

# **BCF KIWISAVER SCHEME**

## **Financial Statements**

**For the year ended 31 March 2023**

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## **Financial Statements**

**For the year ended 31 March 2023**

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## Independent Auditor's Report

To the Members of BCF KiwiSaver Scheme

Opinion	<p>We have audited the financial statements of BCF KiwiSaver Scheme (the 'Scheme'), which comprise the statement of net assets as at 31 March 2023, 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.</p> <p>In our opinion, the accompanying financial statements, on pages 3 to 12, present fairly, in all material respects, the financial position of the Scheme as at 31 March 2023, 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').</p>
Basis for opinion	<p>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 <i>Auditor's Responsibilities for the Audit of the Financial Statements</i> section of our report.</p> <p>We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.</p> <p>We are independent of the Scheme in accordance with Professional and Ethical Standard 1 <i>International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)</i> issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' <i>International Code of Ethics for Professional Accountants (including International Independence Standards)</i>, and we have fulfilled our other ethical responsibilities in accordance with these requirements.</p> <p>Other than in our capacity as auditor, we have no relationship with or interests in the Scheme.</p>
Key audit matters	<p>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.</p>

Key audit matter	How our audit addressed the key audit matter
<p>Level 3 investment – Loan to East Street Property Trust (Note 6b)</p> <p>As at 31 March 2023 the Scheme had invested \$1,000,000 (2022: \$1,000,000) by way of a loan to East Street Property Limited ('the Borrower'). The investment is required to be carried at fair value in accordance with NZ IAS 26 <i>Accounting and Reporting by Retirement Benefit Plans</i>.</p> <p>The Scheme's investment is valued based on unobservable valuation inputs and therefore is considered to be a Level 3 financial instrument in the hierarchy of fair value measurements.</p> <p>We have included the valuation of the Scheme's loan as a key audit matter due to the significance of the amount to the financial statements and the judgement required to determine that the carrying value represents its fair value.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>• Obtained the loan agreement and understood the key terms;</li> <li>• Read the Borrower's financial statements for the year ended 30 June 2022 and considered the recoverability of the loan by understanding the value of the security held relative to the loan value;</li> <li>• Obtained external confirmation of the loan amount and current interest rate from the Borrower's Trustees;</li> <li>• Assessed the fair value of the loan against the carrying value by discounting the estimated future cash flows at a market rate of interest as at 31 March 2023, including any credit risk impact on the fair value; and</li> <li>• Assessed the appropriateness of the disclosures in the financial statements including consideration of the classification and measurement of the investment.</li> </ul>

Other information	<p>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. The Annual Report is expected to be made available to us after the date of this auditor's report.</p> <p>Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.</p> <p>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.</p>
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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 determine 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 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.

*Deloitte Limited*

Hamish Anton, Partner  
for Deloitte Limited  
Wellington, New Zealand  
25 July 2023

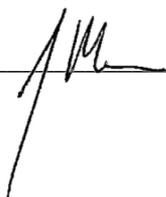
## BCF KIWISAVER SCHEME

### Statement of Net Assets As at 31 March 2023

	Note	2023 \$	2022 \$
<b>ASSETS</b>			
Cash And Cash Equivalents		136,660	123,543
Term Deposits	6	13,021,699	9,497,188
Contributions receivable		8,310	11,918
East St Property Trust	6	1,000,000	1,000,000
UBT Invest	6	-	1,700,000
Distributions Receivables		-	3,117
Income Tax Receivable		-	18,423
<b>Total Assets</b>		<b>14,166,669</b>	<b>12,354,189</b>
<b>LIABILITIES</b>			
Sundry Creditors	8	33,359	32,052
Income Tax Payable		57,696	-
<b>Total Liabilities</b>		<b>91,055</b>	<b>32,052</b>
<b>NET ASSETS AVAILABLE FOR BENEFITS</b>		<b>14,075,614</b>	<b>12,322,137</b>
<b>LIABILITY FOR PROMISED BENEFITS</b>			
<i>Represented by:</i>			
KiwiSaver Member Accounts	4	14,075,614	12,322,137
		<b>14,075,614</b>	<b>12,322,137</b>

For and on behalf of the Trustee, who has authorised the issue of these financial statements on:

