

NEW ZEALAND FIRE SERVICE SUPERANNUATION SCHEME

Financial Statements

For the Year Ended 31 March 2022

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Financial Statements

For the Year Ended 31 March 2022

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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 2022, 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 17, present fairly, in all material respects, the financial position of the Scheme as at 31 March 2022, 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 *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)*, 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.

Key audit 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 either intend 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.

A stylized, handwritten-style signature of 'Deloitte Limited' in a dark grey or black ink.

**James Shepherd, Partner
for Deloitte Limited**
Wellington, New Zealand
23 June 2022

New Zealand Fire Service Superannuation Scheme
Statement of Net Assets
As at 31 March 2022

	Note	2022 \$	2021 \$
ASSETS			
Cash and Cash Equivalents		384,224	1,515,710
Prepayments		21,068	20,071
Contributions Receivable		-	30
FENZ Reimbursement Receivable		-	84,109
Sundry Debtors		1,172	-
Financial Assets at Fair Value through Profit or Loss	5	531,934,781	514,966,975
Total Assets		532,341,245	516,586,895
Less LIABILITIES			
Benefits Payable		710,878	1,128,273
Contribution Refundable		1,564	-
Sundry Creditors		244,959	219,015
Current Tax Liability		943,256	-
Deferred Tax Liability	8	90,914	35,202
Total Liabilities		1,991,571	1,382,490
NET ASSETS AVAILABLE FOR BENEFITS		530,349,674	515,204,405
LIABILITY FOR PROMISED RETIREMENT BENEFITS			
<i>Represented By:</i>	3		
Member Accounts		236,155,168	224,726,841
FENZ Accounts		294,194,506	290,477,564
		530,349,674	515,204,405

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

Director Denis Fitzmaurice Date 23 June 2022

Director  Date 23 June 2022

This statement is to be read in conjunction with the notes on pages 7 to 17.

New Zealand Fire Service Superannuation Scheme
Statement of Changes in Net Assets
For the Year Ended 31 March 2022

	Note	2022 \$	2021 \$
INVESTMENT ACTIVITIES			
Investment Income			
Gains on Financial Assets at Fair Value Through Profit or Loss	6	15,692,060	93,011,159
Distributions		5,548,062	4,077,699
Bank Interest		3,745	4,065
		<u>21,243,867</u>	<u>97,092,923</u>
Investment Expenses			
Investment Management Fees		<u>(1,696,638)</u>	<u>(2,373,446)</u>
Net Investment Income		<u>19,547,229</u>	<u>94,719,477</u>
OTHER INCOME			
Top-Up Benefit Reimbursement		<u>-</u>	<u>244,364</u>
		<u>-</u>	<u>244,364</u>
OTHER EXPENSES			
Auditor's Remuneration - fees for audit of financial statements		31,407	23,000
Auditor's Remuneration - taxation services fees		21,908	23,460
Administration Fees		511,901	461,876
Legal Fees		101,367	75,986
Trustee Fees and Expenses		82,362	60,576
Trustee and Director Liability Insurance		39,163	34,246
Annual Fees and Levies		77,561	37,551
General Expenses		35	30
Total Other Expenses		<u>865,704</u>	<u>716,725</u>
Change in Net Assets before Taxation and Membership Activities		<u>18,681,525</u>	<u>94,247,116</u>
Income Tax Expense	8	<u>873,847</u>	<u>8,976,014</u>
Change in Net Assets after Taxation and before Membership Activities		<u>17,807,678</u>	<u>85,271,102</u>
MEMBERSHIP ACTIVITIES			
Contributions			
Member Contributions		8,598,393	8,433,645
Voluntary Contributions		295,561	199,999
Government Contributions		29,735	33,169
FENZ Contributions		13,063,813	12,815,796
FENZ Top-Up Benefit Reimbursement		189,089	-
Total Contributions		<u>22,176,591</u>	<u>21,482,609</u>
Benefits Paid	7	24,839,000	20,992,700
Net Membership Activities		<u>(2,662,409)</u>	<u>489,909</u>
Net Increase in Net Assets During the Year		<u>15,145,269</u>	<u>85,761,011</u>
Net Assets Available for Benefits at Beginning of the Year		<u>515,204,405</u>	<u>429,443,394</u>
Net Assets Available for Benefits at End of the Year		<u><u>530,349,674</u></u>	<u><u>515,204,405</u></u>

This statement is to be read in conjunction with the notes on pages 7 to 17.

