANDS NATIONAL SUPERANNUATION FUND

Notes to the Financial Statements  
For the Year Ended 31 December 2017

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

	Total	Total	Conservative	Conservative	Balanced	Balanced	Growth Fund	Growth Fund
	2017	2016	Fund	Fund	Fund	Fund	2017	2016
	NZ\$	NZ\$	2017	2016	2017	2016	NZ\$	NZ\$
			NZ\$	NZ\$	NZ\$	NZ\$		
Russell Global Opportunities Fund \$NZ Hedged CI B	34,794,657	26,343,292	33,050,257	25,496,312	955,130	550,560	789,270	296,420
Russell Global Bond Fund Class B	74,569,244	66,760,523	73,728,052	66,267,745	636,742	411,321	204,450	81,457
Russell Investments NZ Shares Fund	15,282,936	11,848,770	14,489,595	11,467,611	436,636	251,193	356,705	129,966
Russell Investments NZ Fixed Interest Fund	18,430,198	16,357,641	18,218,945	16,235,184	159,994	102,346	51,259	20,111
<b>Total Investments</b>	<b>143,077,035</b>	<b>121,310,226</b>	<b>139,486,849</b>	<b>119,466,852</b>	<b>2,188,502</b>	<b>1,315,420</b>	<b>1,401,684</b>	<b>527,954</b>

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

	Total	Total	Conservative	Conservative	Balanced	Balanced	Growth Fund	Growth Fund
	2017	2016	Fund	Fund	Fund	Fund	2017	2016
	NZ\$	NZ\$	2017	2016	2017	2016	NZ\$	NZ\$
			NZ\$	NZ\$	NZ\$	NZ\$		
Russell Global Opportunities Fund \$NZ Hedged CI B	(391,437)	641,550	(398,521)	606,721	(5,533)	24,019	12,617	10,810
Russell Global Bond Fund Class B	(256,731)	(196,433)	(254,456)	(188,298)	(2,186)	(6,728)	(89)	(1,407)
Russell Investments NZ Shares Fund	1,965,798	646,395	1,884,801	651,118	52,634	(3,525)	28,363	(1,198)
Russell Investments NZ Fixed Interest Fund	735,838	451,846	729,299	453,109	5,364	(1,151)	1,175	(112)
<b>Total Gains on Investments at Fair Value Through Profit or Loss</b>	<b>2,053,468</b>	<b>1,543,358</b>	<b>1,961,123</b>	<b>1,522,650</b>	<b>50,279</b>	<b>12,615</b>	<b>42,066</b>	<b>8,093</b>

### 6. Vested Benefits

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

	2017	2016
	NZ\$	NZ\$
Conservative Fund	142,389,718	120,547,984
Balanced Fund	2,274,690	1,372,016
Growth Fund	1,440,223	539,396
<b>Total</b>	<b>146,104,631</b>	<b>122,459,396</b>

### 7. Guaranteed Benefits

No guarantees have been made in respect of any part of the liability for promised benefits (2016: Nil).

## COOK ISLANDS NATIONAL SUPERANNUATION FUND

Notes to the Financial Statements  
For the Year Ended 31 December 2017

### 8. Liability for Accrued Benefits

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

	Conservative Fund 2017 NZ\$	Conservative Fund 2016 NZ\$	Balanced Fund 2017 NZ\$	Balanced Fund 2016 NZ\$	Growth Fund 2017 NZ\$	Growth Fund 2016 NZ\$	Reserve Fund 2017 NZ\$	Reserve Fund 2016 NZ\$	Total 2017 NZ\$	Total 2016 NZ\$
Opening Balance	120,547,984	106,970,885	1,372,016	274,087	539,396	143,946	-	-	122,459,396	107,388,918
Contributions	14,367,067	11,839,256	383,145	136,971	190,023	79,910	-	-	14,940,235	12,056,137
Withdrawals	(2,462,277)	(2,114,107)	(5,963)	-	(9,115)	-	-	-	(2,477,355)	(2,114,107)
Switches In	496,224	-	438,580	936,552	607,993	297,664	-	-	1,542,797	1,234,216
Switches Out	(1,389,037)	(1,234,216)	(137,012)	-	(16,748)	-	-	-	(1,542,797)	(1,234,216)
Foregone Benefits	-	(167,780)	-	-	-	-	-	-	-	(167,780)
Insurance Proceeds	380,693	352,167	-	-	-	-	-	-	380,693	352,167
Group Insurance Expense	(356,041)	(350,979)	(5,749)	(4,146)	(1,361)	(1,604)	-	-	(363,151)	(356,729)
Interest Allocation - Member	5,362,867	2,603,187	129,130	15,610	70,023	10,269	195,725	430,119	5,757,745	2,629,066
Interest Allocation - Employer	5,442,238	2,635,652	100,543	12,942	60,012	9,211	195,725	430,118	5,798,518	2,657,805
Unallocated Interest	-	13,919	-	-	-	-	-	-	-	13,919
Transfer from/(to) Reserve Account	-	-	-	-	-	-	(391,450)	(860,237)	(391,450)	-
Closing Balance	142,389,718	120,547,984	2,274,690	1,372,016	1,440,223	539,396	-	-	146,104,631	122,459,396

