

NEW ZEALAND FIRE SERVICE SUPERANNUATION SCHEME

Financial Statements

For the Year Ended 31 March 2020

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Financial Statements

For the Year Ended 31 March 2020

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Independent Auditor's Report

To the Members of New Zealand Fire Service Superannuation Scheme

Opinion

We have audited the financial statements of New Zealand Fire Service Superannuation Scheme (the 'Scheme'), which comprise the statement of net assets as at 31 March 2020, and the statement of changes in net assets, and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements, on pages 4 to 18, present fairly, in all material respects, the financial position of the Scheme as at 31 March 2020, and its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS').

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ('ISAs') and International Standards on Auditing (New Zealand) ('ISAs (NZ)'). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

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

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

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

Audit materiality

We consider materiality primarily in terms of the magnitude of misstatement in the financial statements of the Scheme that in our judgement would make it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced (the 'quantitative' materiality). In addition, we also assess whether other matters that come to our attention during the audit would in our judgement change or influence the decisions of such a person (the 'qualitative' materiality). We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined that there are no key audit matters to communicate in our report.

Other information

The Directors of the Trustee are responsible on behalf of the Scheme for the other information. The other information comprises the information in the Annual Report that accompanies the financial statements and the audit report.

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

Our responsibility is to read the other information and consider whether it is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If so, we are required to report that fact. We have nothing to report in this regard.

Directors of the Trustee's responsibilities for the financial statements

The Directors of the Trustee are responsible on behalf of the Scheme for the preparation and fair presentation of the financial statements in accordance with NZ IFRS and IFRS, and for such internal control as the Directors of the Trustee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors of the Trustee are responsible on behalf of the Scheme for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern

basis of accounting unless the Directors of the Trustee either intends to liquidate the Scheme or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities
for the audit of the
financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

<https://www.xrb.govt.nz/assurance-standards/auditors-responsibilities/audit-report-2>

This description forms part of our auditor's report.

Restriction on use

This report is made solely to the Scheme's members, as a body. Our audit has been undertaken so that we might state to the Scheme'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 Scheme's members as a body, for our audit work, for this report, or for the opinions we have formed.

The logo for Deloitte Limited, featuring the company name in a stylized, cursive script.

James Shepherd, Partner
Deloitte Limited
Wellington, New Zealand
30 June 2020

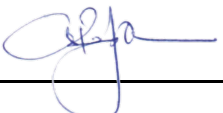
New Zealand Fire Service Superannuation Scheme
Statement of Net Assets
As at 31 March 2020

	Note	2020 \$	2019 \$
ASSETS			
Cash and Cash Equivalents		2,016,452	1,196,282
Prepayments		16,151	11,586
Short Term Securities	5	35,175,441	35,999,047
Fixed Interest Securities - New Zealand	5	34,724,913	33,423,104
Fixed Interest Securities - Offshore	5	106,045,635	111,462,795
Equities - New Zealand	5	23,177,765	28,572,618
Equities - Offshore	5	195,547,515	217,442,328
Property - Offshore	5	19,868,585	22,622,689
Outstanding Settlements	5	14,000,000	-
Total Assets		430,572,457	450,730,449
Less LIABILITIES			
	30		
Benefits Payable		742,084	719,886
Contributions Received in Advance		-	255
Sundry Creditors		191,979	240,783
Deferred Tax Liability	8	195,000	355,137
Total Liabilities		1,129,063	1,316,061
NET ASSETS AVAILABLE FOR BENEFITS		429,443,394	449,414,388
LIABILITY FOR PROMISED RETIREMENT BENEFITS			
<i>Represented By:</i>	3		
Member Accounts		186,614,657	190,985,736
FENZ Accounts		242,828,737	258,428,652
		429,443,394	449,414,388

For and on behalf of the Trustee, FireSuper Trustee Limited, who authorised the issue of these financial statements

Director 

Date 30 JUNE 2020

Director 

Date 30 June 2020

This statement is to be read in conjunction with the notes on pages 7 to 18.