New Zealand Fire Service Superannuation Scheme
Statement of Cash Flows
For the Year Ended 31 March 2022

	Note	2022 \$	2021 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
<i>Cash provided from</i>			
Member Contributions		8,894,595	8,633,614
FENZ Contributions		13,064,765	12,815,796
Government Contributions		29,735	33,169
Distributions		22,509	166,801
Bank Interest		3,745	4,065
Death Payment Component Top-Up		273,198	160,255
		<u>22,288,547</u>	<u>21,813,700</u>
<i>Cash applied to</i>			
Benefits Paid		25,256,395	20,606,511
Other Expenses		845,479	699,106
Investment Management Fees		301,865	508,825
		<u>26,403,739</u>	<u>21,814,442</u>
Net Cash Flows from Operating Activities	9	<u>(4,115,192)</u>	<u>(742)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
<i>Cash provided from</i>			
Sale of Investments		277,566,519	55,805,940
<i>Cash applied to</i>			
Purchase of Investments		274,582,813	56,305,940
Net Cash Flows from Investing Activities		<u>2,983,706</u>	<u>(500,000)</u>
Net (Decrease) in Cash and Cash Equivalents		(1,131,486)	(500,742)
Cash and Cash Equivalents at Beginning of the Year		1,515,710	2,016,452
Cash and Cash Equivalents at End of the Year		<u><u>384,224</u></u>	<u><u>1,515,710</u></u>

This statement is to be read in conjunction with the notes on pages 7 to 17.

New Zealand Fire Service Superannuation Scheme
Notes to the Financial Statements
For the Year Ended 31 March 2022

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 - Active and Deferred. The members and FENZ both contribute to the Scheme to fund benefits.

Membership movements during the year ended 31 March 2022 were:

	Active	Deferred	Total
1 April 2021	1,941	187	2,128
New Members	96	-	96
Loss of Physical/Medical Fitness	(4)	-	(4)
Resignations/Withdrawals	(33)	(14)	(47)
Retirements	(9)	-	(9)
Retrenchment	(3)	-	(3)
Transferred to Deferred	(38)	38	-
31 March 2022	1,950	211	2,161

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% and 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 SIPO was updated on 12 May 2021 to reflect the transition of international equities from AMP Capital Investors to Mercer (N.Z.) Limited.

The amended SIPO also included changes in the risk expectations for the Conservative option - both the magnitude of "1 in 100 year" real losses (from 7.5% to 10%) and the likelihood of negative returns (from 1 year in every 5 to 1 year in every 4).

On 29 September 2021 the SIPO was further updated to reflect the implementation of the Life Cycle member investment choice option.

New Zealand Fire Service Superannuation Scheme
Notes to the Financial Statements (Continued)
For the Year Ended 31 March 2022

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") and other relevant legislative requirements as appropriate for For-profit entities.

Statement of Compliance

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 2021, that have a material effect on the financial statements of the Scheme.

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.

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.

New Zealand Fire Service Superannuation Scheme
Notes to the Financial Statements (Continued)
For the Year Ended 31 March 2022

2. Summary of Significant Accounting Policies (Continued)

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.

