

To Tatou Vai Authority

Annual report

For the year ended 30 June 2024

Report contents

Directors' declaration	3
Directory	4
Audit report	5 - 7
Financial statements	
Statement of Service Performance	8 - 10
Statement of Comprehensive Revenue and Expenses	11
Statement of Changes in Equity	12
Statement of Financial Position	13
Statement of Cashflows	14- 15
Notes to the Financial Statements	16 - 25

Directors' declaration

In the opinion of the Directors of To Tatou Vai Authority ('the Authority') the financial statements and notes, on pages 8 - 25:

- comply with New Zealand Public Benefit Entity (NZ PBE) Reduced Disclosure Regime (RDR) International Public Sector Accounting Standards (IPSAS) and give a true and fair view of the financial position of the Authority as at 30 June 2024 and the results of operations for the year ended on that date;
- have been prepared using the appropriate accounting policies, which have been consistently applied and supported by reasonable judgements and estimates.

The Directors acknowledge that they need to take adequate steps to safeguard the assets of the Authority to prevent and detect fraud and other irregularities. Internal control procedures could also be improved to provide reasonable assurance as to the integrity and reliability of the financial statements.

The Director's have performed an assessment of the Authority's ability to continue as a going concern from twelve months from the date of this declaration. In this assessment, the Directors consider that based on committed Government support, and the level of expenditure required to meet operations, the Authority will continue to operate on a going concern basis.

The Directors are pleased to present the annual report including the financial statements of To Tatou Vai Authority for the year ended 30 June 2024.

The financial statements on pages 8 - 25 are authorised for issue for, and on behalf of, the Board:



Brian Mason
Director

Date: 20/11/2024



Ashleigh Steele
Director

Date: 20/11/2024

Directory

Nature of business	The principal activity of To Tatou Vai Authority is to ensure the availability of and adequate supply of drinkable water on the Island of Rarotonga
Registered Office	Airport House 3 Nikao PO Box 965 Rarotonga Cook Islands
Directors	Brian Mason (Chairman) Des Eggleton Sam Napa Phillip Vakatini Ashleigh Steele Charles Carlson (Appointed 01/02/24)
Shareholder	Cook Islands Investment Corporation
Auditor	KPMG

Independent Auditor's Report

To the shareholders of To Tatou Vai (**Authority**)

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements which comprises:

- the statement of financial position as at 30 June 2024;
- the statements of comprehensive revenue and expense, changes in equity and cash flows for the year then ended;
- notes, including a summary of significant accounting policies and other explanatory information; and
- the statement of service performance on pages 8 to 10.

In our opinion, the accompanying financial statements of To Tatou Vai (the **Authority**) on pages 8 to 25 presents fairly in all material respects:

- the Authority's financial position as at 30 June 2024 and its financial performance and cash flows for the year ended on that date; and
 - the service performance for year ended 30 June 2024 in accordance with the Authority's service performance criteria.
- In accordance with Public Benefit Entity Standards Reduced Disclosure Regime (PBE Standards RDR) issued by the New Zealand Accounting Standards Board.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (**ISAs (NZ)**) and the audit of the statement of service performance in accordance with the New Zealand Auditing Standard 1 *The Audit of Service Performance Information* (**NZ AS 1**). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Our responsibilities under ISAs (NZ) and NZ AS 1 are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

Other than in our capacity as auditor we have no relationship with, or interests in, the Authority.

Other information

The directors, on behalf of the Authority, are responsible for the other information. The other information comprises information included in the Authority's financial statements, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover any other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report our responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears materially misstated.

If, based on the work we have performed, we conclude there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Use of this independent auditor's report

This independent auditor's report is made solely to the shareholders. Our audit work has been undertaken so that we might state to the shareholders those matters we are required to state to them in the independent auditor's report and for no other purpose. To the fullest extent permitted by law, none of KPMG, any entities directly or indirectly controlled by KPMG, or any of their respective members or employees, accept or assume any responsibility and deny all liability to anyone other than the shareholders for our audit work, this independent auditor's report, or any of the opinions we have formed.

Responsibilities of directors for the financial report

The directors, on behalf of the Authority, are responsible for:

- the preparation and fair presentation of the financial statements in accordance with PBE Standards RDR issued by the New Zealand Accounting Standards Board;
- implementing the necessary internal control to enable the preparation of a financial statements that is free from material misstatement, whether due to fraud or error;
- service performance criteria that are suitable in order to prepare service performance information in accordance with generally accepted accounting practice in New Zealand (being PBE Standards RDR); and
- assessing the ability of the Authority to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objective is:

- to obtain reasonable assurance about whether the financial statements as a whole and the statement of service performance is free from material misstatement, whether due to fraud or error; and
- to issue an independent auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with ISAs NZ and NZ AS 1 will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate and collectively, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with ISAs (NZ) and NZ AS 1, the auditor exercises professional judgement and maintains professional scepticism throughout the audit.

