

**The
NIUE INTERNATIONAL TRUST FUND**

Financial Statements

For The Year Ended 30 June 2023



**STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE
FOR THE YEAR ENDED 30 JUNE 2023**

	Notes	2023 \$	2022 \$
Revenue			
Contributions	3	1,690,362	1,386,779
Interest Revenue		1,508,887	1,031,628
Gain (Loss) on ANZ Managed Fund		1,820,657	(2,869,544)
Total Revenue		<u>5,019,906</u>	<u>(451,137)</u>
Operating Expenses			
Audit Fees		21,476	19,242
Legal Consulting		39,057	0
Fund Management Fees		127,873	99,161
Fund Monitor Fees		12,375	10,000
Accounting Services		24,606	0
Total Operating Expenses		<u>225,387</u>	<u>128,403</u>
TOTAL COMPREHENSIVE REVENUE AND EXPENSE		<u>4,794,519</u>	<u>(579,540)</u>


The accompanying Notes form part of these Financial Statements.

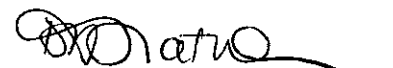


**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023**

	Notes	2023 \$	2022 \$
EQUITY			
Accumulated Funds		(8,570,609)	(7,378,210)
Restricted Funds	3	<u>77,153,253</u>	<u>71,166,335</u>
TOTAL EQUITY		<u><u>68,582,644</u></u>	<u><u>63,788,125</u></u>
 REPRESENTED BY:			
ASSETS			
Current Assets			
Cash & Cash Equivalents	4	39,921,784	23,771,624
Accrued Interest		0	55,833
Investments	4	<u>0</u>	<u>13,000,000</u>
Total Current Assets		<u><u>39,921,784</u></u>	<u><u>36,827,457</u></u>
Non-current Assets			
Investments	4	<u>28,724,078</u>	<u>27,031,295</u>
Total Non-current Assets		<u><u>28,724,078</u></u>	<u><u>27,031,295</u></u>
Current Liabilities			
Accrued Audit Fees		51,218	56,332
Other Accrued Expenses		<u>12,000</u>	<u>14,295</u>
Total Current Liabilities		<u><u>63,218</u></u>	<u><u>70,627</u></u>
TOTAL NET ASSETS		<u><u>68,582,644</u></u>	<u><u>63,788,125</u></u>

The accompanying Notes form part of these Financial Statements.


Trustee for Niue
Date: 13/05/2024


Secretary/Treasurer
Date: 13/05/2024

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2023**

	Notes	2023 \$	2022 \$
Accumulated Funds as at 1 July		(7,378,210)	(663,756)
Total Comprehensive Revenue and Expense		4,794,519	(579,540)
Deduct: Contributions	3	(1,690,362)	(1,386,779)
Deduct: Real Value Adjustment	3	<u>(4,296,556)</u>	<u>(4,748,135)</u>
Accumulated Funds as at 30 June		<u>(8,570,609)</u>	<u>(7,378,210)</u>
Restricted Funds as at 1 July		71,166,335	65,031,421
Add: Contributions	3	1,690,362	1,386,779
Add: Real Value Adjustment	3	<u>4,296,556</u>	<u>4,748,135</u>
Restricted Funds as at 30 June		<u>77,153,253</u>	<u>71,166,335</u>
TOTAL EQUITY AS AT 30 JUNE		<u>68,582,644</u>	<u>63,788,125</u>

The accompanying Notes form part of these Financial Statements.