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 2022

3. Liability for Promised Retirement Benefits

Changes in promised retirement benefits for the year ended 31 March 2022:

	Member Accounts \$	FENZ Accounts \$	Reserve B* \$	Total 2022 \$
Balance 1 April 2021	224,726,841	290,477,564	-	515,204,405
Contributions	8,893,954	13,063,813	189,089	22,146,856
Government Contributions	29,735	-	-	29,735
Member Deductions	(9,130)	-	-	(9,130)
Benefits Paid to Members	(17,091,012)	(7,558,899)	(189,089)	(24,839,000)
Income Allocated	6,933,925	10,882,883	-	17,816,808
	<u>223,484,313</u>	<u>306,865,361</u>	<u>-</u>	<u>530,349,674</u>
Deferred Benefit Transfers**	12,670,855	(12,670,855)	-	-
Balance 31 March 2022	<u>236,155,168</u>	<u>294,194,506</u>	<u>-</u>	<u>530,349,674</u>

Changes in promised retirement benefits for the year ended 31 March 2021:

	Member Accounts \$	FENZ Accounts \$	Reserve B* \$	Total 2021 \$
Balance 1 April 2020	186,614,657	242,828,737	-	429,443,394
Contributions	8,633,644	12,815,796	244,364	21,693,804
Government Contributions	33,169	-	-	33,169
Transfers In From Other Funds	-	-	-	-
Member Deductions	(14,070)	-	-	(14,070)
Benefits Paid to Members	(13,333,877)	(7,414,459)	(244,364)	(20,992,700)
Income Allocated	34,071,357	50,969,451	-	85,040,808
	<u>216,004,880</u>	<u>299,199,525</u>	<u>-</u>	<u>515,204,405</u>
Deferred Benefit Transfers**	8,721,961	(8,721,961)	-	-
Balance 31 March 2021	<u>224,726,841</u>	<u>290,477,564</u>	<u>-</u>	<u>515,204,405</u>

* Includes the top-up reimbursement from FENZ.

** 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 2021: 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.

2022 \$	2021 \$
<u>530,349,674</u>	<u>515,204,405</u>

New Zealand Fire Service Superannuation Scheme
Notes to the Financial Statements (Continued)
For the Year Ended 31 March 2022

5. Financial Assets

The Scheme invests in the following:

	2022	2021
	\$	\$
Short Term Securities		
ANZ Wholesale Cash Fund	45,955,246	60,112,092
Fixed Interest Securities - New Zealand		
ANZ Sovereign Bond Fund	12,154,342	12,779,889
ANZ High Grade Bond Fund	19,653,332	20,437,807
Fixed Interest Securities - Offshore		
Russell Investments Global Fixed Interest Fund	124,884,979	114,760,318
Equities - New Zealand		
Direct Capital New Zealand Equities	384,910	343,103
Salt Core NZ Shares Fund	19,932,383	20,224,394
Equities - Offshore		
First Sentier Global Listed Infrastructure Fund	41,763,119	32,233,828
Harbour Asset Management Australasian Equity Fund	20,673,160	20,735,952
Macquarie Core Global Shares Fund*	-	81,779,363
Macquarie Core Hedged Global Shares Fund*	-	106,747,104
Macquarie Emerging Markets Share Fund*	-	21,493,836
Mercer Emerging Markets Portfolio	23,944,916	-
Mercer Hedged Overseas Shares Index Portfolio	116,447,714	-
Mercer Overseas Shares Index Portfolio	77,688,629	-
Property - Offshore		
ANZ Wholesale International Property Securities Fund	28,452,051	23,319,289
Total Financial Assets	531,934,781	514,966,975

*Effective 26 March 2022, Macquarie Asset Management acquired AMP Capital Investors (New Zealand) Limited.

6. Gains on Financial Assets at Fair Value Through Profit or Loss

	2022	2021
	\$	\$
Short Term Securities	361,356	606,114
Fixed Interest - New Zealand	(1,958,306)	684,706
Fixed Interest - Offshore	(9,418,023)	2,798,055
Equities - New Zealand	(395,828)	6,738,441
Equities - Offshore	21,651,239	77,759,396
Property - Offshore	5,451,622	4,424,447
	15,692,060	93,011,159

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.