New Zealand Fire Service Superannuation Scheme
Statement of Changes in Net Assets
For the Year Ended 31 March 2020

	Note	2020 \$	2019 \$
INVESTMENT ACTIVITIES			
Investment Income			
(Losses)/Gains on Financial Assets at Fair Value Through Profit	6	(17,355,001)	24,073,082
Dividends		1,087,409	1,516,553
Distributions		3,824,283	3,768,782
Bank Interest		16,576	33,359
		<u>(12,426,733)</u>	<u>29,391,776</u>
Investment Expenses			
Investment Management Fees		<u>(2,413,641)</u>	<u>(2,415,292)</u>
Net Investment Income		<u>(14,840,374)</u>	<u>26,976,484</u>
OTHER INCOME			
Death Payment Component Top-Up		<u>291,371</u>	<u>99,698</u>
		291,371	99,698
OTHER EXPENSES			
Auditor's Remuneration - fees for audit of financial statements		25,544	20,125
Auditor's Remuneration - taxation services fees		16,043	26,968
Administration Fees		383,171	374,421
Legal Fees		76,944	52,794
Trustee Fees and Expenses		106,211	102,777
Trustee and Director Liability Insurance		27,737	21,936
Annual Fees and Levies		41,316	(32,160)
General Expenses		77	29
Total Other Expenses		<u>677,043</u>	<u>566,890</u>
Change in Net Assets before Taxation and Membership Activities		<u>(15,226,046)</u>	<u>26,509,292</u>
Income Tax (Credit)/Expense	8	<u>(791,355)</u>	<u>2,445,088</u>
Change in Net Assets after Taxation and before Membership Activities		<u>(14,434,691)</u>	<u>24,064,204</u>
MEMBERSHIP ACTIVITIES			
Contributions			
Member Contributions		8,253,251	7,825,154
Voluntary Contributions		188,348	153,018
Government Contributions		31,421	28,735
FENZ Contributions		12,538,228	11,889,975
Transfers From Other Funds		542,374	-
Total Contributions		<u>21,553,622</u>	<u>19,896,882</u>
Benefits Paid	7	27,089,925	23,611,603
Net Membership Activities		<u>(5,536,303)</u>	<u>(3,714,721)</u>
Net (Decrease)/ Increase in Net Assets During the Year		<u>(19,970,994)</u>	<u>20,349,483</u>
Net Assets Available for Benefits at Beginning of the Year		<u>449,414,388</u>	<u>429,064,905</u>
Net Assets Available for Benefits at End of the Year		<u>429,443,394</u>	<u>449,414,388</u>

This statement is to be read in conjunction with the notes on pages 7 to 18.

New Zealand Fire Service Superannuation Scheme
Statement of Cash Flows
For the Year Ended 31 March 2020

	Note	2020 \$	2019 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
<i>Cash provided from</i>			
Member Contributions		8,983,973	7,978,273
FENZ Contributions		12,538,228	11,890,129
Government Contributions		31,421	28,735
Dividends		1,087,409	1,516,553
Distributions		3,824,283	3,768,782
Bank Interest		16,576	33,359
Death Payment Component Top-Up		291,371	99,698
		<u>26,773,261</u>	<u>25,315,529</u>
<i>Cash applied to</i>			
Benefits Paid		27,067,982	23,260,345
Other Expenses		742,456	618,271
Investment Management Fees		2,401,597	2,429,900
Income Tax Paid		(631,218)	2,348,227
		<u>29,580,817</u>	<u>28,656,743</u>
Net Cash Flows from Operating Activities	9	<u>(2,807,556)</u>	<u>(3,341,214)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
<i>Cash provided from</i>			
Sale of Investments		27,591,145	12,953,342
<i>Cash applied to</i>			
Purchase of Investments		23,963,419	9,647,419
Net Cash Flows from Investing Activities		<u>3,627,726</u>	<u>3,305,923</u>
Net Increase/(Decrease) in Cash and Cash Equivalents		820,170	(35,291)
Cash and Cash Equivalents at Beginning of the Year		1,196,282	1,231,573
Cash and Cash Equivalents at End of the Year		<u><u>2,016,452</u></u>	<u><u>1,196,282</u></u>

This statement is to be read in conjunction with the notes on pages 7 to 18.

New Zealand Fire Service Superannuation Scheme
Notes to the Financial Statements
For the Year Ended 31 March 2020

1. Scheme Description

New Zealand Fire Service Superannuation Scheme (the "Scheme") is a restricted workplace savings scheme registered in New Zealand under the Financial Markets Conduct Act 2013 ("FMCA") to provide employees of Fire and Emergency New Zealand ("FENZ") with benefits on their retirement or otherwise ceasing service.

The registered office of the Scheme is: c/- Mercer (N.Z.) Limited, P O Box 2897, Wellington 6140, New Zealand.

There are two classes of members. The members and FENZ both contribute to the Scheme to fund benefits.

Details of membership as at 31 March 2020 were:

	Active	Deferred	Total
1 April 2019	1,899	146	2,045
New Members	96	31	127
Death	(2)	(1)	(3)
Resignations	(22)	(11)	(33)
Loss of Physical/Medical Fitness	(4)	-	(4)
Transferred to Deferred	(31)	-	(31)
Retirements	(9)	-	(9)
Transferred to Other Schemes	(1)	-	(1)
31 March 2020	1,926	165	2,091

Funding Arrangements

New Zealand Fire Service Superannuation Scheme is a defined contribution scheme. Under the Trust Deed contributions are made by Scheme members and by FENZ.