Director: \_\_\_\_\_



Date: 25 July 2023 \_\_\_\_\_

Director: \_\_\_\_\_



Date: 25 July 2023 \_\_\_\_\_

This statement is to be read in conjunction with the notes on pages 6 to 12

## BCF KIWISAVER SCHEME

### Statement of Changes in Net Assets For the Year Ended 31 March 2023

INVESTMENT ACTIVITIES	Note	For the year ended 31 March 2023 \$	For the year ended 31 March 2022 \$
<b>Investment Revenue</b>			
Interest Received		397,019	178,246
Distributions		37,117	55,883
Investment Management Fees		(12,750)	(25,312)
<b>Net Investment Revenue</b>		<u>421,386</u>	<u>208,818</u>
<b>Other Expenses</b>			
Administration & Actuarial Fees		36,013	35,155
Auditor's Remuneration - Audit of Financial statements		28,865	26,680
Auditor's Remuneration - Custodial Service Assurance		11,155	10,350
Taxation Services		7,575	8,970
Legal Fees		30,167	17,153
Sundry Expenses		35,575	40,108
<b>Total Other Expenses</b>		<u>149,350</u>	<u>138,416</u>
<b>Surplus before Membership Activities</b>		272,036	70,402
<b>MEMBERSHIP ACTIVITIES</b>			
<b>Contributions</b>			
Member Contributions		1,212,201	1,081,733
Employer Contributions		714,387	652,187
Crown Tax Credits		188,318	196,284
Transfers in		86,975	95,891
<b>Total Contributions</b>		<u>2,201,881</u>	<u>2,026,096</u>
<b>Less:</b>			
First Home Withdrawal		343,641	428,463
Retirement		206,241	256,353
Partial Withdrawal		54,500	50,000
Permanent Emigration		-	21,795
Life Shortening Illness		-	21,757
Transfer Out		45,358	8,223
<b>Total Benefits</b>		<u>649,740</u>	<u>786,591</u>
PIE Tax Expense		70,700	22,586
<b>Net Membership Activities</b>		<u>1,481,441</u>	<u>1,216,919</u>
<b>Net Increase in Net Assets</b>		1,753,477	1,287,320
KiwiSaver Member Accounts at the start of the year		12,322,137	11,034,817
<b>KiwiSaver Member Accounts at the end of the year</b>	4	<u><u>14,075,614</u></u>	<u><u>12,322,137</u></u>

This statement is to be read in conjunction with the notes on pages 6 to 12

## BCF KIWISAVER SCHEME

### Statement of Cash Flows For the Year Ended 31 March 2023

	Note	2023 \$	2022 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Cash provided from</b>			
Member Contributions		1,215,811	1,069,815
Employer Contributions		714,387	652,187
Crown Tax Credits		188,318	196,284
Transfers In		86,975	95,891
Tax Refund Received		5,419	-
		<u>2,210,910</u>	<u>2,014,177</u>
<b>Cash applied to</b>			
Withdrawals		(604,382)	(778,369)
Administration Fees		(35,982)	(35,056)
Transfer Out		(45,358)	(8,223)
Tax Paid		-	(31,915)
Audit Fee		(32,047)	(32,124)
Tax Advice		(6,325)	(5,750)
Legal Fees		(30,167)	(17,153)
General Expenses		(43,520)	(43,602)
		<u>(797,781)</u>	<u>(952,192)</u>
<b>Net Cash Flows from Operating Activities</b>	7	<u>1,413,129</u>	<u>1,061,985</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>Cash provided from</b>			
Interest Received		54,219	34,831
Distributions Received		27,483	29,047
Sale of investments		-	250,000
Receipt of Canterbury Education Trust Loan		-	250,000
UBT Invest		1,700,000	-
<b>Cash applied to</b>			
Purchase of investments		-	-
Term Deposit		(3,181,714)	(487,872)
UBT Invest		-	(950,000)
<b>Net Cash Flows applied to Investing Activities</b>		<u>(1,400,012)</u>	<u>(1,123,995)</u>
<b>Net Increase/(Decrease) in Cash And Cash Equivalents held</b>		13,117	(62,010)
<b>Cash And Cash Equivalents at Beginning of Year</b>		123,543	185,553
<b>Cash And Cash Equivalents at End of Year</b>		<u><u>136,660</u></u>	<u><u>123,543</u></u>

This statement is to be read in conjunction with the notes on pages 6 to 12

## BCF KIWISAVER SCHEME

### Notes to the Financial Statements For the year ended 31 March 2023

#### 1. Scheme Description

The BCF KiwiSaver Scheme ("The Scheme") is a defined contribution scheme for members of the Brethren Christian Fellowship. It was registered under the KiwiSaver Act 2006 on the 2nd of September 2010. The Scheme started accepting members' contribution on 20th May 2011. There were 696 members in total as at 31 March 2023 (2022: 689).