New Zealand Fire Service Superannuation Scheme
Notes to the Financial Statements (Continued)
For the Year Ended 31 March 2022

7. Benefits Paid

Benefits paid to members are broken down as follows:

	2022	2021
	\$	\$
Death	2,264	1,463,728
Loss of Physical/Medical Fitness	549,224	798,867
Relationship Property Settlements	661,342	1,123,130
Resignations	7,739,029	3,466,155
Retirements	4,820,621	5,655,586
Retrenchment	508,296	-
Withdrawals	10,558,224	8,485,234
	24,839,000	20,992,700

8. Income Tax

	2022	2021
	\$	\$
Current Tax	(294,897)	(229,105)
Deferred Tax	55,712	(159,798)
PIE Tax expense	1,113,032	9,364,917
	873,847	8,976,014

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	18,681,525	94,247,116
Income Tax @ 28%	5,230,827	26,389,192
Tax effect of:		
Tax paid income / Non-deductible losses/(gains)	(5,470,064)	(26,767,313)
Prior period adjustment	52	(10,782)
PIE Tax (charge)/expenses	1,113,032	9,364,917
Income Tax Expense/(Credit)	873,847	8,976,014

	Opening Balance \$	Charged to Income \$	Closing Balance \$
Deferred Tax			
2022			
Investments	(77,762)	(13,152)	(90,914)
Expenses to transfer to investment manager	42,560	(42,560)	-
Closing Balance	(35,202)	(55,712)	(90,914)
2021			
Investments	(211,091)	133,329	(77,762)
Expenses to transfer to investment manager	16,091	26,469	42,560
Closing Balance	(195,000)	159,798	(35,202)

The Scheme invests in funds managed by ANZ New Zealand Investments Limited, First Sentier Investors (Australia) IM Limited, Harbour Asset Management Limited, Mercer (N.Z.) Limited, Russell Investments Group LLC and Salt Investment Funds Limited 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 IV Management Limited 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. The scheme's tax liability reflects amounts attributed by the Scheme's Macquarie investments to which 0% PIR was applied

As at 31 March 2022 the Scheme has no expenses to carry forward to its PIE investments (31 March 2021: \$152,001).

New Zealand Fire Service Superannuation Scheme
Notes to the Financial Statements (Continued)
For the Year Ended 31 March 2022

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

	2022	2021
	\$	\$
Increase in Net Assets	15,145,269	85,761,011
Non-Cash Items		
Gains on Fair Value Through Profit or Loss	(15,692,060)	(93,011,159)
PIE Tax deducted by Investment Manager	(125,121)	9,135,812
Net Investment Fees deducted from Investments	1,391,222	1,859,124
Distributions Reinvested	(5,525,553)	(3,910,898)
Movements in Other Working Capital Items		
Decrease/(Increase) in Contributions Receivable	30	(30)
Decrease/(Increase) in FENZ Reimbursement Receivable	84,109	(84,109)
Increase in Prepayments	(997)	(3,920)
(Increase) in Sundry Debtors	(1,172)	-
(Decrease)/Increase in Benefits Payable	(417,395)	386,189
Increase in Other Amounts Payable	1,564	-
Increase in Sundry Creditors	25,944	27,036
Decrease in Current Tax Liability	943,256	-
Decrease in Deferred Tax Liability	55,712	(159,798)
Net Cash Flows from Operating Activities	<u>(4,115,192)</u>	<u>(742)</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 2022

11. Financial Instruments (Continued)

Categories of Financial Instruments - 31 March 2022

	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	-	384,224	-	384,224
ANZ Wholesale Cash Fund	45,955,246	-	-	45,955,246
ANZ Sovereign Bond Fund	12,154,342	-	-	12,154,342
ANZ High Grade Bond Fund	19,653,332	-	-	19,653,332
ANZ Wholesale International Property Securities Fund	28,452,051	-	-	28,452,051
Direct Capital New Zealand Equities	384,910	-	-	384,910
First Sentier Investors Global Listed Infrastructure Fund	41,763,119	-	-	41,763,119
Harbour Asset Management Australasian Equity Fund	20,673,160	-	-	20,673,160
Mercer Emerging Markets Portfolio	23,944,916	-	-	23,944,916
Mercer Hedged Overseas Shares Index Portfolio	116,447,714	-	-	116,447,714
Mercer Overseas Shares Index Portfolio	77,688,629	-	-	77,688,629
Russell Investments Global Fixed Interest Fund	124,884,979	-	-	124,884,979
Salt Core NZ Shares Fund	19,932,383	-	-	19,932,383
Total Assets	531,934,781	384,224	-	532,319,005
Liabilities				
Benefits Payable	-	-	710,878	710,878
Contributions Refundable	-	-	1,564	1,564
Sundry Creditors	-	-	244,959	244,959
Total Liabilities	-	-	957,401	957,401

