

BAPTIST UNION SUPERANNUATION SCHEME

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

BAPTIST UNION SUPERANNUATION SCHEME

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FOR THE YEAR ENDED 30 JUNE 2021

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BAPTIST UNION SUPERANNUATION SCHEME

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS FOR THE YEAR ENDED 30 JUNE 2021

	Notes	FOR THE YEAR ENDED 30 JUNE 2021 \$	FOR THE YEAR ENDED 30 JUNE 2020 \$
INCOME			
Net gains on investments at fair value through profit or loss	12	3,868,773	1,618,705
Dividends		129,500	184,736
Interest		211,134	266,256
TOTAL INCOME		4,209,407	2,069,697
EXPENSES			
Investment management expenses		143,990	132,664
Administration expenses		102,661	119,488
Legal expenses		15,827	50,632
Audit fees	3	19,018	17,773
Statutory fees		10,144	8,916
Trustee fees	11	13,000	13,000
Group life premiums		91,427	88,470
Other expenses		34,237	30,414
TOTAL EXPENSES		430,304	461,357
SURPLUS BEFORE MEMBERSHIP ACTIVITIES		3,779,103	1,608,340
ALLOCATED AS:			
To Reserve Account		3,779,103	1,608,340

BAPTIST UNION SUPERANNUATION SCHEME

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2021

	Notes	FOR THE YEAR ENDED 30 JUNE 2021 \$	FOR THE YEAR ENDED 30 JUNE 2020 \$
NET ASSETS AVAILABLE AT THE BEGINNING OF THE YEAR		30,616,196	29,712,121
<i>Comprising:</i>			
Net assets attributable to Members	6	20,051,499	19,463,098
Net assets attributable to General Reserve	6	1,066	1,929
Net assets attributable to Employer Reserve	6	10,563,631	10,247,094
MOVEMENTS DURING THE YEAR			
<i>Contributions</i>			
Members		614,240	610,861
Member tax credits		84,507	86,516
Member voluntary contributions		61,965	54,391
Employers		447,254	446,626
<i>Withdrawals</i>			
Retirement		(1,190,233)	(1,348,332)
Resignation		(124,345)	(164,955)
Death		-	(61,803)
In service withdrawal		(185,000)	
Transfers out		(165,613)	(308,866)
Group Life Premium Recharged		(2,518)	(1,512)
First home withdrawals		(152,669)	(17,191)
Surplus before Membership activities		3,779,103	1,608,340
NET ASSETS AVAILABLE FOR BENEFITS AT THE END OF THE YEAR		33,782,887	30,616,196
<i>Comprising:</i>			
Net assets attributable to Members Account	6	22,006,926	20,051,499
Net assets attributable to Employer Account	6	11,774,000	10,563,631
Net assets attributable to General Reserve Account	6	1,961	1,066
		33,782,887	30,616,196

BAPTIST UNION SUPERANNUATION SCHEME

STATEMENT OF NET ASSETS AS AT 30 JUNE 2021

	Notes	AS AT 30 JUNE 2021 \$	AS AT 30 JUNE 2020 \$
ASSETS			
Cash and cash equivalents		70,854	83,389
Prepayments		86,349	80,140
Investments at fair value through profit or loss	4	33,743,659	30,551,858
TOTAL ASSETS		33,900,862	30,715,387
LIABILITIES			
Contributions refundable	5	8,290	-
Accounts payable	5	109,685	99,191
TOTAL LIABILITIES		117,975	99,191
AMOUNTS AVAILABLE FOR BENEFITS		33,782,887	30,616,196
Represented by:			
Members accounts	6	22,006,926	20,051,499
Employer accounts	6	11,774,000	10,563,631
Reserve account	6	1,961	1,066
NET ASSETS AVAILABLE FOR BENEFITS		33,782,887	30,616,196

For and on behalf of the Trustee who authorised the issue of these financial statements as at the date below.