**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2023**

	Notes	2023	2022
		\$	\$
Cash flows from/(used in) Operating Activities			
Reimbursement to Government of Niue for Operating Expenses		(90,605)	0
Contributions		1,690,362	1,386,779
Interest Received from Investments		1,550,403	1,073,032
Net Cash Flows from/(used in) Operating Activities		3,150,160	2,459,811
Cash flows from/(used in) Investing Activities			
Investments in Term Deposits		13,000,000	13,000,000
Investments in Managed Funds		0	(30,000,000)
Net Cash Flows from/(used in) Investing Activities		13,000,000	(17,000,000)
NET INCREASE/(DECREASE) IN CASH & CASH EQUIVALENTS		16,150,160	(14,540,189)
Cash & Cash Equivalents as at 1 July		23,771,624	38,311,813
CASH & CASH EQUIVALENTS AS AT 30 JUNE	4	39,921,784	23,771,624
RECONCILIATION FROM TOTAL COMPREHENSIVE REVENUE AND EXPENSE TO NET CASH FLOWS FROM OPERATIONS			
Total Comprehensive Revenue and Expense		4,794,519	(579,540)
Add back: Movements in the Fair Value of Managed Funds		(1,820,657)	2,869,544
Add back: Fees Deducted from Managed Funds		127,873	99,161
Movements in the Fair Value of Managed Funds		(1,692,784)	2,968,705
Movements in Working Capital			
(Increase)/Decrease in Accrued Interest		55,834	41,404
Increase/(Decrease) in Accrued Audit Fees		(5,114)	19,242
Increase/(Decrease) in Other Accrued Expenses		(2,295)	10,000
Total Movements in Working Capital		48,425	70,646
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		3,150,160	2,459,811

The accompanying Notes form part of these Financial Statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

1 REPORTING ENTITY

The Financial Statements of the Niue International Trust Fund (hereafter: the "Trust Fund") for the year ended 30 June 2023 were authorised by the Trustee for Niue on behalf of the Board of the Trust Fund on 13 May 2024.

The Trust Fund is governed by the Trust Deed executed on 25 October 2006. The purpose of the Trust Fund is to contribute to the long-term financial stability and viability of Niue by enabling it to meet financial commitments from the proceeds of investments.

Governance of the Trust Fund is provided by its Board, which consists of Trustees and alternate Trustees of the Trust Fund's main contributors, these being the Governments of Niue, New Zealand and Australia.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The Financial Statements of the Trust Fund have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The Trust Fund has applied all IFRS that were issued and effective as at balance date.

The Financial Statements have been prepared on a historical cost basis, except for some financial assets and liabilities, which have been measured at fair value.

The Financial Statements are presented in New Zealand dollars, and all monetary values are rounded to the nearest dollar, unless mentioned otherwise.

Transactions in foreign currencies are translated into New Zealand dollars at the time the transactions occur.

2.2 Cash & Cash Equivalents and Investments

Investments are held in managed funds, term deposits, and call deposits in New Zealand.

Investments in managed funds are measured at the provided fair value as at balance date. Changes (other than deposits or withdrawals) in the value of managed funds are recognised as revenue (positive or negative) in the Statement of Comprehensive Income.

Term deposits which are invested for a term of more than 90 days, are classified as Investments; other investments are classified as Cash & Cash Equivalents.

For Investments that are held to maturity, measurement is initially at fair value and subsequently at amortised cost using the effective interest method. Accrued interest is calculated on a daily basis using normal banking conventions, and recognised as a separate current asset.

Investments with a remaining term of a year or less are classified as current assets, and investments with a remaining term of more than a year are classified as non-current assets.

2.3 Impairment of Financial Assets

Financial assets are reviewed regularly for impairment. Where an indication of impairment is identified and where the carrying values of assets exceed the estimated recoverable amounts, the assets are written down to their recoverable amounts. All impairment losses are recognised in the Statement of Comprehensive Revenue and Expense.

Where indications exist that a previously recognised impairment loss may have decreased, the recoverable amount will be re-estimated, and any resulting impairment gain will be recognised in the Statement of Comprehensive Revenue and Expense. A reversal shall not exceed the initial impairment loss.

2.4 Equity

The Deed of the Trust Fund requires all contributions to be protected from any distributions. In addition, the accumulated value of all contributions must be protected from the effects of inflation by adjusting it in accordance with the Consumer Price Index in New Zealand.