Categories of Financial Instruments - 31 March 2021

	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	-	1,515,710	-	1,515,710
ANZ Wholesale Cash Fund	60,112,092	-	-	60,112,092
ANZ Sovereign Bond Fund	12,779,889	-	-	12,779,889
ANZ High Grade Bond Fund	20,437,807	-	-	20,437,807
ANZ Wholesale International Property Securities Fund	23,319,289	-	-	23,319,289
Direct Capital New Zealand Equities	343,103	-	-	343,103
First State Investments Global Listed Infrastructure Fund	32,233,828	-	-	32,233,828
Harbour Asset Management Australasian Equity Fund	20,735,952	-	-	20,735,952
Macquarie Core Global Shares Fund	81,779,363	-	-	81,779,363
Macquarie Core Hedged Global Shares Fund	106,747,104	-	-	106,747,104
Macquarie Emerging Markets Global Share Fund	21,493,836	-	-	21,493,836
Russell Investments Global Fixed Interest Fund	114,760,318	-	-	114,760,318
Salt Core NZ Shares Fund	20,224,394	-	-	20,224,394
Total Assets	514,966,975	1,515,710	-	516,482,685
Liabilities				
Benefits Payable	-	-	1,128,273	1,128,273
Sundry Creditors	-	-	219,015	219,015
Total Liabilities	-	-	1,347,288	1,347,288

New Zealand Fire Service Superannuation Scheme
Notes to the Financial Statements (Continued)
For the Year Ended 31 March 2022

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 2022

Description	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial Assets at Fair Value Through Profit or Loss				
ANZ Wholesale Cash Fund	-	45,955,246	-	45,955,246
ANZ Sovereign Bond Fund	-	12,154,342	-	12,154,342
ANZ High Grade Bond Fund	-	19,653,332	-	19,653,332
ANZ Wholesale International Property Securities Fund	-	28,452,051	-	28,452,051
Direct Capital New Zealand Equities	-	-	384,910	384,910
First Sentier Investors Global Listed Infrastructure Fund	-	41,763,119	-	41,763,119
Harbour Asset Management Australasian Equity Fund	-	20,673,160	-	20,673,160
Mercer Emerging Markets Portfolio	-	23,944,916	-	23,944,916
Mercer Hedged Overseas Shares Index Portfolio	-	116,447,714	-	116,447,714
Mercer Overseas Shares Index Portfolio	-	77,688,629	-	77,688,629
Russell Investments Global Fixed Interest Fund	-	124,884,979	-	124,884,979
Salt Core NZ Shares Fund	-	19,932,383	-	19,932,383
Total	-	531,549,871	384,910	531,934,781

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 Management Limited) disclosed in these Financial Statements are categorised as Level 2 for both the 2021 and 2022 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 2022

11. Financial Instruments (Continued)

Hierarchy of Fair Value Measurements (Continued)

31 March 2021

Description	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial Assets at Fair Value Through Profit or Loss				
ANZ Wholesale Cash Fund	-	60,112,092	-	60,112,092
ANZ Sovereign Bond Fund	-	12,779,889	-	12,779,889
ANZ High Grade Bond Fund	-	20,437,807	-	20,437,807
ANZ Wholesale International Property Securities Fund	-	23,319,289	-	23,319,289
Direct Capital New Zealand Equities	-	-	343,103	343,103
First State Investments Global Listed Infrastructure Fund	-	32,233,828	-	32,233,828
Harbour Asset Management Australasian Equity Fund	-	20,735,952	-	20,735,952
Macquarie Core Global Shares Fund	-	81,779,363	-	81,779,363
Macquarie Core Hedged Global Shares Fund	-	106,747,104	-	106,747,104
Macquarie Emerging Markets Global Share Fund	-	21,493,836	-	21,493,836
Russell Investments Global Fixed Interest Fund	-	114,760,318	-	114,760,318
Salt Core NZ Shares Fund	-	20,224,394	-	20,224,394
Total	-	514,623,872	343,103	514,966,975