Authorised Signatory
29 September 2021



Authorised Signatory

BAPTIST UNION SUPERANNUATION SCHEME

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021

	Notes	FOR THE YEAR ENDED 30 JUNE 2021 \$	FOR THE YEAR ENDED 30 JUNE 2020 \$
CASH FLOWS (TO)/FROM OPERATING ACTIVITIES			
Expenses paid		(190,602)	(283,271)
Group life premiums		(91,427)	(88,470)
Purchase of investments		(245,000)	(180,000)
Sale of investments		1,118,616	1,294,372
NET CASH FLOWS (TO)/FROM OPERATING ACTIVITIES	10	591,587	742,631
CASH FLOWS FROM/(TO) FINANCING ACTIVITIES			
Contributions		1,216,256	1,198,394
Withdrawals paid		(1,820,378)	(1,902,659)
NET CASH FLOWS FROM/(TO) FINANCING ACTIVITIES		(604,122)	(704,265)
Net increase/(decrease) in cash and cash equivalents		(12,535)	38,366
Cash and cash equivalents at the beginning of the year		83,389	45,023
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		70,854	83,389

These financial statements should be read in conjunction with the accompanying notes.

1 GENERAL INFORMATION

These financial statements are for the Baptist Union Superannuation Scheme (the "Scheme") for the year ended 30 June 2021 (the "reporting date").

The Scheme is established and domiciled in New Zealand and the address of the registered office is 473 Great South Road, Penrose, Auckland 1642.

The purpose of the Scheme is to provide retirement and other benefits to the pastoral employees of Baptist Churches in New Zealand, ACTS Churches of New Zealand and other participating organisations and approved pastoral students. The Scheme is a complying superannuation scheme, a defined contribution scheme, and is a profit oriented reporting entity under the External Reporting Board Standard A1.

The Scheme was established under a Trust Deed dated 17 November 1992, and is currently governed by a Trust Deed dated 30 June 2020.

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

The Scheme is registered as a charitable entity under the Charities Act 2005.

The Manager of the Scheme is Baptist Retirement Trustee Limited (the "Manager") and the address of their place of business is 473 Great South Road, Penrose, Auckland 1642.

The Trustee of the Scheme is Baptist Retirement Trustee Limited (the "Trustee"). Bryan Connor is the Licenced Independent Trustee.

The Administration Manager is The New Zealand Anglican Church Pension Board (the "Board" or "Administration Manager").

The Scheme was registered under the Financial Markets Conduct Act 2013 (the "FMC") as a restricted workplace savings scheme and a restricted legacy scheme on 28 October 2016.

In respect of the underlying investment funds, BNP Paribas is both the Fund Administrator and Custodian while MMC provides the unit registry service.

These financial statements were adopted by the Trustee on 29 September 2021.

Changes to the Scheme

There have been no changes to the Scheme during the current financial year.

Funding policy

At the reporting date the Scheme had 263 (2020: 267) Members.

Contributions

Under the Trust Deed contributions are made by Members and by their employer. In 2021 the employer contributed at a rate of 6% of the Member's gross basic stipend less Employer Superannuation Contribution Tax ("ESCT") at the Members individual ESCT rate (2020: 6%).

Members contribute to the Scheme at a rate of 5% or 6% of their gross basic stipend depending on their category of membership (2020: 5% or 6%).

Retirement benefits

The retirement benefits are determined by contributions to the Scheme together with investment earnings on these contributions over the period of membership. The payment of retirement benefits are subject to the specific rules as contained in the Trust Deed.

Investment Policy

The objective of the Scheme is to provide Members with returns in excess of inflation over the medium to long term. It does this by investing into wholesale funds managed by Nikko Asset Management New Zealand Limited in accordance with investment criteria set down in the Statement of Investment Policies and Objectives, which is reviewed regularly.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below.

(a) Basis of preparation

The financial statements of the Scheme have been prepared in accordance with the Trust Deed governing the Scheme, the FMC and Generally Accepted Accounting Practice ("GAAP"). They comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS"), International Financial Reporting Standards ("IFRS"), and other applicable financial reporting standards as appropriate for profit oriented entities. The Scheme is deemed to be a publicly accountable Tier 1 entity for the purposes of the External Reporting Board Standard A1 "Application of the Accounting Standards Framework".

The Statement of Financial Position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non-current. All balances are expected to be recovered or settled within twelve months, except for investments in financial assets and net assets attributable to Members.

(b) Going concern

The Trustees are not aware of any material uncertainties that may cast significant doubt on the Scheme's ability to continue as a going concern. The financial statements have therefore been prepared on a going concern basis.

