

SUPERLIFE

**UK PENSION TRANSFER SCHEME
(FORMERLY KNOWN AS ASCOT)**

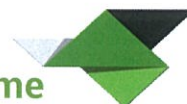
FINANCIAL STATEMENTS

For the year ended 31 March 2017

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SuperLife UK Pension Transfer Scheme



SUPERLIFE
a Member of the NZX Group

Statement of net assets as at 31 March 2017

	Note	31 March 2017	31 March 2016
		\$	\$
Current assets			
Investments	7	41,186,947	28,086,995
Cash and cash equivalents		284	183
Taxation receivable	3(j)	40,101	14,471
Total current assets		41,227,332	28,101,649
Current liabilities			
Sundry creditors		(50,401)	(20,092)
Total current liabilities		(50,401)	(20,092)
Total net assets available for benefits to members		41,176,931	28,081,557
Liability for benefits		41,176,931	28,081,557

The Manager of the SuperLife UK Pension Transfer Scheme authorised these financial statements for issue on 24 July 2017

For and on behalf of Smartshares Limited:

Director

Director

The accompanying notes form an integral part of these financial statements.



SuperLife UK Pension Transfer Scheme

Statement of changes in net assets for the year ended 31 March 2017



	Note	31 March 2017	31 March 2016
		\$	\$
Investment activities			
Realised/unrealised change in fair value of investments	13	1,353,644	1,371,948
Bank interest	11	81	142
Total net investment income		1,353,725	1,372,090
Administration fees - fixed dollar	4	(128,863)	(51,693)
Administration fees - percentage of assets	4	(8,433)	-
Other expenses	12	(7,611)	(17,611)
Change in net assets before taxation and membership activities		1,208,818	1,302,786
Income taxation benefits	3(j)	40,077	14,439
Change in net assets before membership activities		1,248,895	1,317,225
Membership activities			
- Member contributions		15,973,939	4,579,596
		<u>15,973,939</u>	<u>4,579,596</u>
Less withdrawal benefits:			
- Benefits paid		(4,127,460)	(604,250)
		<u>(4,127,460)</u>	<u>(604,250)</u>
Net membership activities		11,846,479	3,975,346
Increase in net assets during the year		<u>13,095,374</u>	<u>5,292,571</u>
Net assets available for benefits			
Opening balance		28,081,557	22,788,986
Increase in net assets during the year		13,095,374	5,292,571
Closing balance		<u>41,176,931</u>	<u>28,081,557</u>

The accompanying notes form an integral part of these financial statements.

SuperLife UK Pension Transfer Scheme

Statement of cash flows

for the year ended 31 March 2017

	Note	31 March 2017	31 March 2016
		\$	\$
Cash flows from operating activities			
Cash was provided by:			
- Sale of investments		4,105,379	635,639
- Contributions received from and in respect of members		15,973,939	4,579,596
- Interest income received		81	126
- Foreign currency (losses) / gains		-	16
- Tax refund received		14,447	123,020
		<u>20,093,846</u>	<u>5,338,397</u>
Cash was applied to:			
- Purchase of investments		(15,851,687)	(4,750,085)
- Retirement benefits		(4,127,460)	(604,250)
- Tax paid		-	(33)
- Foreign currency (losses) / gains		(4)	-
- General administration fees		(114,594)	(178,466)
		<u>(20,093,745)</u>	<u>(5,532,834)</u>
Net cash flows from operating activities	15	<u>101</u>	<u>(194,437)</u>
Opening cash brought forward		183	194,620
Closing cash carried forward		<u>284</u>	<u>183</u>

The accompanying notes form an integral part of these financial statements.

SuperLife UK pension transfer scheme

Notes to the financial statements for the year ended 31 March 2017

1 General information

SuperLife UK pension transfer scheme (formerly known as Ascot) (the "Scheme") is a managed investment scheme registered by the Financial Markets Authority ("FMA") under the Financial Market Conducts Act 2013 ("FMCA") (SCH 10767). Prior to 9 November 2016, the Scheme was a defined contribution superannuation scheme known as Ascot and was registered under the Superannuation Schemes Act 1989 (AS/1882). The Scheme was established for the principal purpose of providing retirement benefits to members. The Scheme is also an approved Qualifying Recognised Overseas Pension Scheme ("QROPS") under the UK Finance Act 2004 (QROPS 503780) with effect from 14 April 2011 and facilitates the transfer of UK pension funds to the Scheme from approved UK pension schemes.