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: ANZ New Zealand Investments Limited, Direct Capital IV Management Limited, First Sentier Investors (Australia) IM Limited, Harbour Asset Management Limited, Mercer (N.Z.) Limited, Russell Investments Group LLC, and Salt Investment Funds Limited, 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 2022 the Scheme had \$433,854,568 (2021: \$401,069,690) invested in offshore fixed interest securities, offshore equities, offshore property, and offshore infrastructure assets which expose the Scheme to currency risks. The Harbour Asset Management Australasian Equity Fund is hedged at the manager's discretion. The First Sentier Investors 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 Mercer Hedged Overseas Shares Index Portfolio is 139% hedged on a gross of tax basis. The remaining Funds are not hedged.

	2022 \$	2021 \$
Hedged Funds		
ANZ Wholesale International Property Securities Fund	28,452,051	23,319,289
First Sentier Investors Global Listed Infrastructure Fund	41,763,119	32,233,828
Harbour Asset Management Australasian Equity Fund	20,673,160	20,735,952
Macquarie Core Hedged Global Shares Fund	-	106,747,104
Mercer Hedged Overseas Shares Index Portfolio	116,447,714	-
Russell Investments Global Fixed Interest Fund	124,884,979	114,760,318
Total Hedged Funds	332,221,023	297,796,491
Unhedged Funds		
ANZ Wholesale Cash Fund	45,955,246	60,112,092
ANZ Sovereign Bond Fund	12,154,342	12,779,889
ANZ High Grade Bond Fund	19,653,332	20,437,807
Direct Capital New Zealand Equities	384,910	343,103
Macquarie Core Global Shares Fund	-	81,779,363
Macquarie Emerging Markets Share Fund	-	21,493,836
Mercer Emerging Markets	23,944,916	-
Mercer Overseas Shares Index Portfolio	77,688,629	-
Salt Core NZ Shares Fund	19,932,383	20,224,394
Total Unhedged Funds	199,713,758	217,170,484

New Zealand Fire Service Superannuation Scheme
Notes to the Financial Statements (Continued)
For the Year Ended 31 March 2022

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.

	2022	2021
	\$	\$
Fixed Interest - New Zealand	77,762,920	93,329,788
Fixed Interest - Offshore	124,884,979	114,760,318
Total	<u>202,647,899</u>	<u>208,090,106</u>

Liquidity Risk

All financial assets at fair value through profit or loss can be realised within 12 months, except Direct Capital IV Management Limited, which is not available for withdrawal until the Partnership divested, which is expected to be on or before 31 March 2023. The Trustee has capital commitments of up to \$1.02 million to Direct Capital IV Management Limited. 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 \$26,596,739 (2021: \$25,748,349), and the Trustee has determined it is appropriate to use 5% 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 2022 (31 March 2021: Nil). The Trustee has future capital commitments of \$1.02 million to Direct Capital IV Management Limited (2021: \$1.02 million).

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 \$82,362 (2021: \$60,576). The fee paid to the Licensed Independent Trustee (LIT) for the financial year was \$57,983 (2021: \$33,948). The LIT fee for this year included project work of \$18,000 (2021: Nil).

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 the conditions existing at 31 March 2022 and considering those events occurring subsequent to that date. As a result of adverse conditions due to a number of different factors, there has been a widespread impact on financial markets and economic activity beyond the Scheme's year-end. The potential impact on the value of the Scheme's investments is outlined in Note 12.

These factors are considered to be non-adjusting subsequent events and therefore there is no change in the value reflected in these financial statements.