(c) Basis of measurement

The financial statements have been prepared on a historical cost basis except for investments which are recognised at fair value. All figures are presented in New Zealand dollars and have been rounded to the nearest dollar.

(d) Income

Income is recognised to the extent that it is probable that economic benefits will flow to the Scheme and the income can be readily measured.

Net realised and unrealised gains or losses on investments at fair value through profit or loss

Gains or losses on investments are calculated as the difference between the fair value at sale, or at reporting date, and the fair value at the previous valuation point. This includes both realised and unrealised gains and losses, but does not include interest or dividend income.

Interest income

Revenue is recognised when the right to receive the payment is established.

Dividend income

Revenue is recognised when the right to receive the payment is established.

(e) Investments

Investments at fair value through profit or loss

The Scheme holds interests in several wholesale funds offered by Nikko Asset Management New Zealand Limited ("Nikko"). The interests in each underlying Nikko fund is based on their asset allocation which is set by the Trustee, taking into account ranges and limits defined in the Statement of Investment Policy and Objectives ("SIPO"). All interests are stated by reference to the dollar values held. Investments are initially and subsequently measured at fair value.

(f) Cash and cash equivalents

Cash and cash equivalents represents cash on hand with an original maturity date up to 90 days. Payments and receipts relating to the purchase and sale of financial assets at fair value through profit or loss are classified as cash flows from operating activities, as movements in the fair value of these financial assets represent the Scheme's main income generating activity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)***(g) Other financial liabilities at amortised cost**

Other financial liabilities includes accounts payable owing by the Scheme which are unpaid at the reporting date. Purchases of financial assets are recorded on trade date, and normally settled within three business days. Purchases of financial assets that are unsettled at reporting date are included in payables. Payables are initially recognised at fair value and subsequently measured at amortised cost.

(h) Taxation

The Scheme is registered as a charitable entity under the Charities Act 2005. Registration was effective 30 June 2008 under registration number CC27709. As a registered charity any income earned by the Scheme is exempt from income tax in New Zealand.

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.

(i) Currency***Functional and presentation currency***

The Scheme's Members are primarily located within New Zealand, with all transactions with Members and the Scheme denominated in New Zealand Dollars ("NZD"). The financial statements of the Scheme are measured and reported to Members in NZD. The NZD is considered as the currency that most faithfully represents the activities of the Scheme. The financial statements are presented in NZD which is the Scheme's functional and presentation currency.

(j) Member Activity

The Scheme provides Members with the right to request withdrawals, for cash, of their interest in their holding in the Scheme at the balance valued at the most recent year end plus an adjustment for interest earned to the date of withdrawal, provided that the Member meets certain requirements contained in the terms of the Trust Deed. Monies held in the Scheme are redeemable at the Member's option, meet the definition of a puttable instrument, and are therefore classified as equity. As each Member's withdrawal request depends on the terms of each individual's Membership situation, including employment contracts and vesting arrangements, and is subject to the terms of the Trust Deed, the amount of expected cash flows on redemption cannot be calculated.

The Scheme holds limited cash or cash equivalents. On acceptance of a valid withdrawal request the Administration Manager, on behalf of the Scheme, will fund withdrawals primarily from this cash. Where insufficient cash is held the Administration Manager will sell down holdings in the Scheme's investments in Nikko to fund the withdrawal. Quantitative information about the Scheme's Member activity is provided in the statement of changes in net assets.

(k) Contributions and withdrawals

Subject to the terms of the Trust Deed and applicable legislation, contributions and withdrawals are recognised when the Administration Manager has confirmed the validity of a Members application or withdrawal request.

(l) Amounts available for benefits

Amounts available for benefits is the Scheme's obligation to pay benefits to Members. It has been calculated as the difference between the carrying amounts of the assets and the liabilities as at balance date. Amounts available for benefits include amounts allocated to Members accounts and reserves.

The current Trust Deed sets out the benefits payable to a Member when they leave the Scheme.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Significant estimates and judgements

The preparation of financial statements necessarily requires estimation and judgements. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are outlined in the relevant notes.

