

**COOK ISLANDS NATIONAL
SUPERANNUATION FUND**

Financial Statements

For the Year Ended 31 December 2014

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

Report on the Financial Statements

We have audited the financial statements of Cook Islands National Superannuation Fund (the "Fund") on pages 2 to 16, which comprise the statement of net assets as at 31 December 2014, and the statement of changes in net assets, and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the Fund's members, as a body. Our audit has been undertaken so that we might state to the Fund's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund's members as a body, for our audit work, for this report, or for the opinions we have formed.

Trustee's Responsibility for the Financial Statements

The Trustee is responsible for the preparation of financial statements, in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate, and for such internal control as the Trustee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities

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

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

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

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

Opinion

In our opinion, the financial statements on pages 2 to 16:

- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards; and
- give a true and fair view of the financial position of the Fund as at 31 December 2014, and its financial performance and its cash flows for the year ended on that date.

Chartered Accountants
17 June 2015
Wellington, New Zealand

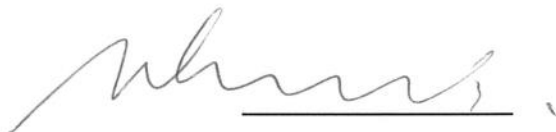
COOK ISLANDS NATIONAL SUPERANNUATION FUND

Statement of Net Assets As at 31 December 2014

	Note	2014 NZ\$	2013 NZ\$
ASSETS			
Cash at Bank		977,425	179,185
Cash at Cook Islands Bank		1,098,821	1,900,179
Contributions Receivable - Member	16	855,084	478,948
Contributions Receivable - Employer	16	855,085	478,949
Investments at Fair Value Through Profit or Loss	4	91,860,513	75,135,175
Government Funding Receivable (POBOC)		39,623	30,743
Property, plant and equipment	15	46,114	13,362
Total Assets		95,732,665	78,216,541
Less LIABILITIES			
Accounts Payable		75,112	83,364
Group Life Premiums Payable		48,408	34,200
Benefits Payable		232,449	124,463
Total Liabilities		355,969	242,027
NET ASSETS AVAILABLE FOR BENEFITS		95,376,696	77,974,514
LIABILITY FOR ACCRUED BENEFITS			
<i>Represented By:</i>			
Member Accounts		46,865,630	38,522,341
Employer Accounts		47,830,679	38,889,512
Reserve Account		500,000	400,000
Pension Reserve		180,387	162,661
	8	95,376,696	77,974,514

For and on behalf of the Trustee, Public Trust, who authorised the issue of these financial statements on 17 June 2015.

Trustee:



Date: 17 June 2015

The notes and accounting policies on pages 6 to 16 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 2014	Note	2014 NZ\$	2013 NZ\$
INVESTMENT ACTIVITIES			
Investment Revenue			
Gains on Investments at Fair Value Through Profit or Loss	5	9,326,874	6,572,987
Distributions Received		225,167	117,983
Interest Received		31,932	31,938
		<u>9,583,973</u>	<u>6,722,908</u>
Investment Expenses			
Investment Management Fees (Net of Rebates)		566,441	500,608
Net Investment Revenue		<u>9,017,532</u>	<u>6,222,300</u>
OTHER INCOME			
Insurance Proceeds Received		126,541	82,231
Cook Islands Government Funding	10	<u>277,457</u>	<u>386,739</u>
		403,998	468,970
OTHER EXPENSES			
Cook Islands Office Expenses	10	412,702	425,894
Administration Fees		300,389	281,117
Auditor's Remuneration - Other Services		2,825	5,375
Auditor's Remuneration - Audit Fees		33,333	40,934
Group Insurance Premiums		289,296	249,275
Bank Fees		536	505
Trustee Fees		28,000	28,000
Consulting Fees		15,900	-
Printing Costs		938	20,242
General Expenses		-	769
Depreciation Expense	15	<u>8,615</u>	<u>4,284</u>
Total Other Expenses		1,092,534	1,056,395
Surplus before Taxation and Membership Activities		8,328,996	5,634,875
Income Tax Expense		<u>25,691</u>	<u>642</u>
Surplus after Taxation and before Membership Activities		8,303,305	5,634,233

COOK ISLANDS NATIONAL SUPERANNUATION FUND

Statement of Changes in Net Assets (Cont'd) For the Year Ended 31 December 2014

Note 2014 2013
NZ\$ NZ\$

MEMBERSHIP ACTIVITIES

Contributions

Member Contributions	4,796,321	3,928,624
Member Voluntary Contributions	76,527	52,585
Employer Contributions	4,760,028	3,928,624
Contributions Yet To Be Allocated	827,711	1,448,193
Total Contributions	10,460,587	9,358,026