During the year the rates of contribution were as follows:

Member - regular contributions at rates between 6-11% of superable salary/wages dependent on the member's age and date upon joining as specified in the Trust Deed. Members may reduce or suspend regular contributions or make additional voluntary contributions subject to the Trustee's consent.

FENZ - \$1.52 net of Employer Superannuation Contribution Tax for each dollar of regular contribution made by the member.

Retirement Benefits

The retirement benefits are determined by contributions to the Scheme together with investment earnings on those contributions over the period of membership.

Termination Terms

The Trust Deed sets out the basis on which the Scheme can be terminated.

Changes in the Scheme

The Trust Deed was amended on 19 February 2020 and the key change made to the Deed was:

- To reinstate the bankruptcy provisions (that were previously removed in error).

New Zealand Fire Service Superannuation Scheme
Notes to the Financial Statements (Continued)
For the Year Ended 31 March 2020

2. Summary of Significant Accounting Policies

Basis of Preparation

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP") and the requirements of the Financial Markets Conduct Act 2013 ("FMCA").

Statement of Compliance

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP") and the requirements of the Financial Markets Conduct Act 2013 and other relevant legislative requirements as appropriate for For-profit entities.

The Scheme is a Tier 1 entity and, as such, the financial statements comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS"), other New Zealand Accounting Standards and authoritative notices as appropriate for For-profit entities. These financial statements also comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

New and amended standards adopted by the Scheme

There are no new standards, amendments to standards or interpretations that are effective, for annual periods beginning on 1 April 2019, that have a material effect on the financial statements of the Plan.

Measurement Base

The measurement base adopted is that of historical cost modified by the revaluation of assets which are measured at fair values at balance date.

Presentation Currency

These financial statements are presented in New Zealand dollars because that is the currency of the primary economic environment in which the Scheme operated.

Classification of Assets and Liabilities

New Zealand Fire Service Superannuation Scheme operates as a restricted workplace savings scheme. As such, the assets and liabilities are disclosed in the Statement of Net Assets in an order that reflected their relative liquidity.

New Zealand Fire Service Superannuation Scheme
Notes to the Financial Statements (Continued)
For the Year Ended 31 March 2020

2. Summary of Significant Accounting Policies (Continued)

Accounting Policies

The following are the significant accounting policies which have been adopted in the preparation of the financial statements:

Financial Assets at Fair Value Through Profit or Loss

The Scheme classifies its investments as designated at Fair Value through Profit or Loss. The financial assets are recognised and derecognised on the trade date where a purchase or sale was under contract whose terms require delivery within the time frame established by the market concerned, initially measured at fair value. Subsequent to initial recognition all Financial Assets through Profit or Loss are measured at fair value.

Gains or losses arising from changes in fair value of the Financial Assets through Profit or Loss category are presented in the Statement of Changes in Net Assets when they arise. Interest and dividends related to Financial Assets at Fair Value through Profit or Loss are recognised as part of the gains and losses presented in the Statement of Changes in Net Assets.

The fair value of financial assets is determined with reference to the unit prices calculated by the investment managers in which the Scheme holds financial assets.

The fair value of financial assets is determined using the last sale price ("exit" price) as calculated by the investment manager at balance date.

Income Recognition

(i) Interest income is recognised as interest accrued using the effective interest rate method. Interest income is earned on cash and cash equivalents.

(ii) Gains or losses of Financial Assets at Fair Value through Profit or Loss are recognised in the Statement of Changes in Net Assets as disclosed above.

(iii) Dividends and distributions from unitised investments are recognised on a due and receivable basis.

(iv) Other income is recognised in the Statement of Changes in Net Assets when the Scheme's right to receive payment is established.

Foreign Currencies

Transactions in currencies other than NZ dollars are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance date, assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance date. Gains and losses arising on retranslation are included in changes in net assets for the period.

Expenses

All expenses are accounted for on an accruals basis.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the period. Taxable profit differs from profit before tax as reported in the Statement of Changes in Net Assets because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Scheme's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits are available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profits are available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the Statement of Changes in Net Assets.

New Zealand Fire Service Superannuation Scheme
Notes to the Financial Statements (Continued)
For the Year Ended 31 March 2020

2. Summary of Significant Accounting Policies (Continued)

Financial Instruments

Financial assets and financial liabilities are recognised on the Scheme's Statement of Net Assets when the Scheme becomes a party to the contractual provisions of the instrument. The Scheme shall offset financial assets and financial liabilities if the Scheme has a legally enforceable right to set off the recognised amounts and interests and intends to settle on a net basis.