Judgement has been applied in selecting the accounting policy to designate financial assets at fair value through profit or loss. This policy has a significant impact on the amounts disclosed in the financial statements. It is possible to determine the fair values of all financial assets as market prices are readily available. There are no material assumptions or major sources of estimation uncertainty that have a significant risk of causing material adjustments to the carrying amounts of assets at year end. Details of significant estimates and related assumptions are provided in the relevant notes to the financial statements.

With respect to the ongoing impact of Covid-19 on the value of investments, consideration has been given to the reliability of fair values for the underlying investments. Where market prices are obtained from recognised exchanges and markets, these markets and exchanges have continued to operate with reliability and hence no change in the valuation process has been deemed necessary.

(n) Comparative information

There have been no changes to the presentation of comparative information.

(o) Investment entities

The Scheme meets the definition of an investment entity as it obtains funds from Members for the purpose of providing investment management services, invests funds for returns from capital appreciation and investment income, and measures and evaluates the performance of its investments on a fair value basis.

(p) Changes in accounting policy and disclosure

(i) New and amended accounting standards and interpretations

NZ IAS 1 Presentation of Financial Statements and NZ IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors has been amended effective for reporting periods beginning on or after 1 January 2020. This amendment was made to align the definition of 'material' across the standards and to clarify certain aspects of the definition. This amendment did not have a significant impact on the financial statements.

(ii) New NZ IFRS standards and interpretations issued but not yet adopted

There are no new NZ IFRS standards and interpretations issued but not yet adopted that have been assessed as being significant to the financial statements of the Scheme.

3 AUDITORS REMUNERATION

The following fees (including GST if any) were paid by the Scheme for audit and other assurance services provided by the Auditor of the Scheme, EY.

	2021 \$	2020 \$
<i>Audit Services</i>		
Audit of financial statements - EY	16,905	15,841
Audit of Member register - EY	2,113	1,932
Total assurance services received from auditors	19,018	17,773

4 INVESTMENTS

At fair value through profit or loss:

	2021 \$	2020 \$
Nikko AM Wholesale NZ Bond Fund	5,282,345	6,675,106
Nikko AM Wholesale NZ Cash Fund	1,537,123	1,270,176
Nikko AM Wholesale Global Bond Fund	8,513,213	6,833,901
Nikko AM Wholesale SRI Equity Fund	5,798,595	4,961,472
Nikko AM Wholesale Global Shares Fund	6,721,716	5,327,967
Nikko AM Wholesale Global Shares Hedged Fund	4,009,211	2,681,153
Nikko AM Wholesale Property Fund	1,881,456	2,802,083
Total investments held at fair value through profit or loss	33,743,659	30,551,858

Holdings as a percentage of Net Assets Available for Benefits

Nikko AM Wholesale NZ Bond Fund	16%	22%
Nikko AM Wholesale NZ Cash Fund	5%	4%
Nikko AM Wholesale Global Bond Fund	24%	23%
Nikko AM Wholesale SRI Equity Fund	17%	16%
Nikko AM Wholesale Global Shares Fund	20%	17%
Nikko AM Wholesale Global Shares Hedged Fund	12%	9%
Nikko AM Wholesale Property Fund	6%	9%
Total investments held at fair value through profit or loss	100%	100%

5 PAYABLES

	2021 \$	2020 \$
Refundable contributions	8,290	-
Expenses payable	109,685	99,191
Total payables	117,975	99,191

6 MOVEMENT IN NET ATTRIBUTABLE ASSETS

6a Net assets attributable to Members' Accounts

	2021 \$	2020 \$
Total net assets at beginning of the year	20,051,499	19,463,098
Contributions	760,712	751,768
Benefits paid	(1,269,384)	(1,281,838)
Group life premiums recharged to Members	(2,418)	(1,512)
Interest allocated	2,466,517	1,119,983
<i>Total net assets at the end of the year</i>	22,006,926	20,051,499

6b Net assets attributable to Employer Accounts

	2021 \$	2020 \$
Total net assets at beginning of the year	10,563,631	10,247,094
Contributions	447,254	446,626
Benefits paid	(548,476)	(619,309)
Group life premiums recharged to Members	(100)	-
Interest allocated	1,311,691	489,220
<i>Total net assets at the end of the year</i>	11,774,000	10,563,631

6c Net assets attributable to Reserve Accounts

	2021 \$	2020 \$
Total net assets at beginning of the year	1,066	1,929
Surplus before Membership activities	3,779,103	1,608,340
Interest allocated	(3,778,208)	(1,609,203)
<i>Total net assets at the end of the year</i>	1,961	1,066

7 VESTED MEMBERS' BENEFITS

Vested benefits are benefits payable to Members under the conditions of the Trust Deed, on the basis of all Members ceasing to be members of the Scheme at balance date. Vesting is based on a tabled period of employment with the Member's employer.