Benefits Paid

Retirement	576,517	663,888
Death	173,053	163,407
Insurance Proceeds Paid	134,688	34,604
Pensions Paid	198,248	166,344
Medical Disability	24,163	-
Expatriate Withdrawal Benefit	255,041	239,688
Total Benefits Paid	1,361,710	1,267,931

Net Membership Activities

9,098,877 8,090,095

Increase in Net Assets During The Year

17,402,182 13,724,328

Benefits Accrued

Allocated to:

Member Accounts	8,343,289	6,563,291
Employer Accounts	8,941,167	7,003,291
Reserve Accounts	117,726	157,746
	17,402,182	13,724,328

The notes and accounting policies on pages 6 to 16 form an integral part of these financial statements.

COOK ISLANDS NATIONAL SUPERANNUATION FUND

Statement of Cash Flows For the Year Ended 31 December 2014	Note	2014 NZ\$	2013 NZ\$
CASH FLOWS FROM OPERATING ACTIVITIES			
<i>Cash provided from</i>			
Member Contributions		4,834,529	4,658,426
Member Voluntary Contributions		76,527	52,586
Employer Contributions		4,798,236	4,658,426
Insurance Proceeds		126,541	82,231
Cook Islands Government Funding		281,875	386,739
Interest Received		30,957	31,938
		<u>10,148,665</u>	<u>9,870,346</u>
<i>Cash applied to</i>			
Benefits Paid		1,127,183	1,113,792
Insurance Proceeds Paid		126,541	78,726
Administration Fees		299,486	278,464
Cook Islands Office Expenses		459,299	417,109
Group Insurance Premiums		275,088	279,883
Printing Costs		18,638	19,367
Audit Fees		32,833	50,434
Taxation Fees		2,850	5,500
Trustee Fees		28,000	35,892
Consulting Fees		15,900	-
General Expenses		-	769
Bank Fees		536	505
Income Tax Paid		429	642
		<u>2,386,783</u>	<u>2,281,083</u>
Net Cash Flows from Operating Activities	9	<u>7,761,882</u>	<u>7,589,263</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
<i>Cash provided from</i>			
Sale of Investments		-	-
<i>Cash applied to</i>			
Purchase of Investments		(7,765,000)	(7,645,000)
Net Cash Flows from Investing Activities		<u>(7,765,000)</u>	<u>(7,645,000)</u>
Net (Decrease) in Cash Held		(3,118)	(55,737)
Cash at Beginning of Year		2,079,364	2,135,101
Cash at End of Year		<u>2,076,246</u>	<u>2,079,364</u>

The notes and accounting policies on pages 6 to 16 form an integral part of these financial statements.

COOK ISLANDS NATIONAL SUPERANNUATION FUND

Notes to the Financial Statements For the Year Ended 31 December 2014

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 3% - 5% of pensionable salary. These contributions are in accordance with those mandated for employees and employers under the Cook Islands National Superannuation Fund Act 2000.

Termination Terms

The Trust Deed sets out the basis on which the Fund can be terminated. Clause 117 of the Trust Deed also covers the situation where the Fund can be wound-up, upon the date determined by the Fund's National Superannuation Board in consultation with the Trustee and the Cook Islands Government.

Changes in the Fund

There have been no changes to the Trust Deed in the current year.

1.1 Going Concern

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

The Respondents have been granted leave to appeal to the Privy Council. No date has been set for any appeal.

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 2014

3. Summary of Significant Accounting Policies

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

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

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

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

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

COOK ISLANDS NATIONAL SUPERANNUATION FUND

Notes to the Financial Statements
For the Year Ended 31 December 2014

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

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.

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.