Derivative Financial Instruments

The Scheme's activities expose it primarily to the financial risks of changes in foreign currency rates and interest rates. The Scheme does not directly hold foreign exchange forward contracts and interest rate swap contracts. The Scheme does not use derivative financial instruments for speculative purposes. Hedge accounting has not been applied.

The use of financial derivatives is governed by the Scheme's policies approved by the Trustee, which provide written principles on the use of financial derivatives.

Changes in the fair value of derivative financial instruments are recognised in the Statement of Changes in Net Assets as they arise.

Sundry Creditors

Sundry creditors are not interest-bearing and are stated at their amortised cost.

Goods and Services Tax (GST)

The Scheme is not registered for GST and consequently all components of the financial statements are stated inclusive of GST where appropriate.

Statement of Cash Flows

The cash flows of the Scheme do not include those of the investment managers. The following are definitions of the terms used in the Statement of Cash Flows:

Cash and Cash Equivalents - comprises cash balances held with banks in New Zealand and overseas.

Operating activities - include all transactions and other events that are not investing activities.

Investing activities - comprise acquisition and disposal of investments. Investments include securities not falling within the definition of cash.

Promised Retirement Benefits

The liability for accrued retirement benefits is the Scheme's present obligation to pay benefits to members and beneficiaries. It has been calculated as the difference between the carrying amounts of the assets and the carrying amounts of the liabilities as at balance date. Accrued retirement benefits include amounts allocated to members' accounts and reserves.

Contributions and Benefits

Contributions and benefits are accounted for on an accruals basis.

New Zealand Fire Service Superannuation Scheme
Notes to the Financial Statements (Continued)
For the Year Ended 31 March 2020

3. Liability for Promised Retirement Benefits

Changes in promised retirement benefits for the year ended 31 March 2020:

	Member Accounts \$	FENZ Accounts \$	Reserve B \$	Total 2020 \$
Balance 1 April 2019	190,985,736	258,428,652	-	449,414,388
Member Contributions	8,441,599	12,538,228	-	20,979,827
Government Contributions	31,421	-	-	31,421
Transfers In From Other Funds	542,374	-	-	542,374
Expenses Allocated	(9,392)	-	9,392	-
Benefits Paid to Members	(18,104,914)	(8,693,640)	(291,371)	(27,089,925)
Net Profit Allocated	(5,678,187)	(9,038,484)	281,979	(14,434,691)
	176,208,638	253,234,756	0	429,443,394
Deferred Benefit Transfers*	10,406,019	(10,406,019)	-	-
Balance 31 March 2020	186,614,657	242,828,737	-	429,443,394

Changes in promised retirement benefits for the year ended 31 March 2019:

	Member Accounts \$	FENZ Accounts \$	Reserve B \$	Total 2019 \$
Balance 1 April 2018	177,159,369	251,905,536	-	429,064,905
Contributions	8,006,907	11,889,975	-	19,896,882
Expenses Allocated	(5,083)	-	5,083	-
Benefits Paid to Members	(15,801,204)	(7,710,701)	(99,698)	(23,611,603)
Net Profit Allocated	9,832,295	14,137,294	94,615	24,064,204
	179,192,284	270,222,104	-	449,414,388
Deferred Benefit Transfers*	11,793,452	(11,793,452)	-	-
Balance 31 March 2019	190,985,736	258,428,652	-	449,414,388

* Deferred Benefit Transfers are where members leave employment of Fire and Emergency New Zealand but retain their funds in the Scheme as Deferred Members.

Guaranteed Benefits

No guarantees have been made in respect of any part of the liability for promised retirement benefits (31 March 2019: Nil).

4. 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 Scheme at balance date.

2020 \$	2019 \$
429,443,394	449,414,388

New Zealand Fire Service Superannuation Scheme
Notes to the Financial Statements (Continued)
For the Year Ended 31 March 2020

5. Financial Assets

The Scheme invests in the following:

	2020	2019
	\$	\$
AMP Capital New Zealand Shares Fund	23,177,765	28,572,618
AMP Capital Emerging Markets Share Fund	13,121,368	14,119,179
AMP Capital Core Global Shares Fund	50,760,982	58,533,969
AMP Capital Core Hedged Global Shares Fund	81,875,041	85,784,328
ANZ Wholesale Cash Fund	35,175,441	35,999,047
ANZ Sovereign Bond Fund	13,695,145	13,188,763
ANZ High Grade Bond Fund	21,029,768	20,234,341
ANZ Wholesale International Property Securities Fund	19,868,585	22,622,689
Direct Capital New Zealand Equities	374,997	773,367
First State Investments Global Listed Infrastructure Fund	26,905,401	30,151,996
Harbour Asset Management Australasian Equity Fund	22,509,725	28,079,489
Russell Investments Global Fixed Interest Fund	106,045,635	111,462,795
Total Financial Assets	<u>414,539,854</u>	<u>449,522,581</u>

On 31 March 2020 the scheme sold financial assets from Russell Investments, amounting to \$14,000,000 (2019: Nil). As at 31 March 2020, this was an unsettled trade with the amount received subsequent to the reporting period of the Scheme, on 6 April 2020, and invested into the ANZ Wholesale Cash Fund.