The auditor also:

- Identifies and assesses the risks of material misstatement of the financial statements and the service performance information, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence that is sufficient and appropriate to provide a basis for the auditor's opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtains an understanding of internal control relevant to the audit 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.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Obtains an understanding of the process applied by the entity to select what and how to report its service performance.
- Evaluates whether the service performance criteria are suitable so as to result in service performance information that is in accordance with the applicable financial reporting framework.
- Concludes on the appropriateness of the use of the going concern basis of accounting by those charged with governance and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If the auditor concludes that a material uncertainty exists, the auditor is required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. The auditor's conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluates the overall presentation, structure and content of the financial statements and service performance information, including the disclosures, and whether the financial statements and service performance information represent the underlying transactions and events in a manner that achieves fair presentation.

The auditor communicates with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that the auditor identifies during the audit.

KPMG

Rarotonga
21st November 2024

Statement of Service Performance For the year ended 30 June 2024

Introduction

To Tatou Vai ("the Authority"), established under the To Tatou Vai Act 2021 ("the Act"), continues to advance its mission of providing a reliable and safe water supply for the people of Rarotonga, contributing to their overall well-being. Despite being in the development phase, the Authority remains focused on four core service areas;

- > **Water Quality:** Ensuring that the water is reliable and meets prescribed quality standards.
- > **Water Conservation and Supply:** Ensuring a continuous, adequate water supply year-round, minimizing waste.
- > **Water Asset Management:** Operating, building, and maintaining the water supply systems, facilities, and networks.
- > **Water Authority Development:** Investing in personnel, systems, and frameworks to enhance the Authority's capacity to fulfill its mission.

As a newly established entity, the Authority is currently in its foundational phase. Several crucial systems essential for its operations are either being implemented or are undergoing pilot testing. In addition TTV is progressively taking ownership of the water assets it will have ultimate responsibility for and at the date of this SSP does not have control over all those assets. The performance measures selected at this stage of the authority's development reflect the Authority's formative stage, providing an overview of its current capabilities. This SSP is indicative of To Tatou Vai's development journey.

As the Authority evolves, achieving full functionality and assuming ownership of the water assets presently held by MFEM, future service performance reports, including indicators, will be developed accordingly. The Authority anticipates that, as it matures and its systems become fully operational, the scope and depth of its service performance reporting will expand. This evolution will reflect the increased responsibility and capability of the Authority, ensuring alignment with its ultimate purpose of providing a clean and consistent water supply to Rarotonga.

Water Quality

The Authority continues to make progress toward providing potable water to the Rarotonga community. However, as of this reporting period, the water distributed through Rarotonga's reticulation network remains non-potable due to necessary infrastructure improvements required to support treatments such as the introduction of chlorine. During the year, the Authority maintained its practice of administering polyaluminium chloride (PACL) at sedimentation tanks to enhance coagulation and sediment removal. Automatic valveless gravity (AVG) sand filters at production sites further reduce turbidity and remove some harmful bacteria. PACL administration varies due to fluctuating rainfall and sediment buildup and is not governed by a set target.

Although the Public Health Bill has yet to be enacted, which would empower Te Marae Ora (Ministry of Health) to set prescribed water standards, the Authority has proactively established internal targets. For Authority-managed Water Stations where ultraviolet (UV) treatment is applied, the goal is for Coliforms and Escherichia coli (E. coli) levels to be below 1 in 100 ml per sample (the standard is developed by the Authority in line with the Drinking Water Standards for New Zealand 2005 (revised 2018))

The accompanying notes form part of these financial statements.



The results of this testing are as follows:

	2024	2023
Number of Tests	1115	1,167
Number of Tests passed (E.coli less than 1 in 100 ml)	1030	1,042
Pass rate	92%	89%

Water Conservation and Supply

Maintaining a consistent water supply on Rarotonga remains a challenge due to seasonal rainfall patterns and extended dry periods. The Authority is mandated to provide water to residents within the 30-meter-above-sea-level zone. Despite its best efforts, customers in this zone frequently report water shortages or low pressure. In some cases, these issues are caused by deficiencies in household plumbing systems. All legitimate complaints are recorded and promptly addressed through the Authority's fault reporting system.