COOK ISLANDS NATIONAL SUPERANNUATION FUND

Notes to the Financial Statements For the Year Ended 31 December 2014

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

Financial instruments (Cont'd)

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%	Straight line
Equipment	25%	Straight line

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 2014

4. Financial Assets held at Fair Value Through Profit or Loss	2014	2013
	\$	\$
Russell Global Opportunities Fund \$NZ Hedged CI B	23,942,905	19,704,088
Russell Global Bond Fund Class B	46,028,603	37,611,619
Russell Investments NZ Shares Fund	10,420,588	8,086,391
Russell Investments NZ Fixed Interest Fund	11,468,417	9,733,077
Total Investments	91,860,513	75,135,175

5. Investments at Fair Value Through Profit or Loss	2014	2013
	\$	\$
Gains/(Losses) on Investments held at Fair Value		
Russell World Bond Fund	-	1,148,640
Russell World Equity Strategies Fund	-	2,092,365
Russell Global Opportunities Fund \$NZ Hedged CI B	2,579,598	4,441,854
Russell Global Bond Fund Class B	4,437,718	(1,446,836)
Russell Investments NZ Shares Fund	1,518,205	591,102
Russell Investments NZ Fixed Interest Fund	791,353	(254,138)
Total Gains on Investments at Fair Value Through Profit or Loss	9,326,874	6,572,987

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.

	2014	2013
	\$	\$
	94,696,309	77,411,853

7. **Guaranteed Benefits**
No guarantees have been made in respect of any part of the liability for promised benefits (2013: Nil).

8. **Liability for Accrued Benefits**

a) Changes in Accrued Benefits allocated to Compulsory Accounts	2014	2013
	\$	\$
Opening Balance	77,411,853	63,845,271
Contributions	10,460,587	9,358,026
Withdrawals	(1,361,710)	(1,267,931)
Foregone Benefits	(250,460)	(141,797)
Insurance Proceeds	126,541	82,231
Group Insurance Expense	(289,296)	(249,275)
Interest Allocation - Member	4,168,707	2,881,443
Interest Allocation - Employer	4,208,745	2,912,088
Transfer from/(to) Reserve Account	221,342	(8,203)
Closing Balance	94,696,309	77,411,853

b) Changes in Accrued Benefits allocated to General Reserve Account	2014	2013
	\$	\$
Opening Balance	400,000	250,000
Interest Allocation - General Reserve	43,589	-
Foregone Benefits	250,460	141,797
Interest Allocation - Forfeited Benefits	27,293	-
Transfer (to)/from Compulsory Account	(221,342)	8,203
Closing Balance	500,000	400,000

c) Changes in Accrued Benefits allocated to Pension Reserve Account	2014	2013
	\$	\$
Opening Balance	162,661	154,915
Interest Allocation - Pension Reserve	17,726	7,746
Closing Balance	180,387	162,661

Total Liability for Accrued Benefits	95,376,696	77,974,514
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COOK ISLANDS NATIONAL SUPERANNUATION FUND

Notes to the Financial Statements
For the Year Ended 31 December 2014

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

	2014	2013
	\$	\$
Increase in Net Assets During the Year	17,402,182	13,724,328
Less Non Cash Items:		
Gains on Investments at Fair Value Through Profit or Loss	(9,326,874)	(2,652,330)
Distributions Received	(225,167)	(4,038,639)
Interest Received	(975)	-
Investment Management Fees	566,441	500,608
Depreciation Expense	8,615	4,284
Cook Islands Funding/(Expense)	(42,179)	8,784
PIE Tax Expense	25,262	-
Less Movements in Other Working Capital Items:		
(Decrease)/Increase Contributions Refundable	-	-
(Decrease)/Increase in Benefits Payable	107,986	75,413
(Decrease)/Increase in Other Payables	(2,113)	(44,597)
(Increase)/Decrease in Contributions Receivable	(751,296)	11,412
Net Cash Flows from Operating Activities	7,761,882	7,589,263

10. Cook Islands Office Income and Expenses

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

During the year ended 31 December 2014 the Fund received POBOC funding from the Cook Islands Government of \$277,457 (2013: \$386,739) which was used to pay for some of the total Cook Islands Office expenses which are set out below:

	2014	2013
	\$	\$
Legal and Professional fees	439	1,504
Salaries and Personnel Costs	242,562	237,167
Other Expenses	169,701	187,223
Cook Islands Office Expenses	412,702	425,894

COOK ISLANDS NATIONAL SUPERANNUATION FUND

Notes to the Financial Statements For the Year Ended 31 December 2014

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 2014

	Loans and Receivables	Assets at Fair Value
	\$	\$
Investments at fair value through profit or loss	-	91,860,513
Cash at bank	2,076,246	-
Receivables	1,749,792	-
Total	3,826,038	91,860,513

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

	Other Financial Liabilities	Liabilities at Fair Value
	\$	\$
Accounts payable	75,112	-
Other payables	280,857	-
Total	355,969	-

Financial Assets as per the Statement of Net Assets As at 31 December 2013

	Loans and Receivables	Assets at Fair Value
	\$	\$
Investments at fair value through profit or loss	-	75,135,175
Cash at bank	2,079,364	-
Prepayments and Receivables	988,640	-
Total	3,068,004	75,135,175

Financial Liabilities as per the Statement of Net Assets As at 31 December 2013

	Other Financial Liabilities	Liabilities at Fair Value
	\$	\$
Accounts payable	83,364	-
Other payables	158,663	-
Total	242,027	-

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.