Details of membership as at 31 March 2023 were:

	Defined Contribution
<b>1 April 2022</b>	<b>689</b>
New Members	19
Emigration	-
Death	-
Retirements	(10)
Other	-
Transfers Out	(2)
<b>31 March 2023</b>	<b>696</b>

The Scheme is domiciled in New Zealand and the address of their registered office is 5 Noel Rogers Place, Palmerston North, 4441. Arotahi Trust Limited, is the Trustee of the Scheme and the address of their registered office is 5 Noel Rogers Place, Palmerston North, 4441.

As at 31 March 2023, the Directors of the Trustee are:

- Maurice Hall
- John Mason
- Jeffery Paul Prestige

#### Funding Arrangements

Members can choose to contribute either 3%, 4%, 6%, 8% or 10% of gross salary or wages. Members may from time to time make additional voluntary contributions to the Scheme. In certain circumstances, employers are required to contribute to KiwiSaver schemes in respect of their employees who are members at a rate of 3%. Employer contributions are subject to Employer Superannuation Contribution Tax. The Government pays 50 cents for every dollar of Member contribution annually up to a maximum of \$521.43.

#### Retirement Benefits

Member benefits will be locked in to the Scheme until the later of the date for reaching the qualifying age for New Zealand Superannuation or the date on which the Member has been a member of any KiwiSaver Scheme or a member of a Complying Superannuation Scheme for a period of five years. Retirement benefits are determined by contributions to the Scheme together with investment earnings on these 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

There were no changes to the Trust Deed during the year.

The Statement of Investment Policy and Objectives (SIPO) was amended on 16 November 2022 to reflect changes in the Trustee's investment strategy and make other minor updates.

The Product Disclosure Statement (PDS) and Other Material Information (OMI), for the offer of membership for new members, were updated on 21 November 2022.

#### Investment Pools

As per the Trust Deed there are potentially two separate distinct investment pools within the Scheme, as follows:

1. the "Main Pool", which is intended solely for Brethren members; and
2. the "Segregated Pool", which is intended primarily for any members who cease to break bread with the Brethren Christian Fellowship, as determined by the Trustee.

If assets are attributed to the Segregated Pool, then both it and the Main Pool will contain their own separately identifiable assets.

Any balance in Segregated pool shall be invested in bank deposits only. On 13 December 2022 one member's funds (approximately \$800) were transferred to the Segregated Pool. Due to concerns over the member's privacy no separate accounts have been prepared for the Segregated Pool. Instead, these funds are included in the presentation of the accounts for the Main Pool.

#### 2. Statement of compliance

The financial statements comply with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities. The financial statements also comply with International Financial Reporting Standards (IFRS) and the requirements of the Financial Reporting Act 2013 and the Financial Markets Conduct Act 2013 ("FMCA").

## BCF KIWISAVER SCHEME

### Notes to the Financial Statements (cont'd) For the year ended 31 March 2023

#### 3 Summary of Significant Accounting Policies

##### **Basis of Preparation**

The Scheme is registered under the Financial Markets Conduct Act 2013 (FMCA 2013). The financial statements have been prepared in accordance with the requirements of the FMCA 2013.

##### **Measurement base**

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

##### **Functional and Presentational currency**

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

##### **Classification of assets and liabilities**

The BCF KiwiSaver Scheme operates as a superannuation scheme. As such, the assets and liabilities are disclosed in the Statement of Net Assets in an order that reflects their relative liquidity.

##### **Standards and Interpretations and other new amendments in issue adopted during the year**

During the year no new standard and interpretations or amendment in issue adopted by the scheme.

##### **Interest Income**

Interest income is recognised in the Statement of Changes in Net Assets using the effective interest method.

##### **Income and Expenses**

All income and expenses are accounted for on an accrual basis.