	2021 \$	2020 \$
Vested Members' benefits	29,643,655	28,523,065

8 GUARANTEED BENEFITS

No guarantees have been made in respect of any part of the liability for accrued benefits.

9 ACTUARIAL VALUATION

As the Scheme no longer has any pensioners, the requirement for a triennial investigation of the Scheme has been removed from the Trust Deed.

10 RECONCILIATION OF NET PROFIT ATTRIBUTABLE TO MEMBERS TO NET CASH FLOWS FROM OPERATING ACTIVITIES

	2021 \$	2020 \$
Net Profit after tax	3,779,103	1,608,340
<i>Adjusted for non-cash items included in profit</i>		
Net gain on fair value of investments	(4,065,417)	(1,937,033)
<i>Adjusted for working capital movements in operating activities</i>		
Net movement in creditors	10,494	33,255
Net movement in prepayments	(6,209)	(76,303)
Net movement in investments	873,616	1,114,372
Total cash inflows / (outflows) from operating activities	591,587	742,631

11 RELATED PARTIES

The Scheme only holds investments in unrelated parties. All transactions with Members or participating employers are undertaken on an arms length basis. No Director or employee of the Trustee of the Scheme, with the exception of the Licenced Independent Trustee, is paid for their services. Expenses incidental to the duties of the Trustee are reimbursed by the Scheme.

Details of Key Management Personnel

The Directors of the Trustee are considered to be Key Management Personnel with the authority for the strategic direction and management of the Scheme.

On 28 October 2016 the Scheme transitioned to the FMCA. A requirement under this Act is that the Scheme have a Licenced Independent Trustee ("LIT").

During the year \$13,000 (2020: \$13,000) was paid to the LIT for services in this capacity.

No amounts have been paid by the Scheme to the Directors in their capacity as Directors of the Trustee. Directors of the Trustee may hold units in the Scheme in their capacity as Members. All transactions between these parties is pursuant to, and governed by, the terms of the Trust Deed.

12 NET GAINS ON INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Scheme only invests in wholesale funds offered by Nikko Asset Management.

	2021 \$	2020 \$
Nikko AM Wholesale NZ Bond Fund	(113,558)	357,873
Nikko AM Wholesale NZ Cash Fund	2,814	3,348
Nikko AM Wholesale Global Bond Fund	(55,827)	390,951
Nikko AM Wholesale SRI Equity Fund	532,137	522,449
Nikko AM Wholesale Global Share Fund	1,706,212	601,437
Nikko AM Wholesale Global Share Hedged Fund	1,225,699	39,292
Nikko AM Wholesale Property Fund	571,296	(296,645)
	3,868,773	1,618,705

13 FINANCIAL RISK MANAGEMENT

The Scheme holds interests in wholesale funds offered by Nikko Asset Management.

Whilst the Scheme does not directly bear these, risks arising from holding investments are inherent in the Scheme's activities, and are managed by Nikko through a process of ongoing identification, measurement and monitoring. Through these holdings the Scheme is exposed to credit risk, market price risk and liquidity and cash flow risk arising from the investments held.

Investments indirectly held by the Scheme comprise investments in financial assets for the purpose of generating a return on the investment made by Members. The Scheme may directly hold net assets attributable to Members, and other financial instruments such as receivables and payables which arise from its operations.

The Scheme may indirectly be exposed to credit risk, market risk (including unit price risk, foreign exchange risk and interest rate risk), and liquidity and cash flow risk arising from the investments held.

The Trustee, as Responsible Entity, is responsible for identifying and controlling the risks that arise from these investments.

The Trustee has approved a Statement of Investment Policy and Objectives ("SIPO") which establishes investment portfolio objectives and target asset allocations. Performance against these targets is reviewed at least quarterly by the Trustee and asset reallocations undertaken as required.