As part of its pilot phase to promote water conservation and improve supply management, the Authority has installed 659 meters by 30 June 2024. These meters help identify leaks, monitor water usage, and will support the future implementation of tariffs aimed at encouraging conservation. With approximately 6,000 to 7,000 meters still to be installed, the Authority aims to fully meter all connections by 30 June 2026, enabling comprehensive data collection on leakage and consumption to minimize wastage. In the interim, the Authority continues to address faults as they are reported.

To further public engagement, the Authority has established a hotline for the anonymous reporting of water wastage, enabling quick action on potential supply issues which increases the number of faults year on year. The other contributing factors for the increased fault reports are the calls regarding low pressure and increased public awareness through advertisements.

Fault Reporting and Rectification:

	2024	2023
Number of Faults reported	322	244
Number of Faults rectified	322	244

Network Maintenance:

	2024	2023
Amount spent on network maintenance	\$ 29,786.00	\$ 22,417.00

Public Outreach and Conservation Efforts:

	2024	2023
Number of advertisements placed	191	68

Where there are outages these are reported by customers in faults reporting.

Water Asset Management

The water reticulation system constructed under the Te Mato Vai project remains under Crown administration and has not yet been transferred to the Authority. As a result, the Authority's current responsibilities are limited to establishing and managing new water connections to the existing network, as well as handling necessary repairs and maintenance.

The accompanying notes form part of these financial statements.



A key focus of the Authority's infrastructure efforts is the development of a permanent sludge waste facility to manage the PACL by-product from water treatment processes. In 2023, the project progressed from the initial planning phase in 2022 to the design phase. During the 2024 financial year, a call for tenders was issued; however, no compliant submissions were received. The Authority is now negotiating directly with a construction company and expects the facility to be completed by November 2024.

	2024	2023
Number of new connections	26	30

Water Authority Development

This year, the Authority has made significant progress, including the formalization of all 10 catchment committees for water intakes by October 2023, ahead of the November 2023 deadline. This marks a notable improvement from the 4 catchment committees formalized by June 30, 2023. This achievement brings much-needed structure to the management of water intakes, ensuring better protection and oversight of vital water sources.

To support the Authority's goal of establishing itself as a reliable utility and enhancing its employees' industry expertise, To Tatou Vai (TTV) enrolled 14 field staff in a two-year training program with Connexis NZ in the previous financial year, pursuing Level 3 and Level 4 Drinking-Water Treatment qualifications. Now in its second and final year, the program is on track to graduate these employees by August 2024.

The Authority's disclosure of Judgement

To Tatou Vai has used judgment in selecting the indicators that have the most significant effect on the measurement and presentation of service performance at this developmental stage. These measures reflect the Authority's current level of operations as a water utility across the key service areas: Water Quality, Water Conservation and Supply, Water Asset Management, and Water Authority Development. Judgment was applied to determine the most appropriate indicators, given the Authority's evolving role and responsibilities in providing clean and consistent water to Rarotonga.



Statement of Comprehensive Revenue and Expenses For the year ended 30 June 2024

	Notes	2024 \$	2023 \$
Revenue	2	3,288,998	3,138,855
Expenditure			
Depreciation & amortisation	10, 11	370,813	271,474
Personnel costs	4	1,844,466	1,717,977
Operating expenses	3	1,689,302	1,561,854
Total expenditure		3,904,581	3,551,305
Surplus / (deficit)		(615,583)	(412,450)
Income tax expense		-	-
Surplus / (deficit) for the year		(615,583)	(412,450)
Total comprehensive revenue and expenses for the year		(615,583)	(412,450)

The accompanying notes form part of these financial statements.



Statement of Changes in Equity

For the year ended 30 June 2024

		Accumulated comprehensive revenue and expenses \$	Owner Contributions \$	Total \$
Balance at 1 July 2022	Note	983,796	1,050,180	2,033,976
Crown Capital Expenditure			713,070	713,070
Transfer of Asset			(13,240)	(13,240)
Total comprehensive revenue and expenses		(412,450)	-	(412,450)
Balance at 30 June 2023		571,347	1,750,010	2,321,357
Crown Capital Expenditure	13	-	1,222,050	1,222,050
Transfer of Asset			-	-
Total comprehensive revenue and expenses		(615,583)	-	(615,583)
Balance at 30 June 2024		(44,236)	2,972,060	2,927,824

The accompanying notes form part of these financial statements.