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

	Conservative Fund 2017 NZ\$	Conservative Fund 2016 NZ\$	Balanced Fund 2017 NZ\$	Balanced Fund 2016 NZ\$	Growth Fund 2017 NZ\$	Growth Fund 2016 NZ\$	Reserve Fund 2017 NZ\$	Reserve Fund 2016 NZ\$	Total 2017 NZ\$	Total 2016 NZ\$
Opening Balance	-	-	-	-	-	-	100,000	809,255	100,000	809,255
Interest Allocation - General Reserve	-	-	-	-	-	-	8,550	38,843	8,550	38,843
Foregone Benefits	-	-	-	-	-	-	-	167,780	-	167,780
Foregone Benefits to be paid	-	-	-	-	-	-	-	(1,776,115)	-	(1,776,115)
Transfer (to)/from Compulsory Account	-	-	-	-	-	-	391,450	860,237	391,450	860,237
Closing Balance	-	-	-	-	-	-	500,000	100,000	500,000	100,000

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

(500,000)

	Conservative Fund 2017 NZ\$	Conservative Fund 2016 NZ\$	Balanced Fund 2017 NZ\$	Balanced Fund 2016 NZ\$	Growth Fund 2017 NZ\$	Growth Fund 2016 NZ\$	Reserve Fund 2017 NZ\$	Reserve Fund 2016 NZ\$	Total 2017 NZ\$	Total 2016 NZ\$
Opening Balance	-	-	-	-	-	-	197,742	188,685	197,742	188,685
Interest Allocation - Pension Reserve	-	-	-	-	-	-	17,599	9,057	17,599	9,057
Closing Balance	-	-	-	-	-	-	215,341	197,742	215,341	197,742
Total Liability for Accrued Benefits	142,389,718	120,547,984	2,274,690	1,372,016	1,440,223	539,396	715,341	297,742	146,819,972	122,757,138

## COOK ISLANDS NATIONAL SUPERANNUATION FUND

Notes to the Financial Statements  
For the Year Ended 31 December 2017

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

	Conservative Fund 2017 NZ\$	Conservative Fund 2016 NZ\$	Balanced Fund 2017 NZ\$	Balanced Fund 2016 NZ\$	Growth Fund 2017 NZ\$	Growth Fund 2016 NZ\$	Reserve Fund 2017 NZ\$	Reserve Fund 2016 NZ\$	Total 2017 NZ\$	Total 2016 NZ\$
Increase/(Decrease) in Net Assets During the Year	20,491,805	14,664,610	891,912	1,089,045	891,563	392,731	1,787,554	(1,776,115)	24,062,834	14,370,271
(Less)/Add Non Cash Items:										
Gains on Investments at Fair Value Through Profit or Loss	(1,961,123)	(1,522,650)	(50,279)	(12,615)	(42,066)	(8,093)	-	-	(2,053,468)	(1,543,358)
Distributions Received	(11,348,138)	(6,453,245)	(198,908)	(23,485)	(96,485)	(15,682)	-	-	(11,643,531)	(6,492,412)
Interest Received		(8,669)		(102)		(40)	-	-	-	(8,811)
Investment Management Fees	880,918	752,344	11,813	4,179	6,093	2,216	-	-	898,824	758,739
Depreciation Expense	25,653	16,936	400	200	254	77	-	-	26,307	17,213
Cook Islands Net Expense	(143,784)	13,241	(2,243)	902	(1,426)	349	-	-	(147,453)	14,492
PIE Tax Expense	26,846	37,418	314	106	176	67	-	-	27,336	37,591
(Less)/Add Movements in Other Working Capital Items:										
Decrease/(Increase) in Contributions Receivable	570,931	(696,115)	(29,166)	-	(25,720)	-	-	-	516,045	(696,115)
Decrease in Inter Fund Receivable	-	-	-	224,467	-	133,055	-	-	-	357,522
Increase in Cook Islands Prepayments	(467)	-	(40)	-	(52)	-	-	-	(560)	-
Decrease in Accounts Payable	(12,054)	361	361	656	-	-	-	-	(11,037)	-
Increase in Group Life Claims Payable	54,686	-	971	-	(128)	-	-	-	55,529	-
Increase/(Decrease) in Benefits Payable	(96,945)	16,556	-	-	-	-	-	-	(96,945)	16,556
Increase/(Decrease) in Other Payables	-	61,046	-	723	-	277	-	-	-	62,046
Increase in Forfeited Benefits Payable	-	-	-	-	-	-	(580,424)	1,776,115	(580,424)	1,776,115
Decrease in Inter Fund Payable	-	(357,523)	-	-	-	-	-	-	-	(357,523)
(Decrease)/Increase in PIE Tax Payable	1,197	(3,104)	239	136	122	88	-	-	1,558	(2,880)
<b>Net Cash Flows from Operating Activities</b>	<b>8,489,525</b>	<b>6,520,845</b>	<b>625,374</b>	<b>1,283,556</b>	<b>732,987</b>	<b>505,045</b>	<b>1,207,130</b>	<b>-</b>	<b>11,055,016</b>	<b>8,309,446</b>