COOK ISLANDS NATIONAL SUPERANNUATION FUND

Notes to the Financial Statements For the Year Ended 31 December 2014

11. Financial Instruments (Cont'd)

Market Risk

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

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

Currency Risk

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

Interest Rate Risk

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

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

Other Price Risk

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

As at 31 December 2014 the Fund is exposed to other price risk through its investments in Funds managed by Russell Investment Management Limited.

A ten percent decrease in the unit prices of the Fund's investments in the Russell unithised funds would have an adverse impact on the value of the Fund's assets of \$9,186,051 (2013: \$7,513,518). Conversely a ten percent increase in the unit prices of the Fund's investments would have a positive impact on the value of the Plan's assets of \$9,186,051 (2013: \$7,513,518).

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 objective is to exceed New Zealand Consumer Price Index (CPI) changes by at least 3.5% per annum after fees and tax over the long term.

To meet this investment objective, net contributions are invested into the following asset mix: 35% Growth Assets (Equities) and 65% Income Assets (Bonds).

On 11 April 2013 the Investment Manager, Russell Investment Management Limited, terminated the Russell World Bond Fund and the Russell World Equity Strategies Fund (collectively the "Investment Funds") and commenced winding up procedures. As part of the winding up process, the Fund received its pro-rata share of the Investment Funds' assets, after taking into account any liabilities, costs and expenses. The wind up process was completed by 30 April 2013. The proceeds of the wind up have been reinvested in a combination of the New Zealand and Australian unit trusts listed below and follow the same 35% Growth Assets and 65% Income Assets benchmark allocations as previously adopted by the Trustee. These were non-cash transactions as they were in-species transfers between investment funds. The Trustee does not believe that the change in underlying investment funds has had any significant impact on the carrying value of the investments held at year end.

COOK ISLANDS NATIONAL SUPERANNUATION FUND

Notes to the Financial Statements For the Year Ended 31 December 2014

11. Financial Instruments (Cont'd) Investment Strategy (Cont'd)

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 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 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:

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

14. Fair Value

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

•Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

•Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

•Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

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

COOK ISLANDS NATIONAL SUPERANNUATION FUND

Notes to the Financial Statements For the Year Ended 31 December 2014

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

Financial Assets at 31 December 2013	Level 1	Level 2	Level 3	Total
Fair Value Measurements				
Unithised Investment Funds				
Russell Global Opportunities Fund \$NZ				
Hedged Class B	-	19,704,088	-	19,704,088
Russell Global Bond Fund Class B	-	37,611,619	-	37,611,619
Russell Investments NZ Shares Fund	-	8,086,391	-	8,086,391
Russell Investments NZ Fixed Interest Fund	-	9,733,077	-	9,733,077
Total Financial Assets	-	75,135,175	-	75,135,175

As the investments are unlisted and fair value is based on prices determined by the investment manager, they have been classified in both 2014 and 2013 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:

	2014	2013
	\$	\$
Furniture and Fittings		
At Cost	18,060	16,257
Depreciation Expense for the Year	(1,639)	(1,612)
Accumulated Depreciation	(8,139)	(8,539)
	9,921	7,718
Equipment		
At Cost	82,467	46,109
Depreciation Expense for the Year	(6,976)	(2,672)
Accumulated Depreciation	(46,274)	(40,465)
	36,193	5,644
Net Book Value	46,114	13,362

16. Contributions Receivable at 31 December 2014

	Member	Employer
Gross Contributions Receivable	908,393	908,393
Provision for non-recovery of contributions	(53,309)	(53,308)
Net Contributions Receivable	855,084	855,085

Contributions Receivable at 31 December 2013

	Member	Employer
Gross Contributions Receivable	478,948	478,949
Provision for non-recovery of contributions	-	-
Net Contributions Receivable	478,948	478,949

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

COOK ISLANDS NATIONAL SUPERANNUATION FUND

Notes to the Financial Statements For the Year Ended 31 December 2014

17. Related Parties

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

18. Events after Balance Date

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

The Respondents have been granted leave to appeal to the Privy Council. No date has been set for any appeal.

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