Statement of Financial Position

As at 30 June 2024

	Note	2024 \$	2023 \$
Assets			
Current assets			
Cash and cash equivalents	6	(2,676)	3,771
Trade and other receivables	7	17,067	17,650
Related party receivables	14(b)	-	-
Prepayments		49,512	42,891
Inventories	9	874,129	676,338
Total current assets		938,032	740,650
Non current assets			
Property, plant and equipment	10	2,634,887	2,134,945
Intangible assets	11	43,809	12,059
Total non-current assets		2,678,696	2,147,004
Total assets		3,616,728	2,887,654
Liabilities			
Current liabilities			
Trade and other payables	12	229,704	130,032
Income Tax payable	5(a)	263,347	263,347
Employee entitlements	4	195,853	163,849
Related party payables	14(a)	-	9,069
Total current liabilities		688,904	566,297
Total liabilities		688,904	566,297
Net Assets		2,927,824	2,321,357
Equity			
Owner Contributions	13	2,972,060	1,750,010
Accumulated comprehensive revenue and expenses		(44,236)	571,347
Total equity		2,927,824	2,321,357

The accompanying notes form part of these financial statements.



Statement of Cashflows For the year ended 30 June 2024

	Note	2024 \$	2023 \$
Cash flows from operating activities			
Receipts from the Crown and Donors		3,164,993	3,137,023
Receipts from / (Payments to) related parties		-	-
Receipts from customers		97,390	147,293
Payments to suppliers		(1,775,913)	(1,558,904)
Payments to employees		(1,812,462)	(1,674,235)
Taxes paid		-	-
Net cash from operating activities		(325,992)	51,178
Cash flows from investing activities			
Purchase of property, plant and equipment, and intangible assets		(902,505)	(748,641)
Net cash (to) / from investing activities		(902,505)	(748,641)
Cash flows from financing activities			
Capital contributions	13	1,222,050	699,830
Payment of dividends		-	-
Net cash from financing activities		1,222,050	699,830
Net (decrease)/increase in cash and cash equivalents		(6,447)	2,366
Cash and cash equivalents at the beginning of the year		3,771	1,405
Cash and cash equivalents at the end of the year		(2,676)	3,771
Made up of:			
Bank balances and on-call deposits		(2,676)	3,771
Total cash and cash equivalents	6	(2,676)	3,771

The accompanying notes form part of these financial statements.



Statement of Cashflows continued For the year ended 30 June 2024

Reconciliation of comprehensive revenue and expenses to net cash flow from operating activities

	2024	2023
	\$	\$
Net Surplus/ (deficit)	(615,583)	(412,450)
Add/(less) non cash items:		
Depreciation & amortisation	370,813	271,474
Total non-cash items	370,813	271,474
Add/(less) items classified as investing or financing activities	-	-
(Gains)/losses on disposal of property, plant and equipment	-	-
Total items classified as investing or financing activities	-	-
Add/(less) movements in statement of financial position items:		
(Increase)/ Decrease in trade and receivables	583	90,322
(Increase)/ Decrease in prepayments	(6,621)	168,184
(Increase)/ Decrease in inventories	(197,791)	(194,359)
Increase/ (Decrease) in trade and other payables	99,672	35,005
Increase/ (Decrease) in income tax payable	-	-
Increase/ (Decrease) in employee entitlements	32,004	43,742
Increase/ (Decrease) in related party payables	(9,069)	49,259
Net movement in working capital items	(81,222)	192,153
Net cash flow from operating activities	(325,992)	51,177

The accompanying notes form part of these financial statements.



Notes to the financial statements

1 Statement of Accounting policies

Reporting Entity

To Tatou Vai Authority ("the Authority") was constituted under the To Tatou Vai Act 2020 on the 24th November 2021. The Authority was previously registered as a company named To Tatou Vai Limited ("Company") under the Companies Act 2017. As at 24 November 2021 the net assets were transferred from To Tatou Vai Limited to To Tatou Vai Authority.

The Authority remains as a wholly owned subsidiary of the Cook Islands Investment Corporation governed under the Cook Islands Investment Corporation Act 1998.

In addition, the Contributed Capital figure that previously represented share capital is now presented as Owner Contributions given the company structure was dissolved as at 24th November 2021.

Basis of Preparation

The financial statements have been prepared on a going concern basis.

The Directors have performed an assessment of the Authority's ability to continue as a going concern covering at least twelve months from the signing date of these financial statements. In this assessment, the Directors considered the essential nature of the Authority and the Letter of Support from Government (ultimate parent) to provide financial assistance as required to ensure the Authority continues to operate into the foreseeable future, being at minimum twelve months from balance date.

These financial statements have been prepared in accordance with New Zealand GAAP that is New Zealand Tier 2 Public Benefit Entity (PBE) IPSAS accounting standards ("PBE IPSAS"). The Authority has designated itself a Public Benefit Entity whose primary objective is to provide water infrastructure and services for public benefit. The Authority adopts the PBE accounting standards applicable under a Reduced Disclosure Regime (RDR) with an expense threshold greater than \$2 million and less than \$30 million.