The Scheme's policies set out in the SIPO specify risk management strategies for each asset class and for each type of risk including liquidity, credit, market, currency and interest rate risks, and how derivatives may be used to manage risk.

The risks are measured using a method that reflects the expected impact on the results and net assets from reasonably possible changes in the relevant risk variables. Information about these risk exposures at the reporting date, measured on this basis, is disclosed below. Information about the total fair value of investments exposed to risk, as well as compliance with established investment mandate limits, is also monitored by the Responsible Entity. These mandate limits reflect the investment strategy and market environment of the Scheme, as well as the level of risk that the Scheme is willing to accept, with additional emphasis on selected industries.

13 FINANCIAL RISK MANAGEMENT (continued)

This information is prepared and reported to relevant parties within the Responsible Entity on a regular basis as deemed appropriate.

Concentrations of risk arise when a number of investments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

(a) Credit risk

Credit risk represents the risk that the counterparty or issuer will fail to discharge an obligation and cause the Scheme to incur a financial loss. The Scheme's cash and cash equivalents are held with mainstream banks in New Zealand. Receivables are not past due and are not considered impaired. Investments in Nikko Wholesale funds are monitored on a regular basis and not considered impaired. The carrying amount of these assets best represents their maximum credit risk exposure at the reporting date.

(b) Liquidity and cash flow risk

Liquidity and cash flow risk is the potential inability for the Scheme to meet its payment obligations, which could arise as a result of mismatched cash flows. Liquidity and cash flow risk strategies have been adopted by the Administration Manager within the guidelines provided by the Trustee.

(c) Market price risk

Market price risk is the risk that the value of the Scheme's investments will fluctuate as a result of changes in market prices. This risk is managed within the underlying investments by ensuring that all activities are transacted in accordance with mandates, overall investment strategy and within approved limits. Market risk comprises three types of risk; foreign currency risk, interest rate risk and other price risk.

(i) Foreign currency risk

Foreign currency risk is the risk that the value of an investment will fluctuate because of changes in foreign exchange rates. The Scheme has indirect foreign exchange risk as it invests, through Nikko, in international assets which indirectly exposes the Scheme to currency risks.

(ii) Interest rate risk

Interest rate risk represents the risk that the value of an investment will fluctuate because of changes in market interest rates. The Scheme has indirect exposure to market risk for changes in the underlying interest rates that relate primarily to investments in fixed interest bonds and debentures held by Nikko.

(ii) Other price risk

Other price risk represents the risk that the value of an investment will fluctuate because of changes in market prices other than interest rates and foreign currency rates. The Scheme is exposed to other price risk from its investment in Nikko.

Other price risk sensitivity analysis

The analysis below shows the effect on net assets available for benefits that would result in reasonable changes in the fair value of the Scheme's investments.

	2021 \$	2020 \$
<i>Financial assets at fair value through profit or loss</i>		
Amount exposed to market risk	33,743,659	30,551,858
Market -10%	(3,374,366)	(3,055,186)
Market +10%	3,374,366	3,055,186

13 FINANCIAL RISK MANAGEMENT (continued)

(d) Estimation of fair values

NZ IFRS 13 Fair Value Measurement, requires the Scheme to measure and disclose fair values using the a three level fair value hierarchy.

Level 1 - quoted prices (unadjusted) in active markets for identical assets and liabilities;

Level 2 - inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value of the Scheme's investments at fair value through profit or loss are classified as follows:

	Notes	2021 \$	2020 \$
Level 1		-	-
Level 2			
Investments in Nikko wholesale funds	2e	33,743,659	30,551,858
Level 3		-	-
Total		33,743,659	30,551,858

The fair value of the Scheme's investments is based on prices provided by the fund manager Nikko and hence considered to be a Level 2 investment.

(e) Members' Funds

The Scheme does not have to comply with externally imposed capital requirements. The Scheme has established policies to manage the net assets with the objective of providing returns and retirement benefits to Members ensuring that net assets attributable to members are sufficient to meet future and present obligations. The Scheme's management reviews the Scheme's performance on a regular basis.

14 SEGMENT REPORTING

The Scheme operates in one reportable segment. The segment is detailed in Note 1.