##### **Taxation**

Under the PIE regime, the Scheme attributes the taxable income of the Scheme to members in accordance with the proportion of their overall interest in the Scheme. The income attributed to each member is taxed at the member's "prescribed investor rate" which is capped at 28%. Under the PIE regime, income is effectively taxed in the hands of the members and is therefore shown as part of Net Membership Activities 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.

Investments are recognised and derecognised on the trade date where a purchase or sale is under a contract whose terms require delivery within the timeframe established by the market concerned, and are initially measured at fair value plus transaction costs, except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

##### **Financial Asset and Liabilities at Fair Value Through Profit or Loss**

Investments held at fair value through profit or loss are measured initially at fair value excluding any transaction costs. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately. Subsequent to initial recognition, all instruments at fair value through profit or loss are measured at fair value with changes in their fair value recognised in the Statement of Changes in Net Assets.

##### *Fair value estimation*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of units held by the Scheme is determined by reference to published bid prices at the close of business on the reporting date being the redemption price established by the underlying fund manager.

##### **Reclassification of Comparatives**

Some prior period comparatives have been reclassified to make presentation and disclosure consistent with the current year.

## BCF KIWISAVER SCHEME

### Notes to the Financial Statements (cont'd) For the year ended 31 March 2023

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

##### Financial Asset at amortised cost

Financial Assets at amortised cost are measured initially at fair value plus transaction costs and subsequently amortised using the effective interest method, less impairment losses if any.

##### Financial Liabilities at amortised cost

Payables may include liabilities and accrued expenses owing by the Plan which are unpaid as at balance date. These amounts are unsecured and are usually paid within 30 days of recognition. These financial liabilities are stated at 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.

##### Transfers In and Transfers Out

Transfers in and transfers out are accounted for on an accruals basis.

##### Contributions and Benefits

Contributions and benefits are accounted for on an accruals basis.

##### Benefits Payable

Benefits payable are not interest-bearing and are stated at their fair value.

##### Statement of Cash Flows

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.
- \* *Investing activities* - comprise acquisition and disposal of investments. Investments include securities not falling within the definition of cash and cash equivalents.
- \* *Operating activities* - include all transactions and other events that are not investing activities.

##### Promised Retirement Benefits

The liability for promised benefits is calculated as the difference between the carrying amounts of all assets and the carrying amounts of all the liabilities as at balance date.

##### Capital Risk Management

The Scheme's primary purpose is to ensure that its net assets are sufficient to meet all present and future obligations of the Scheme, as defined by the liability for promised benefits.

The Scheme's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns to its members and maximise the Scheme's members value.

The Scheme achieves this through obtaining contributions from members and employers and investing these into financial assets.

##### Changes to significant accounting policies

During the year there were no changes to accounting policies.

##### Investments in Term Deposits

Investments in term deposits with banks are held solely for collecting cashflow in form of principal and interest on such principal. This qualifies them to be classified as financial assets that are not designated at fair value through profit and loss and are therefore measured at amortised cost. This provides readers with a clear understanding of the value of these investments and as such has been deemed the most appropriate accounting policy given the nature of these investments.

## BCF KIWISAVER SCHEME

### Notes to the Financial Statements (Cont'd) For the year ended 31 March 2023

#### 4. Changes in promised benefits as at 31 March 2023:

	Member Account	Reserve Account	Total 2023
	\$	\$	\$
Balance 1 April 2022	12,322,137	-	12,322,137
Contributions	2,201,881	-	2,201,881
Benefits Paid	(649,740)	-	(649,740)
Change in net assets after tax	-	201,336	201,336
Interest Allocated	201,336	(201,336)	-
Balance 31 March 2023	<u>14,075,614</u>	<u>-</u>	<u>14,075,614</u>

#### Changes in promised benefits as at 31 March 2022:

	Member Account	Reserve Account	Total 2022
	\$	\$	\$
Balance 1 April 2021	11,034,817	-	11,034,817
Contributions	2,026,096	-	2,026,096
Benefits Paid	(786,591)	-	(786,591)
Change in net assets after tax	-	47,815	47,815
Interest Allocated	47,815	(47,815)	-
Balance 31 March 2022	<u>12,322,137</u>	<u>-</u>	<u>12,322,137</u>

#### 5. 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.

	2023	2022
	\$	\$
Vested benefits	<u>14,075,614</u>	<u>12,322,137</u>

#### Guaranteed benefits

No guarantees have been made in respect of any part of the liability for promised benefits. (2022: Nil).