### 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 is due to cease in June 2018.

During the year ended 31 December 2017 the Fund received POBOC funding from the Cook Islands Government of \$100,836 (2016: \$181,588) which was used to pay for some of the total Cook Islands Office expenses which are set out below:

	2017 \$	2016 \$
Legal and Professional Fees	483	865
Salaries and Personnel Costs	435,345	388,286
Other Expenses	360,820	384,262
<b>Cook Islands Office Expenses</b>	<b>796,648</b>	<b>773,413</b>

## COOK ISLANDS NATIONAL SUPERANNUATION FUND

Notes to the Financial Statements  
For the Year Ended 31 December 2017

### 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.

	Total	Conservative	Balanced Fund	Growth	Reserve Fund
	Fund	Fund	Fund	Fund	
	2017	2017	2017	2017	2017
	NZ\$	NZ\$	NZ\$	NZ\$	NZ\$
<b>Financial instruments by category</b>					
<b>Financial assets at fair value through profit or loss</b>					
Investments at fair value through profit or loss	143,077,035	139,486,849	2,188,502	1,401,684	-
<b>Loans and receivables</b>					
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	-
<b>Total financial assets</b>	<b>148,140,014</b>	<b>143,253,255</b>	<b>2,252,812</b>	<b>1,426,817</b>	<b>1,207,130</b>
<b>Financial liabilities</b>					
Accounts payable	136,296	132,905	2,073	1,318	-
Other payables	143,705	142,295	1,380	30	-
<b>Total financial liabilities</b>	<b>280,001</b>	<b>275,200</b>	<b>3,453</b>	<b>1,348</b>	<b>-</b>

	Total	Conservative	Balanced Fund	Growth	Reserve Fund
	Fund	Fund	Fund	Fund	
	2016	2016	2016	2016	2016
	NZ\$	NZ\$	NZ\$	NZ\$	NZ\$
<b>Financial instruments by category</b>					
<b>Financial assets at fair value through profit or loss</b>					
Investments at fair value through profit or loss	121,310,229	119,466,852	1,315,420	527,957	-
<b>Loans and receivables</b>					
Cash at bank	1,515,005	1,461,339	45,792	7,874	-
Receivables	2,247,220	2,247,220	-	-	-
<b>Total financial assets</b>	<b>125,072,454</b>	<b>123,175,411</b>	<b>1,361,212</b>	<b>535,831</b>	<b>-</b>
<b>Financial liabilities</b>					
Accounts payable	147,333	144,959	1,712	662	-
Other payables	185,121	184,554	409	158	-
<b>Total financial liabilities</b>	<b>332,454</b>	<b>329,513</b>	<b>2,121</b>	<b>820</b>	<b>-</b>

## COOK ISLANDS NATIONAL SUPERANNUATION FUND

Notes to the Financial Statements  
For the Year Ended 31 December 2017

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

#### 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.

#### 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 2017 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
	2017	2016	2017	2016	2017	2016	2017	2016
	NZ\$	NZ\$	NZ\$	NZ\$	NZ\$	NZ\$	NZ\$	NZ\$
+/(-) 10% increase/decrease	14,307,703	12,131,022	13,948,685	11,946,685	218,850	131,542	140,168	52,795

#### 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.

## COOK ISLANDS NATIONAL SUPERANNUATION FUND

Notes to the Financial Statements  
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### 11. Financial Instruments (Cont'd)

#### 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

### 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:-

Value of Accrued Benefits	
Members' Accounts	\$117,706,509
Pensioners' Liabilities	<u>\$ 5,042,409</u>
Total Accrued Benefits (A)	\$122,748,918
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.