6. (Losses)/Gains on Financial Assets at Fair Value Through Profit or Loss

	2020	2019
	\$	\$
Short Term Securities	800,112	921,994
Fixed Interest - New Zealand	1,807,756	2,157,407
Fixed Interest - Offshore	1,043,903	357,450
Equities - New Zealand	36,994	2,843,024
Equities - Offshore	(17,744,699)	14,764,553
Property - Offshore	(3,299,067)	3,028,654
	<u>(17,355,001)</u>	<u>24,073,082</u>

The net gains on items at fair value through profit or loss do not include interest or dividend income. These are disclosed separately on the face of the Statement of Changes in Net Assets.

7. Benefits Paid

Benefits paid to members are broken down as follows:

	2020	2019
	\$	\$
Death	754,849	293,428
Loss of Physical/Medical Fitness	774,013	494,563
Relationship Property Settlements	1,111,604	552,739
Resignations	6,356,221	5,847,772
Retirements	3,706,216	8,236,442
Withdrawals	14,387,022	8,186,659
	<u>27,089,925</u>	<u>23,611,603</u>

New Zealand Fire Service Superannuation Scheme
Notes to the Financial Statements (Continued)
For the Year Ended 31 March 2020

8. Income Tax

	2020 \$	2019 \$
Current Tax	(204,998)	(281,862)
Deferred Tax	(160,137)	96,861
PIE Tax expense	(426,220)	2,630,089
	<u>(791,355)</u>	<u>2,445,088</u>

The total charge for the year can be reconciled to the Change in Net Assets as follows:

Change in Net Assets before Tax and Membership Activities	(15,226,046)	26,509,292
Income Tax @ 28%	(4,263,293)	7,422,602
Tax effect of:		
Tax paid income / Non-deductible losses/(gains)	3,890,916	(7,604,002)
Prior period adjustment	7,242	(3,601)
PIE Tax (charge)/expenses	(426,220)	2,630,089
Income Tax Expense	<u>(791,355)</u>	<u>2,445,088</u>

Current Tax

Opening Balance	-	-
Current year charge	-	-
Net tax paid in current year	-	-
Current Tax Balance	<u>-</u>	<u>-</u>

Opening Balance	Charged to Income	Closing Balance
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Deferred Tax

2020

Investments	(363,922)	152,831	(211,091)
Expenses to transfer to investment manager	8,785	7,306	16,091
Closing Balance	<u>(355,137)</u>	<u>160,137</u>	<u>(195,000)</u>

2019

Investments	(353,252)	(10,670)	(363,922)
Expenses to transfer to investment manager	94,976	(86,191)	8,785
Closing Balance	<u>(258,276)</u>	<u>(96,861)</u>	<u>(355,137)</u>

The Scheme invests in funds managed by AMP Capital Investors, ANZ Investments, Harbour Asset Management, First State Investments and Russell Investments which are all Portfolio Investment Entities ("PIEs"). A prescribed Investor Rate ('PIR') of 28% has been applied to these PIEs. The Scheme also invests in a fund managed by Direct Capital Partners which is not a PIE.

Gains and losses on PIE investments held with a 28% PIR are taxable within the PIE fund, with any tax deducted/credited reflected in the valuation of investments at year end. However, to improve transparency in the financial statements, all PIE tax expense/credits are shown in the Statement of Changes in Net Assets as 'Income Tax Expense/(Credit)', with 'Gains/(Losses) on Financial Assets at Fair Value Through Profit or Loss' presented gross of any tax deducted.

As at 31 March 2020 the Scheme has \$49,085 expenses to carry forward to its PIE investments (31 March 2019: \$31,378).

New Zealand Fire Service Superannuation Scheme
Notes to the Financial Statements (Continued)
For the Year Ended 31 March 2020

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

	2020	2019
	\$	\$
(Decrease)/Increase in Net Assets	(19,970,994)	20,349,483
Non-Cash Items		
(Losses)/Gains on Fair Value Through Profit or Loss	17,355,001	(24,073,082)
Movement in Deferred Taxation Liability	(160,137)	96,861
Movements in Other Working Capital Items		
Increase in Benefits Payable	22,198	352,501
(Decrease) in Contributions Received in Advance	(255)	(988)
Decrease/(Increase) in Prepayments	(4,565)	(1,236)
(Decrease) in Sundry Creditors	(48,804)	(64,753)
Net Cash Flows from Operating Activities	<u>(2,807,556)</u>	<u>(3,341,214)</u>

10. Reserve Fund

Pursuant to the Trust Deed, the Trustee shall establish Reserve Accounts. The Trustee may, at its discretion, apply part or the whole of the Reserve Accounts.