#### 6. Investments

All investments exceeded 5% of net assets available for benefits, except for investments in ASB savings accounts (2022: Same).

	2023	2022
	\$	\$
<b>a. Term Deposits</b>		
ASB Savings Account	677,222	514,074
ASB	2,357,269	687,959
BNZ	1,319,156	1,282,029
TSB Bank	3,740,194	2,231,512
Westpac	1,876,054	1,816,848
Kiwibank	3,051,804	2,964,766
Total Term Deposits	<u>13,021,699</u>	<u>9,497,188</u>

#### b. East Street Property Trust

Start Date:	02 November 2020
Maturity Date:	02 November 2025
Interest Rate:	3.5% p.a. to 30 November 2022 then 5.5% from 1 December 2022. Can increase to 8% in case of default
Principal Outstanding:	\$1,000,000 (2022: \$1,000,000)

The fair value of the loan is estimated as the present value of future cashflows, discounted at a market rate of interest. The loan has a fixed interest rate which is reviewed annually at the sole discretion of the Scheme. Due to the short term nature of the fixed interest period, the carrying value of the loan represents the fair value.

#### c. UBT Investment

The UBT Invest NZ Retail Fund ('Fund') is intended to provide members of the Brethren community ('Community') with an investment product that suitably satisfies the Community's ethical requirements, as an alternative to other fixed income investments in the market. The Fund will make loans to businesses in the Community, and may make investments in other fixed income investments and cash and cash-like investments. The Fund may also invest in other credit funds or collective investment vehicles whose investments include loans made to the Community.

On 6 September 2022 a full redemption was processed from the UBT Invest NZ Retail Fund and these funds were then invested in new term deposits.

## BCF KIWISAVER SCHEME

### Notes to the Financial Statements (Cont'd) For the year ended 31 March 2023

7. Reconciliation of net cash flows from operating activities to net increase in net assets	2023 \$	2022 \$
Net increase In Net Assets During Year	1,753,477	1,287,319
Net Interest on Investments (non-cash)	(342,799)	(141,825)
Interest on East St Property Trust (paid to investment accounts)	(54,219)	(37,379)
Distributions from UBT Investment (paid to investment accounts)	(27,483)	(29,047)
<b>Movements in Other Working Capital Items</b>		
Increase in trade and other payables	1,309	4,732
Increase/(Decrease) in tax payable	76,118	(10,853)
Decrease/(Increase) in receivable	6,726	(10,962)
<b>Net Cash Flows from Operating Activities</b>	<b><u>1,413,129</u></b>	<b><u>1,061,985</u></b>

8. Sundry Creditors		
Administration Fees	3,014	2,983
Deloitte Audit - Financial Statement	15,353	14,605
Deloitte Audit - custodial audit	5,578	6,517
Taxation Services - Crowe Horwath	8,150	6,900
Trustee Fees	900	900
Sundry Expenses	365	147
<b>Total</b>	<b><u>33,359</u></b>	<b><u>32,052</u></b>

### 9. Fair Value

The Scheme's investments are measured at fair value in the Statement of Net Assets. It is possible to determine the fair value as all investments are deposits with reputable banks.

The Scheme classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

**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).

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.

#### Hierarchy of Fair Value Measurements - 2023

Investments	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
UBT Investment	-	-	-	-
East St Property Trust	-	-	1,000,000	1,000,000
<b>Total Investments</b>	<b>-</b>	<b>-</b>	<b>1,000,000</b>	<b>1,000,000</b>

#### Hierarchy of Fair Value Measurements - 2022

Investments	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
UBT Investment	-	-	1,700,000	1,700,000
East St Property Trust	-	-	1,000,000	1,000,000
<b>Total Investments</b>	<b>-</b>	<b>-</b>	<b>2,700,000</b>	<b>2,700,000</b>

There were no transfers between level 1, 2 or 3 in the year.

## BCF KIWISAVER SCHEME

### Notes to the Financial Statements (Cont'd) For the year ended 31 March 2023

#### 10. Financial Risk Management

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 revenues and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in the accounting policies.