The resulting adjusted accumulated value of all contributions is referred to in the Deed as "Real Value", and is recognised as "Restricted Funds" as a separate portion of Equity.

The remaining portion of Equity is recognised as Accumulated Funds, and is in principle available for distributions to the Government of Niue and for other disbursements that are necessary for the operations of the Trust Fund.

The Deed stipulates that if these funds are not distributed to the Government of Niue in the following year, then they are deemed to be a contribution by the Government of Niue.

Like all other contributions, deemed contributions are recognised under Restricted Funds.

All revenue and expenditure incurred by the Trust Fund is recorded as such in the Statement of Comprehensive Revenue and Expense, and the total comprehensive revenue and expense at the end of each financial year is transferred to Accumulated Funds. Any necessary transfers *to* or *from* Restricted Funds are recorded *from* or *to* Accumulated Funds.

2.5 Revenue

Contributions are recognised as revenue in the year that they are actioned by the contributor, with the exception of deemed contributions, which are not recognised as revenue in the Statement of Comprehensive Revenue and Expense.

Revenue from interest is recognised as the interest accrues.

Changes (other than deposits or withdrawals) in the value of managed funds are recognised as revenue (positive or negative) in the Statement of Comprehensive Income.

2.6 Taxation

The Trust Fund is exempt from all taxes, rates and duties in Niue by virtue of section 7 of the Niue Trust Fund Act 2004 (Niue).

Section CW 59B(1) of the Income Tax Act 2007 (New Zealand) exempts revenue from the Trust Fund from income tax in New Zealand.

Source deductions, if any, are recognised under Debtors if the likelihood of a tax refund is high, and the gross proceeds are recognised as revenue as they are earned.

The Trust Fund is not registered for NCT in Niue, nor for GST in New Zealand or Australia.

2.7 Changes in Accounting Policies

Changes in accounting policies are applied retrospectively (and comparatives are restated), unless the changes are required by International Financial Reporting Standards and retrospective application is not required or appropriate to do so.

There have been no changes in accounting policies during the financial year.

3 EQUITY

3.1 Contributions and Real Value Adjustment

The Trust Deed requires the value of the contributions to be protected against the effects of inflation. This is done by adjusting the values of the contributions to their real values at balance date, based on the New Zealand Consumer Price Index.

The base index for each contribution is the index at the end of the quarter in which the contribution was received. The real value of the contributions is then calculated using the index as at 30 June of the current financial year.

The current real value as at 30 June 2023 was calculated, based on an index of 1231 (2022: 1161). This index was applied to the contributions received to date, as follows.

Contribution by:	Original Value \$	Date Received	NZ CPI at Contribut. Date	Real Value \$
Opening balance as at 1 June	<u>71,166,335</u>	30/06/22	1161	<u>75,457,156</u>
Government of Australia	537,329	10/03/23	1218	543,064
Government of Australia	<u>1,153,033</u>	22/06/23	1231	1,153,033
Contributions received during the year	<u>1,690,362</u>			<u>1,696,097</u>
REAL VALUE AS AT 30 JUNE	<u><u>72,856,697</u></u>			<u><u>77,153,253</u></u>

The Real Value Adjustment is calculated as the difference between the original value and the real value as at balance date, as follows.

	2023 \$	2022 \$
Real Value as at 30 June	77,153,253	71,166,335
Deduct: Value of contributions before Real Value Adjustment	<u>(72,856,697)</u>	<u>(66,418,200)</u>
REAL VALUE ADJUSTMENT	<u><u>4,296,556</u></u>	<u><u>4,748,135</u></u>

3.2 Distributions

Distributions are deducted from Accumulated Funds, and all contributions (including deemed contributions) and the Real Value Adjustment are transferred from Accumulated Funds to Restricted Funds. What remains in Accumulated Funds as at 30 June of the current financial year is available for distribution to the Government of Niue during the following financial year.