Reserve Fund A consists of monies which have been derived from interest and other income from the investments of the Scheme. The Trustee may apply Reserve Fund A in any of the following ways:

- towards increasing or decreasing the retirement benefits for all members on an equitable basis;
- providing benefits other than retirement benefits for all members of the Scheme on an equitable basis; and
- payment of the expenses of administering the Scheme.

Reserve Fund B consists of monies which have been derived from the following sources and are not specifically required or allocated for any other purpose:

- benefits forgone when members cease to be eligible to contribute to the Scheme;
- unclaimed benefits;
- other money not required for the payment of benefits under the Scheme; and
- any contributions made by FENZ pursuant to 2.1.2 of the Fourth Schedule of the Trust Deed.

The Trustee may apply Reserve Fund B in any of the following ways:

- providing any benefit that may be required in respect of any member of the Scheme pursuant to Clause 2.2.2, 3.2.2 or 4 of the Third Schedule of the Trust Deed or any other benefits for all members of the Scheme on an equitable basis;
- providing personal benefits for members or their dependants in the case of hardship; and
- payment of the expenses of administering the Scheme.

11. Financial Instruments

The Scheme is involved with 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 income and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in the accounting policies.

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 Scheme's accounting policy in relation to Financial Assets Held at Fair Value through Profit or Loss.

New Zealand Fire Service Superannuation Scheme
Notes to the Financial Statements (Continued)
For the Year Ended 31 March 2020

11. Financial Instruments (Continued)

Categories of Financial Instruments - 31 March 2020

	Financial Assets at Fair value through Profit or Loss \$	Financial Assets at Amortised Cost \$	Financial Liabilities at Amortised Cost \$	Total \$
Assets				
Cash and Cash Equivalents	-	2,016,452	-	2,016,452
AMP Capital New Zealand Shares Fund	23,177,765	-	-	23,177,765
AMP Capital Emerging Markets Global Share Fund	13,121,368	-	-	13,121,368
AMP Capital Core Global Shares Fund	50,760,982	-	-	50,760,982
AMP Capital Core Hedged Global Shares Fund	81,875,041	-	-	81,875,041
ANZ Wholesale Cash Fund	35,175,441	-	-	35,175,441
ANZ Sovereign Bond Fund	13,695,145	-	-	13,695,145
ANZ High Grade Bond Fund	21,029,768	-	-	21,029,768
ANZ Wholesale International Property Securities Fund	19,868,585	-	-	19,868,585
Direct Capital IV Limited Partnership	374,997	-	-	374,997
First State Investments Global Listed Infrastructure Fund	26,905,401	-	-	26,905,401
Harbour Asset Management Australasian Equity Fund	22,509,725	-	-	22,509,725
Russell Investments Global Fixed Interest Fund	106,045,635	-	-	106,045,635
Total Assets	414,539,854	2,016,452	-	416,556,306
Liabilities				
Benefits Payable	-	-	742,084	742,084
Sundry Creditors	-	-	191,979	191,979
Total Liabilities	-	-	934,063	934,063

Categories of Financial Instruments - 31 March 2019

	Financial Assets at Fair value through Profit or Loss	Financial Assets at Amortised Cost	Financial Liabilities at Amortised Cost	Total
Assets				
Cash and Cash Equivalents	-	1,196,282	-	1,196,282
Prepayments	-	11,586	-	11,586
AMP Capital New Zealand Shares Fund	28,572,618	-	-	28,572,618
AMP Capital Emerging Markets Global Share Fund	14,119,179	-	-	14,119,179
AMP Capital Core Global Shares Fund	58,533,969	-	-	58,533,969
AMP Capital Core Hedged Global Shares Fund	85,784,328	-	-	85,784,328
ANZ Wholesale Cash Fund	35,999,047	-	-	35,999,047
ANZ Sovereign Bond Fund	13,188,763	-	-	13,188,763
ANZ High Grade Bond Fund	20,234,341	-	-	20,234,341
ANZ Wholesale International Property Securities Fund	22,622,689	-	-	22,622,689
Direct Capital IV Limited Partnership	773,367	-	-	773,367
First State Investments Global Listed Infrastructure Fund	30,151,996	-	-	30,151,996
Harbour Asset Management Australasian Equity Fund	28,079,489	-	-	28,079,489
Russell Investments Global Fixed Interest Fund	111,462,795	-	-	111,462,795
Total Assets	449,522,581	1,207,868	-	450,730,449
Liabilities				
Benefits Payable	-	-	719,886	719,886
Contributions Received in Advance	-	-	255	255
Sundry Creditors	-	-	240,783	240,783
Total Liabilities	-	-	960,924	960,924