15 CONTINGENT ASSETS AND LIABILITIES AND CONTINGENCIES

There are no outstanding contingent assets or liabilities or commitments as at 30 June 2021 (2020 : Nil).

16 EVENTS OCCURRING AFTER BALANCE DATE

There have been no material events after reporting date that require adjustment to or disclosure in the financial statements (2020: Nil).



Independent auditor's report to the Members of the Baptist Union Superannuation Scheme

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Baptist Union Superannuation Scheme (the "Scheme") on pages 1 to 14 which comprise the statement of net assets of the Scheme as at 30 June 2021, the statement of changes in net assets available for benefits and the statement of cash flows for the year then ended, and the notes to the financial statements including a summary of significant accounting policies.

In our opinion, the financial statements on pages 1 to 14 present fairly, in all material respects, the financial position of the Scheme as at 30 June 2021 and its financial performance and cash flows for the year then ended in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

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 and the Scheme's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand). 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 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 we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Ernst & Young provides other assurance services to the Scheme. Partners and employees of our firm may deal with the Scheme on normal terms within the ordinary course of the business of the Scheme. We have no other relationship with, or interest in, the Scheme.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements of the Scheme as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of the audit report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Investments at Fair Value through Profit or Loss

Why significant

- ▶ The Scheme's investment portfolio represents approximately 99% of the Scheme's total assets.
- ▶ Market volatility can have a significant impact on the value of these investments, therefore their recognition and measurement is considered a key area of audit focus.
- ▶ As detailed in the Scheme's accounting policies, as described in Note 2 to the financial statements, investments are recognised in accordance with NZ IFRS 9 *Financial Instruments*.
- ▶ Disclosures regarding the Scheme's investments at 30 June 2021 are included in Note 4 to the financial statements and regarding the judgements and estimates made in the valuation of the Scheme's investment portfolio are included in Note 2(e) to the financial statements.

How our audit addressed the key audit matter

Our audit procedures included:

- ▶ Gaining an understanding of the processes used to record investment transactions and the daily revaluation of the investment portfolio.
- ▶ Developing an understanding of whether there had been a change in the control environment operating within the administrator of the Scheme, through review of the most recent Independent Assurance Report on Controls on the administrator's control environment.
- ▶ Obtaining and considering the Independent Assurance Report on Controls for the third party manager of the Scheme's investments. We considered the implications of any control deficiencies for our audit. We relied on these controls to gain assurance over the recognition and valuation of the investment balances.
- ▶ For a sample of recorded investment purchases and sales made during the year, verifying the transactions to third party confirmations and the related bank transactions.
- ▶ Receiving third party confirmations directly, for each of the Scheme's investments, of the number of units issued to the Scheme and their respective exit price at balance date and agreeing the recorded holdings to those confirmations.

- ▶ Recalculating the valuation of the Scheme's investment portfolio at balance date and agreeing the pricing used for valuation purposes to the exit prices from the third party fund manager confirmation.
- ▶ Assessing whether the disclosures in the financial statements appropriately reflect the Scheme's exposure to financial instrument risk with reference to NZ IFRS 7 *Financial Instruments: Disclosures*.

Information other than the financial statements and the auditor's report

The Trustee is responsible for the Annual Report, which includes information other than the financial statements and auditor's report which is expected to be made available to us after the date of the auditors' report.

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

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

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Trustee and, if uncorrected, to take appropriate action to bring the matter to the attention of the Members for whom our auditor's report was prepared.

Trustee's responsibilities for the financial statements

The Trustee is responsible, on behalf of the Scheme, for the preparation and fair presentation of the financial statements in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards, and for such internal control as 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 Trustee is responsible for assessing on behalf of the Scheme, 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 trustee either intends to liquidate the Scheme or 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



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that an audit conducted in accordance with International Standards on Auditing (New Zealand) 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 the auditor's responsibilities for the audit of the financial statements is located at the External Reporting Board's website: <https://www.xrb.govt.nz/assurance-standards/auditors-responsibilities/audit-report-2/>. This description forms part of our auditor's report.

The engagement partner on the audit resulting in this independent auditor's report is Stuart Mutch.

A stylized, handwritten signature of 'Ernst & Young' in black ink, enclosed within a light grey, rounded rectangular border.

Chartered Accountants
Wellington
4 October 2021