The Scheme is domiciled in New Zealand. The address of its principal place of business is 21 Queen Street, Auckland 1010.

The Scheme is governed by a trust deed (the "Trust Deed") executed on 10 February 2011, amended and replaced on 11 May 2012, 29 September 2014 and 8 November 2016. Public Trust (1985831) (the "Supervisor") is the supervisor of the Scheme. The Public Trust was established under the Companies Act 1993 in Auckland, New Zealand on 28 September 1998. It is a member of the Financial Dispute Resolution scheme ("FDRS") and is registered as a financial service provider (FSP 2456) under the Financial Service Providers Act 2008 ("FSPA").

Prior to 9 November 2016, MCA Trustee Limited (1142836), (the "Trustee") was the trustee of the Scheme. The Trustee was incorporated on 8 June 2001 in New Zealand, it is a member of the FDRS and is registered as a financial service provider (FSP 43621) under the FSPA. The holding company of the Trustee is Aventine Group Limited (896866), which was incorporated in New Zealand on 26 March 1998. The Trustee was also the Scheme's investment manager prior to 9 November 2016.

SuperLife Limited (911713) ("SLL") was the manager of the Scheme prior to 9 November 2016. SLL was incorporated in Auckland, New Zealand on 16 June 1998. It is a member of the FDRS and is registered as a financial service provider (FSP 42464) under the FSPA. On 9 November 2016, SuperLife Limited amalgamated with Smartshares Limited (668652) ("SSL"). On this date, SSL (the "Manager") became the manager of the Scheme. SSL is a member of the FDRS and is registered as a financial service provider (FSP 42464) under the FSPA. On 9 November 2016, the Manager also took on the role of the investment manager for the Scheme. Both SLL and the Manager are wholly owned by NZX Limited.

Up until to 7 November 2016, the Scheme invested its assets in the SuperLife workplace savings scheme ("SLWS") (formerly known as SuperLife superannuation scheme ("SLSS")). SLWS/SLSS is registered by the FMA under the Superannuation Schemes Act 1989 with a registration number of AS/1068. SuperLife Trustee Limited (SLWS/SLSS Trustee) was the trustee of SLWS/SLSS up until 8 November 2016. SLWS/SLSS Trustee is a member of the Financial Dispute Resolution scheme (an external disputes resolution service) and is registered as a financial service provider (FSP 42604) under the Financial Service Providers (Registration and Dispute Resolution) Act 2008 ("FSPA"). From 8 November 2016, the Manager in its role as investment manager invests the assets of the Scheme through the SuperLife Invest scheme ("SLI"). SLI has the same Supervisor and Manager as the Scheme. SLI is registered by the FMA under the FMCA under the registration number SCH 10768.

Some of the assets of SLWS/SLSS and SLI are invested in the exchange traded funds ("ETF"s) managed by the Manager.

The Manager is also the registrar of the Scheme. Prior to 9 November 2016, the custodian for the assets of the Scheme was MCA Trustee Limited. From 9 November, the Supervisor is the custodian of the Scheme (acting through its nominee company, SuperLife Nominees Limited ("SNL")). SNL is a subsidiary of the Supervisor.

The Trustee and the Supervisor are independent of the Scheme, the Manager, the Investment Manager and NZX Limited. The Manager is also independent of the custodian.

SuperLife UK pension transfer scheme

Notes to the financial statements for the year ended 31 March 2017

1 General information (continued)

The auditor of the Scheme is PricewaterhouseCoopers ("the Auditor"). The Auditor is independent of the Trustee, the Supervisor, the Custodian, the Manager and the Investment Manager and is registered on the public register of licensed auditors and registered audit firms under the Auditor Regulation Act 2011 (AUD811) without any conditions.

Benefits are paid under clause 21 of the Trust Deed. Where benefits are payable they may be paid as a lump sum or as a series of withdrawals, as determined by the members.

2 Basis of preparation

Basis of measurement

The measurement base adopted is that of historical cost, modified by the revaluation of financial instruments at fair values at balance date through profit or loss.

Statement of compliance

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"), the requirements of FMCA and the Financial Reporting Act 2013. They comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS") and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities. These financial statements also comply with International Financial Reporting Standards ("IFRS"). The External Reporting Board Standard A1 Accounting Standards Framework (for-profit Entities Update) outlines which suite of accounting standard entities in different tiers must follow. The Scheme is a Tier 1 reporting entity.