New Zealand Fire Service Superannuation Scheme
Notes to the Financial Statements (Continued)
For the Year Ended 31 March 2020

11. Financial Instruments (Continued)

Hierarchy of Fair Value Measurements

The following table provides an analysis of financial instruments that are measured subsequent to initial value at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable.

Level 1 - fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

31 March 2020

Description	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial Assets at Fair Value Through Profit or Loss				
AMP Capital New Zealand Shares Fund	-	23,177,765	-	23,177,765
AMP Capital Emerging Markets Global Shares Fund	-	13,121,368	-	13,121,368
AMP Capital Core Global Shares Fund	-	50,760,982	-	50,760,982
AMP Capital Core Hedged Global Shares Fund	-	81,875,041	-	81,875,041
ANZ Wholesale Cash Fund	-	35,175,441	-	35,175,441
ANZ Sovereign Bond Fund	-	13,695,145	-	13,695,145
ANZ High Grade Bond Fund	-	21,029,768	-	21,029,768
ANZ Wholesale International Property Securities Fund	-	19,868,585	-	19,868,585
Direct Capital IV Limited Partnership	-	-	374,997	374,997
First State Investments Global Listed Infrastructure Fund	-	26,905,401	-	26,905,401
Harbour Asset Management Australasian Equity Fund	-	22,509,725	-	22,509,725
Russell Investments Global Fixed Interest Fund	-	106,045,635	-	106,045,635
Total	-	414,164,857	374,997	414,539,854

The majority of the financial assets above are classified as Level 2 as they are based on unit prices with Fair Value derived from inputs other than quoted prices in active markets. The Level 3 investment fair value measurement is derived from valuation techniques that include inputs not based on observable market data.

All financial instruments (except Direct Capital IV Limited Partnership) disclosed in these Financial Statements are categorised as Level 2 for both 2019 and 2020 financial periods.

The Scheme invests in managed funds. The fair value is based upon unit prices calculated by the Manager of the fund.

The fair value of units is based upon a Net Asset Valuation using observable inputs of quoted security prices in active share markets and/or interest rates or yield curves which are observable at specific time intervals. The Net Asset Valuation of the fund may also include securities or derivatives which have inputs such as foreign exchange spot and forward rates and interest rate curves derived from quoted bond prices. The Net Asset Valuation may also have adjustments to reflect fees associated with the fund.

For unit prices, significant inputs into the calculation are market observable and are included within level 2.

There were no transfers between levels in the period.

New Zealand Fire Service Superannuation Scheme
Notes to the Financial Statements (Continued)
For the Year Ended 31 March 2020

11. Financial Instruments (Continued)

Hierarchy of Fair Value Measurements (Continued)

31 March 2019

Description	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial Assets at Fair Value Through Profit or Loss				
AMP Capital New Zealand Shares Fund	-	28,572,618	-	28,572,618
AMP Capital Emerging Markets Global Shares Fund	-	14,119,179	-	14,119,179
AMP Capital Core Global Shares Fund	-	58,533,969	-	58,533,969
AMP Capital Core Hedged Global Shares Fund	-	85,784,328	-	85,784,328
ANZ Wholesale Cash Fund	-	35,999,047	-	35,999,047
ANZ Sovereign Bond Fund	-	13,188,763	-	13,188,763
ANZ High Grade Bond Fund	-	20,234,341	-	20,234,341
ANZ Wholesale International Property Securities Fund	-	22,622,689	-	22,622,689
Direct Capital IV Limited Partnership	-	-	773,367	773,367
First State Investments Global Listed Infrastructure Fund	-	30,151,996	-	30,151,996
Harbour Asset Management Australasian Equity Fund	-	28,079,489	-	28,079,489
Russell Investments Global Fixed Interest Fund	-	111,462,795	-	111,462,795
Total	-	448,749,214	773,367	449,522,581

Credit Risk

Financial instruments which potentially expose the Scheme to credit risk consist of cash and receivables and, indirectly investments in unitised products which invest in cash and fixed interest investments. The maximum exposure to credit risk is the carrying value of these financial instruments. The significant counterparties of the Scheme are its investment managers: AMP Capital Investors (New Zealand) Limited, ANZ Investments, Direct Capital Partners, First State Investments, Harbour Asset Management and Russell Investments, which the Trustee considers to be financial institutions of high quality. The investments are held in trust by the investment managers for the benefit of the Scheme. The managers maintain diversified investment portfolios in accordance with the portfolio mix adopted by the Trustee.