The financial statements are presented in New Zealand dollars. The financial statements are prepared on the historical cost basis. The accounting policies have been applied consistently to all periods presented in these financial statements.

Statement of Cash Flows

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

- (a) Cash is considered to be cash on hand, current accounts in banks and short term deposits, net of bank overdrafts.
- (b) Investing activities are those activities relating to the acquisition, holding and disposal of fixed assets and of investments. Investments can include securities not falling within the definition of cash.
- (c) Financing activities are those activities which result in changes in the size and composition of the capital structure of the Authority. This includes both equity and debt not falling within the definition of cash. Dividends paid in relation to the capital structure are included in financing activities.
- (d) Operating activities include all transactions and other events that are not investing or financing activities

Value added tax

All amounts are shown exclusive of Value Added Tax (VAT), except for receivables and payables that are stated inclusive of VAT.

Accounting standards issued but not yet effective

There are no new, revised or amended standards that are applicable to the Authority that have not already been adopted for the year ended 30 June 2024

Notes to the financial statements (continued)

	2024	2023
	\$	\$
2 Revenue		
<u>2a Revenue from non-exchange transactions</u>		
CIG Crown appropriation	3,174,062	3,087,764
	<u>3,174,062</u>	<u>3,087,764</u>
<u>2b Revenue from exchange transactions</u>		
New Connections	70,425	10,473
Water monitoring & testing	1,304	5,034
Chargeable works recoverable	42,649	35,087
	<u>114,378</u>	<u>50,595</u>
<u>Other revenue</u>		
Interest Income	558	496
	<u>558</u>	<u>496</u>
Total Revenue	<u>3,288,998</u>	<u>3,138,855</u>

Accounting Policy:

Revenue is measured at fair value of consideration received or receivable for the sale of goods or services provided in the ordinary course of business. Revenue is stated exclusive of Value added tax and is recognised when a product is sold or service is provided.

The specific accounting policies for significant revenue items are explained below:

Revenue from Non-exchange Transactions

Non-exchange transactions occur when the Authority receives resources, such as cash or other tangible or intangible assets, without giving significant direct consideration in return.

CIG Crown appropriation

Crown appropriation revenue is provided by the Cook Islands Government through the Budget Estimates and approved by the Appropriation Bill.

The fair value of revenue from the Crown has been determined to be equivalent to the amounts due in the funding arrangements.

Revenue is intended to be spent within the same financial year.



Notes to the financial statements (continued)

3 Operating expenses	2024	2023
<u>Other Expenses</u>	\$	\$
Water Intake Expenses	295,410	130,918
Pump Stations	366	1,824
Water Stations	13,911	13,731
Water Treatment Expenses	41,502	16,295
Chemicals	300,326	265,641
Water Quality	89,506	94,805
Network and Distribution	77,967	41,291
Admin & General Expenses	93,000	44,239
Recruitment Costs	20,870	43,842
Health & Safety	6,129	9,994
Workshop & Training	62,158	125,098
Repairs & Maintenance	22,587	44,386
Motor Vehicle Expenses	44,275	44,032
Motor Vehicle Fuel/Oil	102,448	89,903
Insurance Expenses	49,540	50,219
Professional Fees	122,597	211,016
Audit fees	43,183	29,828
Director's Fees	109,000	103,208
Bad and Doubtful debts	12,323	(74)
Office Expenses	182,204	127,052
Other Expenses	-	74,605
Total Other expenses	1,689,302	1,561,854

4 Personnel Costs	2024	2023
	\$	\$
Salaries & wages	1,777,311	1,648,507
Defined contribution plan employer contributions	67,155	69,470
Total personnel costs	1,844,466	1,717,977

Employee entitlements	2024	2023
	\$	\$
Accrued salaries and wages	69,368	69,778
Annual leave	126,485	94,071
Total employee entitlements	195,853	163,849

Accounting policy:

Short term benefits:

Short-term employee benefits that are due to be settled within 12 months after the end of the period in which the employee renders the related service are measured based on accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date, annual leave earned but not yet taken at balance date.

On resignation, employees are entitled to a pro-rata apportionment of annual leave and as such an accrual is recognised in line with the period of service. A liability and an expense are recognised for bonuses where there is a contractual obligation or where there is a past practice that has created a constructive obligation and a reliable estimate of the obligation can be made.

Superannuation Schemes:

The Authority contributes to the Cook Islands National Superannuation Fund. This fund is a State defined contribution fund.

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are accounted for as defined contribution superannuation schemes and are recognised as an expense in the surplus or deficit as incurred.