Going concern

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

Functional and presentation currency

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

Critical accounting judgements and estimates in the preparation of financial statements

In preparing the financial statements to conform with NZ IFRS, management is required to make certain estimates, judgements and assumptions that affect reported income, expenses, assets and liabilities. The key judgements required in preparing these financial statements relate to the fair value determination of financial instruments. Refer to Note 3: Significant accounting policies for details.

3 Significant accounting policies

The following significant accounting policies have been applied consistently in these financial statements:

(a) Financial instruments

(i) Classification

The Scheme classifies its financial assets and financial liabilities into the following categories in accordance with NZ IAS 39: Financial instruments: Recognition and Measurement.

Financial assets and liabilities designated as at fair value through profit or loss at inception: This includes investments. These financial instruments are not classified as held for trading but are managed and the performance is evaluated on a fair value basis in accordance with the Scheme's investment strategy.

Loans and receivables: These include cash and cash equivalents and cash and cash equivalents - foreign currency accounts.

SuperLife UK pension transfer scheme

Notes to the financial statements for the year ended 31 March 2017

3 Significant accounting policies (continued)

(a) Financial instruments (continued)

(i) Classification (continued)

Financial liabilities at amortised cost: These represent amounts payable to service providers, members' benefits and other accruals. These are measured at amortised cost and called Sundry creditors in the Statement of net assets.

(ii) Recognition, derecognition and measurement

The Scheme recognises financial assets and financial liabilities on the date it becomes party to the contractual agreement (trade date). Financial assets and financial liabilities held at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed as incurred in the Statement of changes in net

Financial assets are derecognised when the right to receive cash flows from the investments has expired or the Scheme has transferred substantially all of the risks and rewards of ownership.

Subsequent to initial recognition, all financial instruments held at fair value through profit or loss are measured at fair value. Gains or losses arising from changes in the fair value of the financial instruments designated at fair value through profit or loss are presented in the Statement of changes in net assets within realised/unrealised change in fair value of investment in the period in which they arise.

(iii) Determination of fair value - financial instruments

The Scheme's financial instruments' fair value are determined based on the value provided by the Scheme's investment manager largely based on observable market data.

(iv) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the Statement of net asset, only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Scheme or the counterparty.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions such as in the Scheme's trading activities.

(b) Cash and cash equivalents

Cash and cash equivalents ("Cash") includes, in addition to cash at bank, negotiable instruments, demand deposits and other highly liquid investments in which the Scheme may invest as part of its day-to-day cash management. Cash does not include accounts receivable or payable, or any borrowings subject to a term facility, or cash held with the investment manager.

(c) Sundry debtors

Sundry debtors do not carry any interest and are short-term in nature and are accordingly stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Impaired assets are assets where the present value of expected future cash flows discounted at the effective interest rate is less than the carrying value. If an asset is impaired the asset is written down to its estimated recoverable amount. The estimated recoverable amount is calculated as the present value of expected future cash flows discounted at the effective interest rate, and an impairment loss is recognised in the Statement of changes in net asset.

SuperLife UK pension transfer scheme

Notes to the financial statements for the year ended 31 March 2017

3 Significant accounting policies (continued)

(d) Sundry creditors

Sundry creditors include liabilities and accrued expenses owing by the Scheme which are unpaid as at balance date. These are initially measured at fair value and subsequently at amortised cost.

(e) Translation of foreign currencies

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency assets and liabilities are translated into the functional currency using the exchange rate prevailing at balance date. Foreign exchange gains and losses arising from translation are included in the Statement of changes in net assets.

Translation differences on non-monetary financial assets and liabilities such as financial assets held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss.

(f) Interest income

Interest revenue relating to investments on which interest is earned is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable to the individual investment.

(g) Dividend income

Dividend income from investments is recognised when the Scheme's right to receive the payment is established which is the ex-dividend date.

(h) Realised/unrealised change in fair value of investments

This item includes changes in the fair value of financial assets and liabilities as "held at fair value through profit or loss" and excludes interest and dividend income and expenses.

(i) Fees and expenses

The Scheme incurs fees and expenses from a range of services it receives from various service providers, including reimbursable expenses allowed by the Trust Deed. Fees are accrued as services are rendered.