##### Categories of financial instruments As at 31 March 2023

	Financial assets as at Amortised Cost \$	Financial assets as at fair value through profit or loss \$	Financial Liabilities at Amortised Cost \$	Total \$
<b>Assets</b>				
Cash And Cash Equivalents	136,660	-	-	136,660
Term Deposit	13,021,699	-	-	13,021,699
East St Property Trust	-	1,000,000	-	1,000,000
Distributions Receivables	-	-	-	-
Contributions Receivables	8,310	-	-	8,310
<b>Total assets</b>	<b>13,166,669</b>	<b>1,000,000</b>	<b>-</b>	<b>14,166,669</b>
<b>Liabilities</b>				
Sundry Creditors	-	-	33,359	33,359
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>33,359</b>	<b>33,359</b>

##### As at 31 March 2022

	Financial assets as at Amortised Cost \$	Financial assets as at fair value through profit or loss \$	Financial Liabilities at Amortised Cost \$	Total \$
<b>Assets</b>				
Cash And Cash Equivalents	123,543	-	-	123,543
Term Deposit	9,497,188	-	-	9,497,188
East St Property Trust	-	1,000,000	-	1,000,000
UBT Invest	-	1,700,000	-	1,700,000
Interest Receivables	-	-	-	-
Distributions Receivables	3,117	-	-	3,117
Contributions Receivables	11,918	-	-	11,918
<b>Total assets</b>	<b>9,635,766</b>	<b>2,700,000</b>	<b>-</b>	<b>12,335,766</b>
<b>Liabilities</b>				
Sundry Creditors	-	-	32,052	32,052
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>32,052</b>	<b>32,052</b>

#### Risk Management

Risk management activities are undertaken by the Scheme's investment managers to operate within the guidelines provided by the Trustees.

##### Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss. The maximum exposure to credit risk for the Scheme is the carrying amount of its assets as disclosed in the Statement of Net Assets.

As at balance date, investments were held as cash on call with ANZ and term deposits with ASB, BNZ, Westpac, TSB and Kiwibank. The Scheme's investing activities expose it to credit risk. ANZ Bank New Zealand Limited, ASB Bank New Zealand Limited, BNZ, and Westpac New Zealand have credit ratings of AA- with both Standard & Poors and Fitch. TSB Bank Limited has a credit rating of A- credit rating with Fitch. Kiwibank has a credit rating of A with Standard & Poors.

The Scheme has an advanced loan to the East Street Property Trust ("ESPT"). As the ESPT is not a listed organisation with quoted price or active market, the Scheme is exposed to higher credit risk. This risk is substantially mitigated by a first registered mortgage over the property held by the ESPT.

##### Liquidity risk management

Liquidity risk is the risk that the Scheme will encounter difficulty in raising funds to meet its obligations to pay members. Due to the nature of a KiwiSaver scheme, it is unlikely that a significant number of members would exit at the same time. However, to control liquidity risk, the Scheme invests primarily in deposits with registered New Zealand banks.

##### Interest rate risk management

Interest rate risk is the risk that the fair value or future cash flows of interest-bearing financial instruments will fluctuate because of changes in market interest rates. The maturity period for term deposits varies from 3 months to 24 months during the year.

A 1% movement in interest rates would have an impact on the value of the Scheme's assets of +/- \$131,584. (2022: \$96,207).

## **BCF KIWISAVER SCHEME**

### **Notes to the Financial Statements (Cont'd) For the year ended 31 March 2023**

#### **10. Financial Risk Management (Cont.)**

##### **Capital management**

Net assets attributable to members are considered to be the Scheme's capital for the purposes of capital management. The Scheme does not have to comply with externally imposed capital requirements. The Scheme's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns to its members and to maximise the Scheme's members' value as well as ensuring its net assets attributable to members are sufficient to meet all present and future obligations.

In order to meet its objectives for capital management the Scheme's management review the Scheme's performance on a regular basis.

#### **11 Related Parties**

During the year fees paid by the Scheme to Licensed Independent Trustee Jeffrey Paul Prestidge for Trusteeship services was \$7,236 (2022: \$7,236 p.a.). There are three directors for Arotahi Trust Limited, the Trustee. None of these directors are members of the Scheme.

#### **12 Commitments and Contingent Liabilities**

There were no commitments or contingent liabilities outstanding as at 31 March 2023 (2022: Nil).

#### **13 Events After Balance Date**

There were no event after balance date