Notes to the financial statements (continued)

5 (a) Income tax payable	2024	2023
	\$	\$
Opening balance	263,347	263,347
Current tax expense	-	-
Income tax payments made	-	-
Closing income tax payable	263,347	263,347

Accounting Policy:

Current tax is the expected tax payable in respect of previous years.
The Authority is not subject to taxation on current year profits.

Judgements

As detailed in note 1, the entity and its operations were transferred to the Authority and is exempt from income tax under the To Tatou Vai Act 2020. At the time of signing these financial statements, the Authority is waiting on confirmation from the Revenue Management Department (RMD) and the Ministry of Finance & Economic Management (MFEM) that the income tax owing prior to the Authority's existence will be settled via a separate and specific appropriation from MFEM or otherwise. Given confirmation of treatment remains outstanding at the time of signing, the Authority continues to recognise historical balances as owing in these financial statements.

6 Cash and cash equivalents	2024	2023
	\$	\$
Cash at bank	(4,511)	1,986
Cash on hand	1,835	1,785
Total cash and cash equivalents	(2,676)	3,771

Accounting Policy:

Cash and cash equivalents includes cash on hand and deposits held on call with banks.



Notes to the financial statements (continued)

7 Trade and other receivables

Trade receivables	2024	2023
	\$	\$
Trade receivables	33,730	21,990
Less: Provision for doubtful debts	(16,663)	(4,340)
Total trade and other receivables	17,067	17,650

The aging profile of receivables at year end is detailed below:	2024	2023
	\$	\$
Not past due	-	-
Past due 1-30 days	247	5,378
Past due 31-60 days	-	387
Past due 61+ days	33,483	16,225
Total	33,730	21,990

All trade receivables greater than 30 days in age are considered to be past due.
All trade receivables are from exchange transactions.

Accounting Policy:

Short term receivables are recorded at their face value, less any provisions for doubtful debts.

8 Financial Instruments

(i) Financial assets

Financial assets comprise Cash and cash equivalents, and trade and other receivables. These are all classified as amortised costs as they are:

- held within a business model whose objective is to hold assets in order to collect contractual cashflows; and
- the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest (if applicable).

These assets are initially recognised at fair value plus directly attributable transaction costs and subsequently measured at amortised cost.

(ii) Financial liabilities

Financial liabilities comprises trade and other payables, income tax payable, employee entitlements, and related party payables. These are measured at amortised cost. The Authority derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Impairment

The Authority considers impairment using the expected credit loss (ECL) model for the following financial assets that are not measured at FVTPL:

- Cash and cash equivalents
- Trade and other receivables

Measurement of Expected Credit Loss

Expected credit loss (ECL) is calculated based on a function of the probability of default, loss given default and exposure at default.

The Authority applies ECL model separately for each financial asset category measured at amortised cost.

ECL is calculated based on the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cashflows that the Authority expects to receive). ECL for cash and cash equivalents is calculated based on industry standard probability of default and loss given default based on the credit rating of each financial institution where funds are held.

As trade debtors are normally paid within 30 days and do not have a significant financing component the Authority has applied the simplified approach in PBE IPSAS 41 and therefore only recognising lifetime ECL.

Notes to the financial statements (continued)

8 Financial Instruments (continued)

Interest rate risk

This is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. The Authority's exposure to interest rate risk is limited to its bank deposits which are held at variable rates of interest. The Authority does not actively manage its exposure to this risk however it is not considered to have a significant impact given the balance is small and held at call.

Liquidity risk

Liquidity risk represents the Authority's ability to meet its contractual obligations. The Authority evaluates its liquidity requirements on an ongoing basis. Where additional access to funding may be required the Authority will request assistance from the Crown.

In light of current global economic uncertainty, the Government of the Cook Islands has provided a letter of support confirming it will provide financial assistance to the Authority where necessary to continue its operations as a going concern.

Credit Risk

Credit risk is the possibility that a loss may occur from the failure of a counterparty to perform according to the terms of the contract. In the normal course of business, the Authority is exposed to credit risk from cash and cash equivalents and trade and other receivables. For each of these, the maximum credit exposure is best represented by the carrying amount in the statement of financial position. The Authority does not hold any collateral for financial instruments that give rise to credit risk.

Significant concentrations of credit risk

			2024	2023
			\$	\$
Bank of South Pacific, Cook Islands	B-	B-	-	1,986
Trade receivables	N/A	N/A	33,730	21,990
Value added tax receivable	N/A	N/A	-	-
Related party receivable	N/A	N/A	-	40,190

9 Inventories

	2024	2023
	\$	\$
Inventories	874,129	676,338
Total Inventories	874,129	676,338

Accounting Policy:

Inventories includes consumables and goods used in the provision of water sanitation, storage and distribution services including the repair and maintenance across the water infrastructure networks.