(j) Taxation

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

The Scheme invests its assets in SLI on and after 8 November 2016, and invested its assets in SLWS/SLSS up to 7 November 2016. Both SLI and SLWS/SLSS are Portfolio Investment Entities. The investment income allocated to the Scheme by SLI and SLWS/SLSS is tax paid income. The Prescribed Investor Rate of the Scheme is 28%. The Supervisor and the Manager of the Scheme can choose to, and has chosen to transfer deductible expenses to SLI and SLWS/SLSS, the expense transfers will reduce the tax liabilities of the Scheme as a member of SLI and SLWS/SLSS.

(k) Liability for benefits

The Manager calculates the liability for benefits as the Scheme's present obligation to pay benefits to members. The liability for benefits is the amount shown in the Statement of net assets and is classified as financial liability as the members can redeem their investment in the Scheme at any time for cash equal to a proportionate share of the Scheme's net asset value. The value attributable to members is the residual value of the assets of the Scheme after all other liabilities have been deducted. The Scheme's withdrawal value is based on the same valuation principles as those applied in the financial statements.

SuperLife UK pension transfer scheme

Notes to the financial statements for the year ended 31 March 2017

3 Significant accounting policies (continued)

(l) 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.

(m) Comparatives

Certain prior year comparatives have been reclassified to conform with current period reporting.

The impacts on the value of the Scheme's net assets pertaining to indirect currency exposures are disclosed per currency. These impacts for the previous financial year are also broken down to currencies to conform with current year reporting.

(n) Changes in accounting policies

There have been no significant changes in accounting policies during the period. All policies have been applied on bases consistent with those used in the prior year.

(o) New accounting standard adopted

There were no new accounting standards adopted during the period that have a material impact to the financial statements.

(p) New accounting standard not yet adopted

NZ IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of NZ IFRS 9 was issued in September 2014. It replaces the guidance in NZ IAS 39 that relates to the classification and measurement of financial instruments. NZ IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the Scheme's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in NZ IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. NZ IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management uses for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under NZ IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. The Scheme intends to adopt NZ IFRS 9 on its effective date and has yet to assess its full impact.

NZ IFRS 15, 'Revenue from Contracts with Customers' addresses the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a member. The standard is effective for accounting periods beginning on or after 1 January 2018. The Scheme intends to adopt NZ IFRS 15 on its effective date and has yet to assess its full impact.

There are no other new standards, amendments to standards and interpretations that are expected to have a material effect on the financial statements.

SuperLife UK pension transfer scheme

Notes to the financial statements for the year ended 31 March 2017

3 Significant accounting policies (continued)

(q) Contributions

Individual members invest in the Scheme by way of lump sum payments and/or regular savings as they choose.

(r) Withdrawals

Withdrawals are recognised when the Manager has confirmed the validity of the member's application and has verified the conditions required for withdrawal eligibility.

(s) Impairment of financial assets

The Manager assess at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only when there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the assets (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

4 Related party transactions

Contributions and withdrawals

SLWS operated as the investment vehicle for the Scheme up until 7 November 2016. During the year, the Scheme's contributions to SLWS were \$13,718,078 (31 March 2016: \$4,750,151). The Scheme's withdrawals from SLWS were \$40,373,131 (31 March 2016: \$635,685) of which \$38,071,891 was made on 8 November 2016 when the Scheme terminated its membership with SLWS.

On 8 November 2016, SLI became the investment vehicle for the Scheme. The two schemes are related by way of common manager. Total contributions of the Scheme to SLI during the year are \$40,222,659 of which \$38,071,891 was the initial contribution and the balance represents ongoing contributions throughout the year. During the year, the Scheme made withdrawals from SLI of \$1,817,781 (31 March 2016: \$n/a).

Administration fees

The administration fee deducted under the Scheme is a fixed charge per member of \$60 per annum net of tax. This is paid to the Manager.

Pension transfer costs are also charged for the processing of transfers of superannuation funds from other jurisdictions to members' accounts with the Scheme. The costs incorporate charges made to members by the Manager for work carried out by the Manager and by members' third party advisers as agreed with the members.