Any returns that are available for distribution to the Government of Niue during the following financial year but are not distributed during that following year, are deemed to be contributions made on 30 June of that following year by the Government of Niue.

As at 1 July 2022, an accumulated shortfall of funds available for distributions in the following year, represented by the negative balance of Accumulated Funds in the Statement of Financial Position, amounted to \$7,378,210. In the year ended 30 June 2023, this shortfall was reduced by the surplus excluding distributions of \$3,104,157, and increased by the Real Value Adjustment of \$4,296,556, resulting in an accumulated shortfall of funds available for distributions in the following year of \$8,570,609. This shortfall is represented by the negative balance of Accumulated Funds in the Statement of Financial Position.

3.3 Contributions Received Since Inception

The contributions received by the Trust Fund to date and the reconciliation to the balance of Restricted Funds as at 30 June can be summarised as follows.

	2023	2022
	\$	\$
Government of New Zealand	25,500,000	25,500,000
Government of Australia	11,664,864	9,974,502
Government of Niue	50,000	50,000
Government of Niue - deemed contributions - refer Note 3.2, above	16,969,159	16,969,159
Niue Kaufakalataha Wellington Region Inc.	15,000	15,000
Estate of Jock McEwen	15,000	15,000
Contributions Received to Date	<u>54,214,023</u>	<u>52,523,661</u>
Real Value Adjustments	22,939,230	18,642,674
RESTRICTED FUNDS AS AT 30 JUNE	<u><u>77,153,253</u></u>	<u><u>71,166,335</u></u>

4 INVESTMENTS

The Trust Deed requires the Board of Trustees to protect contributions from any distributions. In addition, the accumulated value of all contributions must be protected from the effects of inflation by adjusting it in accordance with the Consumer Price Index in New Zealand. With the formal adoption of the Statement of Investment Policies and Objectives (SIPO) by the Board of Trustees, on 25 March 2019, the primary investment objective of the Trust Fund is to achieve a return (net of expenses and fees) to exceed inflation (as measured by the New Zealand Consumer Price Index) by at least 2 per cent over rolling five year periods. The Trust Fund continues to focus on passive management of assets, albeit now through specialist investment managers rather than bank deposits. The current investment policy is for the Fund's investments to transition to a long-term portfolio, comprising financial assets including cash and cash equivalents, bonds and shares, and other investments, as appropriate from time to time.

All available funds are invested with registered banks and managed funds in New Zealand. The intention is to keep cash at a minimum, and usually include it with the next re-investment.

At balance date, current and non-current investments were as follows.

	2023 \$	2022 \$
Current accounts and call accounts	39,921,784	23,771,624
Cash & Cash Equivalents	<u>39,921,784</u>	<u>23,771,624</u>
Term deposits with a remaining term between 90 days and 1 year	0	13,000,000
Current Investments	<u>0</u>	<u>13,000,000</u>
ANZ Investments	28,724,078	27,031,295
Non-current Investments	<u>28,724,078</u>	<u>27,031,295</u>
INVESTMENTS	<u><u>68,645,862</u></u>	<u><u>63,802,919</u></u>

5 FINANCIAL INSTRUMENTS

5.1 Overview

The Trust Fund's principal financial instruments are term deposits (short term and long term), call accounts and current accounts; all with banks that are registered in New Zealand, in addition to investments in managed funds in New Zealand. From time to time other financial instruments may be held as a result of the Trust Fund's activities, such as debtors and creditors.

The main risks associated with the Trust Fund's financial instruments are: interest rate risk, market volatility, credit risk, liquidity risk, and potentially foreign currency risk.

When funds become available for investment, the Trust Fund's Secretariat prepares an investment proposal, using quotes from banks that are registered in New Zealand. Yield curves are taken into account when the preferred quote is selected.