Currency Risk

As at 31 March 2020 the Scheme had \$344,639,500 (2019: \$380,100,430) invested in offshore fixed interest securities, offshore equities, offshore property, and offshore infrastructure assets which expose the Scheme to currency risks. The AMP Capital New Zealand Shares Fund and the Harbour Asset Management Australasian Equity Fund are hedged at the managers' discretion. The First State Investments Global Listed Infrastructure Fund and the Russell Investments Global Fixed Interest Fund are 100% hedged on an after tax basis. The ANZ Wholesale International Property Securities Fund is 100% hedged on a gross of tax basis. The AMP Capital Core Hedged Global Shares Fund is 139% hedged on a gross of tax basis. The remaining Funds are not hedged.

	2020 \$	2019 \$
Hedged Funds		
AMP Capital New Zealand Shares Fund	23,177,765	28,572,618
AMP Capital Core Hedged Global Shares Fund	81,875,041	85,784,328
ANZ Wholesale International Property Securities Fund	19,868,585	22,622,689
First State Investments Global Listed Infrastructure Fund	26,905,401	30,151,996
Harbour Asset Management Australasian Equity Fund	22,509,725	28,079,489
Russell Investments Global Fixed Interest Fund	106,045,635	111,462,795
Total Hedged Funds	280,382,152	306,673,915
Unhedged Funds		
AMP Capital Emerging Markets Share Fund	13,121,368	14,119,179
AMP Capital Core Global Shares Fund	50,760,982	58,533,969
ANZ Wholesale Cash Fund	35,175,441	35,999,047
ANZ Sovereign Bond Fund	13,695,145	13,188,763
ANZ High Grade Bond Fund	21,029,768	20,234,341
Direct Capital IV Limited Partnership	374,997	773,367
Total Unhedged Funds	134,157,701	142,848,666

New Zealand Fire Service Superannuation Scheme
Notes to the Financial Statements (Continued)
For the Year Ended 31 March 2020

11. Financial Instruments (Continued)

Interest Rate Risk

The Scheme is exposed to interest rate risk in that future rate movements will affect the cash flows and the net market value of fixed interest securities. Risk management activities are undertaken by the Scheme's investment managers as part of their investing operations.

	2020 \$	2019 \$
Fixed Interest - New Zealand	69,900,354	69,422,151
Fixed Interest - Offshore	106,045,635	111,462,795
Total	<u>175,945,989</u>	<u>180,884,946</u>

Liquidity Risk

All financial assets at fair value through profit or loss can be realised within 12 months, except Direct Capital IV Limited Partnership, which is not available for withdrawal until the Partnership is divested in approximately 2 years. The Trustee has capital commitments of up to \$1.03 million to Direct Capital IV Limited Partnership. There are no significant financial liabilities.

12. Sensitivity Analysis

A 5% increase/decrease in the value of the Scheme's investments would have a positive/adverse impact on the value of the Scheme's assets by \$20,726,993 (2019: \$22,476,129), and the Trustee has determined it is appropriate to use as it shows the sensitivity to investment fluctuations.

13. Key Sources of Estimation Uncertainty

The preparation of the financial statements requires the Trustee to make estimates and assumptions that affect the amount reported in the financial statements and accompanying notes. The Trustee has used judgment in the categorisation of financial assets and liabilities at fair value through profit or loss in accordance with the fair value hierarchy under NZ IFRS 13.

14. Commitments and Contingent Liabilities

There were no contingent liabilities outstanding as at 31 March 2020 (31 March 2019: Nil). The Trustee has future capital commitments of \$1.03 million to Direct Capital IV Limited Partnership.

15. Related Parties

The Scheme held no direct investments in any of the FENZ companies or any of its related parties and during the year had no related party transactions except for FENZ contributions. Trustee fees and expenses for the year were \$103,952 (2019: \$102,777). The fee paid to the Licensed Independent Trustee for the financial year was \$43,216 (2019: \$38,782).

Directors of the Trustee that are members of the Scheme contribute on the same basis and have the same rights as other members of the Scheme.

16. Events After Balance Date

The financial statements have been prepared based upon conditions existing at 31 March 2020 and considering those events occurring subsequent to that date, that provide evidence of conditions that existed at the end of the reporting period. The Covid-19 outbreak that became a global pandemic in March 2020, continued to have a widespread impact on financial markets and economic activity beyond the end of the Scheme's year-end.

As at 31 May 2020, the fair value of investments has increased by approximately 11.48%, compared to the fair value as at 31 March 2020.