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is determined on a weighted average basis, which is determined using the first-in first-out principle. The cost of inventories includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

The carrying amounts of the Authority's inventories are reviewed at each balance date to determine whether the cost of the inventories are recoverable.

An impairment loss is recognised whenever the carrying amount of inventories exceeds its net realisable value. Impairment losses directly reduce the carrying amount of inventories and are recognised in comprehensive revenue and expenses.

Notes to the financial statements (continued)

10 Property, plant and equipment

	2024								
	Motor vehicles	Computer equipment	Lease improvements	Land Lease & Building	Office furniture	Plant & equipment	Metering Network	Asset in transit	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Cost									
Balance at 1 July 2022	586,487	122,145	129,678	-	139,267	826,808	-	208,909	2,013,294
Additions	449,529	4,714	-	-	14,293	60,626	-	310,015	839,178
Disposals	(36,948)	-	-	-	-	-	-	-	(36,948)
Transfers in/(out)	5,106	19,158	-	-	7,942	-	-	(109,504)	(77,297)
Balance at 30 June 2023	1,004,174	146,018	129,678	-	161,502	887,434	-	409,420	2,738,226
Balance at 30 June 2023	1,004,174	146,018	129,678	-	161,502	887,434	-	409,420	2,738,226
Additions	1,400	1,651	-	200,000	999	66,973	-	598,982	870,005
Disposals	-	-	-	-	-	-	-	-	-
Transfers in/(out)	4,174	2,840	-	-	-	2,100	595,031	(604,145)	-
Balance at 30 June 2024	1,009,748	150,509	129,678	200,000	162,501	956,507	595,031	404,257	3,608,232
Accumulated Depreciation and impairment losses									
Balance at 1 July 2022	158,818	41,393	7,808	-	30,182	118,065	-	-	356,266
Depreciation for the year	115,088	33,750	3,890	-	24,068	93,927	-	-	270,724
Depreciation on disposals	(23,708)	-	-	-	-	-	-	-	(23,708)
Balance at 30 June 2023	250,198	75,143	11,698	-	54,250	211,992	-	-	603,282
Balance at 1 July 2023	250,198	75,143	11,698	-	54,250	211,992	-	-	603,282
Depreciation for the year	170,265	29,729	3,890	4,444	23,820	98,246	39,669	-	370,063
Depreciation on disposals	-	-	-	-	-	-	-	-	-
Balance at 30 June 2024	420,463	104,872	15,588	4,444	78,070	310,238	39,669	-	973,345
Carrying amount									
At 1 July 2022	427,669	80,753	121,870	-	109,085	708,743	-	208,909	1,657,028
At 30 June and 1 Jul 2023	753,976	70,875	117,979	-	107,252	675,442	-	409,420	2,134,945
At 30 June 2024	589,285	45,637	114,089	195,556	84,431	646,269	555,362	404,257	2,634,887

Accounting Policy:

(i) Recognition and measurement

Items of plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset and includes the following:

- the cost of materials and direct labour;
- any other costs directly attributable to bringing the assets to a working condition for their intended use

(ii) Subsequent costs

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Authority. Ongoing repairs and maintenance is expensed as incurred.

Notes to the financial statements (continued)

10 Property, plant and equipment (continued)

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised in comprehensive revenue and expenses on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Authority will obtain ownership by the end of the lease term. Depreciation rates applied are consistent with those prescribed by the Revenue Management Department.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

Motor vehicles	5-10 years	Office furniture	4-10 years
Computer equipment	4 years	Plant & equipment	4-20 years
Lease improvements	Period of lease		

When calculating recoverable value, the fair value of property, plant & equipment is based on the cost approach using the depreciated replacement cost approach. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence.

The carrying amounts of the Authority's property, plant and equipment are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount.

Impairment losses are recognised in comprehensive revenue and expenses.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Impairment Consideration

The Authority performed an assessment to determine if there is impairment of the Authority's Property, Plant and Equipment. This assessment included judgement over whether the level of assets held is in excess of what is required, and whether the useful life of the assets have reduced.

The Authority has concluded that, given the nature of the Authority's activities any impact has been minimal. There has not been any change to the useful life of the assets held, and the requirement and necessity for the assets has not changed. Being the sole and central water utility provider in Rarotonga, the Authority is considered an essential requirement for the country. It is considered the level of assets held are necessary in order for the Authority to meet its service provision requirements.