Details of the fees paid or payable by the Scheme to the Manager are as follows:

	31 March 2017	31 March 2016
	\$	\$
Administration fees - fixed dollars	19,906	17,833
Pension transfer costs	108,957	33,860
	<u>128,863</u>	<u>51,693</u>

SuperLife UK pension transfer scheme

Notes to the financial statements for the year ended 31 March 2017

4 Related party transactions

Administration fees (continued)

Prior to 7 November 2016, the Scheme invested all its assets in SLSS. From 8 November 2016, the Scheme invested its assets in SLI. Under SLSS, the Manager received fees of 0.2% of assets per annum as asset administration fees. Under SLI, the Manager receives fees of 0.25% of assets per annum as asset administration fees. These fees are not paid by the Scheme to the Manager directly; the returns credited to the Scheme are net of these fees.

Administration fees as a percentage of assets deducted from the realised/unrealised change in fair value of investments are as follows:

	31 March 2017	31 March 2016
	\$	\$
SLSS	39,887	50,653
SLI	38,386	-
	<u>78,273</u>	<u>50,653</u>

In addition, from 7 November 2016, the Scheme charges a fee of 0.05% of assets per annum as asset administration fees that are payable to the Manager directly.

Fees charged by the Scheme paid or payable to the Manager are as follows:

	31 March 2017	31 March 2016
	\$	\$
Administration fees - percentage of assets	<u>8,433</u>	<u>-</u>

Investment management fees

The Scheme invested all its assets in SLSS and in SLI. The Scheme does not pay any investment manager fees in respect of these investments directly. The returns credited to the Scheme are net of all investment manager fees.

The estimated investment manager fees deducted from realised/unrealised change in fair value of investments by the related investment managers are:

	31 March 2017	31 March 2016
	\$	\$
SLSS	7,978	18,238
SLI	6,481	-
	<u>14,459</u>	<u>18,238</u>

Other related party transactions

As at 31 March 2017, there is a balance payable of \$44,502 to the Manager (31 March 2016: \$14,342). A tax benefit for \$40,075 from expense transfer to SLI is receivable from SLI (31 March 2016: \$14,438).

All related party balances are unsecured, and bear no interest.

5 Audit fees

For the year ended 31 March 2017, the audit fees of \$5,750 and registry audit fees of \$1,236 are paid or payable by the Scheme. The audit fees and registry audit fees for the financial year ended 31 March 2016 were \$5,750 and \$1,087 respectively.

SuperLife UK pension transfer scheme

Notes to the financial statements for the year ended 31 March 2017

6 Contingent liabilities and capital commitments

There are no material contingent liabilities or capital commitments as at 31 March 2017 (31 March 2016: Nil).

7 Investments

Commencing 9 November 2016, the Scheme purchases and sells investments through SLI. As at 31 March 2017, all investments are held with SLI. Therefore, the Scheme's exposures to market risk are indirect.

The Scheme invests in investment funds set up by the investment manager. The available investment funds are Sector Funds, Managed Funds, ETFs and an Ethical Fund. The Sector Funds are the NZ Cash Fund, the NZ Bonds Fund, the Overseas Bonds Fund, the Overseas Non-government Bonds Fund, the Property Fund, the NZ Shares Fund, the Australian Shares Fund, the Overseas Shares Currency Hedged Fund, the Overseas Shares (Unhedged) Fund, the Emerging Markets Fund, the Geminio Fund, the UK Cash Fund, the UK Income Fund and the UK Shares/Property Fund. The Managed Funds are SuperLife³⁰, SuperLife⁶⁰, SuperLife⁸⁰, SuperLife^{Income} and SuperLife¹⁰⁰. The Managed Funds invest in one or more Sector Funds in the proportions decided by the investment manager. These proportions may change from time to time at the discretion of the investment manager depending on its view of the current investment markets. The Ethical Fund is Ethica. The ETFs are the NZ Cash ETF, the NZ Bond ETF, the Global Bond ETF, the NZ Dividend ETF, the NZ Top 50 ETF, the NZ Top 10 ETF, the NZ Mid Cap ETF, the NZ Property ETF, the Australian Top 20 ETF, the Australian Dividend ETF, the Australian Financials ETF, the Australian Property ETF, the Australian Resources ETF, the Australian Mid Cap ETF, the Total World ETF, the US 500 ETF, the Europe ETF, the Asia Pacific ETF, the US Large Growth ETF, the US Large Value ETF, the US Mid Cap ETF, the US Small Cap ETF Fund and the Emerging Markets ETF. There are also a range of mixes of the Funds.