## COOK ISLANDS NATIONAL SUPERANNUATION FUND

### Notes to the Financial Statements For the Year Ended 31 December 2017

#### 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.

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 2017	Level 1	Level 2	Level 3	Total
<b>Fair Value Measurements</b>				
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
<b>Total Financial Assets</b>	<b>-</b>	<b>143,077,035</b>	<b>-</b>	<b>143,077,035</b>
<b>Financial Assets at 31 December 2016</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Fair Value Measurements</b>				
Unlisted 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
<b>Total Financial Assets</b>	<b>-</b>	<b>121,310,226</b>	<b>-</b>	<b>121,310,226</b>

As the investments are unlisted and fair value is based on prices determined by the investment manager, they have been classified in both 2017 and 2016 financial periods as level 2.

There were no transfers between levels during the year.

## COOK ISLANDS NATIONAL SUPERANNUATION FUND

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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	Total	Conservative	Conservative	Balanced	Balanced	Growth Fund	Growth Fund
	2017	2016	Fund	Fund	Fund	Fund		
	NZ\$	NZ\$	2017	2016	2017	2016	2017	2016
			NZ\$	NZ\$	NZ\$	NZ\$	NZ\$	NZ\$
<b>Furniture and Fittings</b>								
At Cost	28,225	28,225	27,770	27,770	328	328	127	127
Depreciation Expense for the Year	(2,804)	(2,877)	(2,734)	(2,831)	(43)	(33)	(27)	(13)
Accumulated Depreciation	(15,959)	(13,155)	(15,677)	(12,943)	(196)	(153)	(86)	(59)
	12,266	15,070	12,093	14,827	132	175	41	68
<b>Equipment</b>								
At Cost	108,217	103,251	106,429	101,587	1,276	1,200	512	464
Depreciation Expense for the Year	(15,095)	(14,336)	(14,721)	(14,105)	(229)	(167)	(145)	(64)
Accumulated Depreciation	(88,787)	(73,690)	(87,226)	(72,503)	(1,085)	(856)	(476)	(331)
	19,430	29,561	19,203	29,084	191	344	36	133
<b>Motor Vehicle</b>								
At Cost	3,300	-	3,218	-	50	-	32	-
Depreciation Expense for the Year	(364)	-	(354)	-	(6)	-	(4)	-
Accumulated Depreciation	(364)	-	(354)	-	(6)	-	(4)	-
	2,936	-	2,864	-	44	-	28	-
<b>IT System</b>								
At Cost	139,188	-	135,725	-	2,117	-	1,346	-
Depreciation Expense for the Year	(8,044)	-	(7,844)	-	(122)	-	(78)	-
Accumulated Depreciation	(8,044)	-	(7,844)	-	(122)	-	(78)	-
	131,144	-	127,881	-	1,995	-	1,268	-
<b>Net Book Value</b>	<b>165,776</b>	<b>44,631</b>	<b>162,041</b>	<b>43,911</b>	<b>2,362</b>	<b>519</b>	<b>1,373</b>	<b>201</b>

## COOK ISLANDS NATIONAL SUPERANNUATION FUND

Notes to the Financial Statements  
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### 16. Contributions Receivable

	Total	Total	Conservative Fund	Conservative Fund	Balanced Fund	Balanced Fund	Growth Fund	Growth Fund
	2017	2016	2017	2016	2017	2016	2017	2016
	NZ\$	NZ\$	NZ\$	NZ\$	NZ\$	NZ\$	NZ\$	NZ\$
Contributions Receivable - Member								
Gross Contributions Receivable	893,501	1,156,077	864,251	1,156,077	15,408	-	13,842	-
Provision for non-recovery of contributions	(17,069)	(26,730)	(17,069)	(26,730)	-	-	-	-
Net Contributions Receivable - Member	<b>876,432</b>	<b>1,129,347</b>	<b>847,182</b>	<b>1,129,347</b>	<b>15,408</b>	<b>-</b>	<b>13,842</b>	<b>-</b>
Contributions Receivable - Employer								
Gross Contributions Receivable - Employer	871,811	1,144,603	846,175	1,144,603	13,757	-	11,879	-
Provision for non-recovery of contributions - Employer	(17,068)	(26,730)	(17,068)	(26,730)	-	-	-	-
Net Contributions Receivable - Employer	<b>854,743</b>	<b>1,117,873</b>	<b>829,107</b>	<b>1,117,873</b>	<b>13,757</b>	<b>-</b>	<b>11,879</b>	<b>-</b>

The provision for non-recovery of contribution provisions represents 56% (2016: 45%) 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 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.