11 Intangible assets

Cost	\$
Balance at 1 July 2023	6,000
Additions	-
Disposals	-
Balance at 30 June 2024	<u>6,000</u>

Accumulated Depreciation and impairment losses

	\$
Balance at 1 July 2023	2,996
Amortisation for the year	750
Elimination of Disposals	-
Balance at 30 June 2024	<u>3,746</u>

Work in progress

Balance at 1 July 2023	9,055
Additions	<u>32,500</u>
Balance at 30 June 2024	<u>41,555</u>

Carrying amount

	\$
At 30 June 2023	<u>12,059</u>
At 30 June 2024	<u>43,809</u>

Accounting Policy:

Intangible assets are made up of software. The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date the asset is derecognised.

The amortisation charge for each financial year is recognised in comprehensive revenue and expenses.

Impairment Considerations

The Authority has considered the nature of and impacts on intangible assets. The software held is required to perform essential service, regardless of activity volume, there is no excess capacity or over design in software, there has been no change in useful life of the software, and therefore the Authority considers no impairment exists.

Notes to the financial statements (continued)

12 Trade and other payables	2024	2023
	\$	\$
Payables under exchange contracts		
Trade payables	183,463	47,188
Deferred income	5,804	5,806
Other payables	41,931	29,797
Total payables under exchange transactions	231,198	82,791
Payables under non exchange contracts		
Value added tax payable/(receivable)	(24,021)	11,167
Other payables	22,527	36,074
Total payables under non exchange transactions	(1,494)	47,241
Total trade and other payables	229,704	130,032

Accounting Policy:

Trade and other payables are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method. These are short-term liabilities and therefore the carrying amounts materially equate to fair value.

13 Owner Contributions	2024	2023
	\$	\$
Balance at 1 July	1,750,010	1,050,180
Crown capital expenditure	1,222,050	713,070
Transfer of asset	-	(13,240)
Balance at 30 June	2,972,060	1,750,010

During the 30 June 2024 financial year, the Authority received \$1,222,050 (2023: \$713,070) of Crown Capital Expenditure for the purchase of capital assets.

Government Contributions

During the current reporting period, To Tatou Vai Authority did not receive any donated motor vehicles. In the prior year, the Authority received six donated motor vehicles, which were recognized in the Statement of Financial Position as assets and recorded as Owner Contributions by way of direct equity injection for Crown capital expenditure provided by the Cook Islands Government. The fair value of this prior funding was determined to be equivalent to the amounts specified in the funding arrangements.

14 Related parties

The Authority's owners are:

Cook Islands Investment Corporation	1%
Cook Islands Government Property Corporation	99%

The Cook Islands Government Property Corporation is an immediate in substance subsidiary of the Cook Islands Investment Corporation (CIIC).

The Authority is controlled and managed by CIIC and is considered to be a subsidiary of CIIC.

The ultimate owner of the Authority is the Government of the Cook Islands.

Related parties include Government ministries, agencies, and state owned enterprises by way of common owner.

Included in expenses are amounts paid to Te Aponga Uira and Telecom Cook Islands Limited.

These entities are fellow subsidiaries and associates of CIIC.

(a) Related party payables	2024	2023
	\$	\$
Cook Islands Investment Corporation		9,069
Ministry of Finance and Economic Management (MFEM)	-	-
	-	9,069

The balances are repayable on demand and do not bear interest.

(b) Related party receivables	2024	2023
	\$	\$
Ministry of Finance and Economic Management (MFEM)	-	-
	-	-

Related party receivables are from non-exchange transactions.

(c) Related Party Transactions	2024	2023
	\$	\$
Electricity expense paid to Te Aponga	19,079	18,781
Communication expense paid to Vodafone Cook Islands	48,880	31,270
	67,959	50,051

Notes to the financial statements (continued)

14 Related parties continued

	2024	2023
(c) Key management personnel compensation	\$	\$
Board members remuneration	109,000	103,208
Number of directors	7	7
Senior management remuneration	757,799	635,676
Full time equivalent members	6	6

In the reporting period, \$6,540 (2023: \$7,375) was paid to a close family member of a senior management member of the Authority, in compensation for IT services provided.

15 Capital commitments and operating leases

At balance date, the Authority has no capital commitments (2023: nil)

Operating leases as lessee

At balance date, the future aggregate minimum payments to be paid under non-cancellable operating leases are as follows:

	2024	2023
	\$	\$
Not later than one year	-	-
Later than one year and not later than five years	40,560	36,400
Later than five years	-	-
Total non cancellable operating leases	40,560	36,400

Accounting Policy:

The Authority recognises operating lease payments in comprehensive revenue & expenses on a straight-line basis over the term of the lease.

16 Contingencies

As of 30 June 2024, there are no contingent liabilities recorded for the current financial year, nor were there any contingent liabilities recorded in the prior year.

17 Events after balance date

No subsequent events to disclose.