Investment in the UK Cash Fund is disclosed as Cash and cash equivalents - foreign currency accounts in the Statement of net assets as it meets the definition of cash and cash equivalent.

Investments by Fund represent investments in the Sector Funds, ETFs and Ethical Fund. The investments by Managed Fund have been broken down to the Sector Funds for these financial statements.

SuperLife UK pension transfer scheme

Notes to the financial statements for the year ended 31 March 2017

7 Investments (continued)

	31 March 2017	31 March 2016
	\$	\$
(a) Investments by Fund		
SuperLife Income	297,417	1,401,639
SuperLife 30	3,632,529	4,631,116
SuperLife 60	4,483,589	3,316,493
SuperLife 80	2,138,222	1,653,212
SuperLife 100	955,869	888,355
Ethica	1,135,247	943,643
NZ Cash	2,718,820	1,627,518
NZ Bonds	1,273,314	844,584
Overseas Bonds	137,422	138,961
Overseas Non-govt. Bonds	483,750	377,202
Property	1,177,014	961,457
NZ Shares	1,527,180	943,793
Australian shares	742,739	539,686
Overseas Shares (Currency Hedged)	405,791	385,181
Overseas Shares	1,314,976	1,266,902
Emerging markets	513,239	468,275
Gemino	39,284	34,970
UK Cash	9,216,621	5,955,700
UK Income	427,236	326,273
UK Shares/Property	1,968,129	1,243,892
NZ Bond ETF	1,380	-
Global Bond ETF	1,384	-
NZ Dividend ETF	108,462	-
NZ 50 Portfolio ETF	1,237,871	-
NZ Mid Cap ETF	6,250	-
Aust Top 20 ETF	2,845	-
Australian Dividend ETF	168,057	-
Australian Financials ETF	23,768	-
Australian Property ETF	276,579	-
Australian Resources ETF	673,342	68,979
Australian Mid Cap ETF	173,110	10,745
US 500 ETF	2,917,981	-
Europe ETF	286,710	-
Asia Pacific ETF	148,853	-
US Large Growth ETF	240,051	14,582
US Large Value ETF	15,005	14,965
US Mid Cap ETF	122,593	14,514
US Small Cap ETF	145,771	14,358
Emerging Markets ETF	48,547	-
Total investments	41,186,947	28,086,995
(b) Investments by geographical location		
New Zealand	12,096,946	8,748,237
United Kingdom	10,536,335	6,756,910
United States of America	8,147,793	5,818,367
Australia	4,536,073	2,831,535
Europe	2,081,979	1,320,039
Rest of the world	3,787,821	2,611,907
Total investments	41,186,947	28,086,995

SuperLife UK pension transfer scheme

Notes to the financial statements for the year ended 31 March 2017

8 Financial risk and management objectives and policies

(a) Introduction

The Scheme is directly and indirectly exposed to market risk (which includes interest rate risk, currency risk and equity price risk), liquidity risk and credit risk arising from the financial instruments it holds. Risk is inherent in the Scheme's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The Scheme's objective in managing risk is the protection of members' interests. The process of risk management is critical to the Scheme's continuing viability. It is also recognised that each member directly manage their own investment risk by the determination of their investment strategy and how their account balance is invested from the options available. The Manager's role is to manage the investment risks within each of the investment options.

The Scheme is also exposed to operational risks such as custody risk. Custody risk is the risk of loss of investment assets held in custody resulting from the insolvency or negligence of the custodian. Although an appropriate legal framework is in place that reduces the risk of loss of value of the securities held by the custodian, in the event of its failure, the ability of the Scheme to transfer investment assets might be temporarily impaired.

(b) Risk management structure

The Scheme's investment manager is responsible for identifying and controlling risks relevant to its mandates. The Manager oversees the investment manager and the management of the risk in the portfolios comprising the Scheme.

(c) Risk measurement and reporting system

The risks are measured by assessing the impact of reasonable assumed changes in the relevant risk variables on investment returns and net asset values. Information about these risk exposures at the reporting date, measured on this basis, is disclosed in the respective risk categories below.

(d) Risk management

The Scheme has investment guidelines that set out its overall strategies which are described in the Statement of Investment Policy and Objectives ("SIPO") (prior to 9 November 2016, the Prospectus and the investment guidelines are summarised in the Investment Statement) for the Scheme. This is available online.