5.2 Fair Values

The Trust Fund's investments include term deposits with varying terms, that are designated to be held to maturity. They are classified as Loans and Receivables. As such, after initial measurement at fair value, they are subsequently measured at amortised cost using the effective interest method.

As investments in deposits are designated to be held to maturity, and because of their relatively short terms, the fair values of all financial instruments at balance date were not considered to differ materially from their carrying values.

5.3 Interest Rate Risk (and the effect of changes in the Consumer Price Index)

The Trust Fund's main interest rate risk is that the increase in the Consumer Price Index in New Zealand exceeds the interest rates that apply to the Trust Fund's existing investments or that are available for new investments. This would result in not enough interest revenue being generated to protect the Real Value of the Trust Fund's contributions from the effects of inflation.

Although movements in the market interest rates and the Consumer Price Index are outside the control of the Trust Fund, the Trust Fund attempts to minimise the risk of adverse movements by taking into account yield curves and economic forecasts when investment decisions are

being prepared.

The Trust Fund currently has no policy of hedging interest rate risks through forward deals.

Maturity information and interest rates that give an indication of the interest rate exposure on the investments (see Note 4), can be summarised as follows.

	2023	2022
Lowest interest rate on term deposits during the year	3.76%	3.75%
Highest interest rate on term deposits during the year	3.76%	3.76%
Weighted average interest rate on deposits as at 30 June	N/A	3.76%
Latest maturity date after 30 June	N/A	29 May '23

Changes in the Consumer Price Index influence the returns that are available for distribution to the Government of Niue. If the Consumer Price Index had increased by an additional 1% in June 2023, then the returns that would have become available for distribution as at 30 June 2023 would have reduced by \$735,514 (30 June 2022: \$721,236).

5.4 Credit Risk

Credit risk is the risk that a debtor defaults on its obligations to the Trust Fund.

The Trust Fund's current investment policy is to invest all funds with banks and managed funds that are registered in New Zealand. The Board therefore considers the credit risk on investments to be minimal.

5.5 Market Volatility

Approximately half of the Trust Fund's investments are in ANZ Investments, a managed fund in New Zealand. ANZ Investments invests in New Zealand and overseas equities, bonds, and cash. Equities and bonds are subject to market fluctuations, which are recognised in the Statement of Comprehensive Revenue and Expense.

The Trust Fund's investment horizon is long term, and it is therefore comfortable with market fluctuations that affect the value of its investments.

6 CONTINGENCIES

No contingent assets or liabilities existed as at balance date (2022: nil).

7 COMMITMENTS

There were no commitments as at balance date (2022: nil).

8 RELATED PARTIES

The Deed under which the Trust Fund operates, was executed on behalf of the Governments of Niue, New Zealand and Australia, and arranges for these Governments to appoint one Trustee each. The Trust Fund is thus controlled by these three Governments.

The Government of Niue is the sole beneficiary of the Trust Fund. The Government of Niue is

also represented on the Trust Fund's Board of Trustees.

Most contributions are made by the three Governments; the details are disclosed in Note 3.

In March 2023 the Trust Fund reimbursed the Government of Niue \$90,605 that the Government had paid on the Trust Fund's behalf. The reimbursement consisted of audit fees for the years 2012 to 2020 amounting to \$26,590, legal consulting fees amounting to \$43,352, fund monitoring fees amounting to \$10,375 and accounting services costs amounting to \$24,606, less \$14,318 interest received by the Government of Niue in the years ending 30 June 2021 and 2022.

10 SUBSEQUENT EVENTS

No events happened after balance date that may have a material impact on these Financial Statements.

11 BREACH OF COMPLIANCE WITH TRUST DEED PROVISIONS

Clause 18 of the Deed of the Trust Fund requires the Board to submit audited Financial Statements to the parties that appoint the Trustees within six months after year-end. Although draft Financial Statements were prepared within this timeframe, the auditors did not complete their audit within this timeframe.