(e) Market risk

Market risk is the risk of loss arising from exposure to interest rate risk, currency risk and equity price risk. The Scheme's disclosures have been prepared on the Scheme's direct holdings in SLWS/SLSS and on a full look through basis to account for investments held indirectly through other managed funds.

Market risk is incurred by the Scheme largely through the holding of financial instruments. A typical transaction may be exposed to a number of different market risks.

The Scheme is exposed to indirect market risks through its investments with SLI.

(i) Interest rate risk

The Scheme is directly and indirectly exposed to interest rate risk as future interest rate movements will affect the market values of fixed interest assets. Interest rate risk management activities are undertaken by the investment managers in accordance with the investment mandates set in the SIPO.

The Scheme is also directly and indirectly exposed to interest rate risk on its floating interest assets that exposes the Scheme to cash flow and interest rate risk.



SuperLife UK pension transfer scheme

Notes to the financial statements for the year ended 31 March 2017

8 Financial risk and management objectives and policies (continued)

(e) Market risk (continued)

(i) Interest rate risk (continued)

The Scheme's total exposure to interest rate risks as at period end is as follows:

	31 March 2017	31 March 2016
	\$	\$
Direct exposure to interest rate risk		
Floating interest holdings	284	183
Indirect exposure to interest rate risk		
Fixed interest holdings	10,356,408	9,741,785
Floating interest holdings	9,216,621	5,955,700
	<u>19,573,313</u>	<u>15,697,668</u>

A 1% increase/decrease in the interest rate would have a total adverse/favourable impact on the value of the Scheme's net assets as follows:

	31 March 2017	31 March 2016
	\$	\$
Direct exposure to interest rate risk		
Floating interest holdings	-	-
Indirect exposure to interest rate risk		
Fixed interest holdings	374,682	394,766
Floating interest holdings	-	-
	<u>374,682</u>	<u>394,766</u>

(ii) Currency risk

The Scheme has direct exposure to foreign exchange rate changes on the Cash and cash equivalent - foreign currency account. It is also indirectly affected by the impact of foreign exchange changes on investments in the investment managers who are invested in non-New Zealand denominated securities.

The following table sets out the Scheme's exposure to currency risk as at the period end:

	31 March 2017	31 March 2016
	\$	\$
Direct exposure to currency risk		
United Kingdom (GBP)	50	25
Total foreign currency exposure	<u>50</u>	<u>25</u>
Total foreign currency hedging	-	-
Net foreign currency exposure	<u>50</u>	<u>25</u>

A 10% increase in the value of the New Zealand dollar would have an adverse impact on the value of the Scheme's net assets of \$5 (31 March 2016: \$2). A 10% decrease in the value of the New Zealand dollar would have a favourable impact on the value of the Scheme's net assets of \$6 (31 March 2016: \$3).

SuperLife UK pension transfer scheme

Notes to the financial statements for the year ended 31 March 2017

8 Financial risk and management objectives and policies (continued)

(e) Market risk (continued)

(ii) Currency risk (continued)

	31 March 2017	31 March 2016
	\$	\$
Indirect exposure to currency risk		
Europe (EURO)	2,081,979	1,320,039
America (USD)	8,147,794	5,818,367
United Kingdom (GBP)	10,536,334	6,756,910
Australia (AUD)	4,536,073	2,831,535
Japan (YEN)	1,035,004	452,543
China (YUAN)	224,187	159,164
India (INR)	118,055	150,052
Brazil (BRL)	85,410	46,013
Canada (CAD)	199,335	202,309
South Korea (WON)	202,578	67,158
Taiwan (TWD)	141,084	105,497
South Africa (RAND)	76,527	73,797
Others	1,705,641	1,355,373
Total foreign currency exposure	29,090,001	19,338,757
Total foreign currency hedging	(5,560,241)	(5,678,000)
Net foreign currency exposure	23,529,760	13,660,757

The above analysis reflects the underlying currency risks held by the investment managers. The underlying currency risks are hedged by the investment manager. Total investments covered by the investment manager's hedge are \$5,560,241 (2016: \$5,678,000).

An increase/decrease in the value of the New Zealand dollar would have an adverse/favourable impact on the value of the Scheme's net assets.

The impact from indirect currency exposures is as follows:

	31 March 2017 + 10% change in exchange rate	31 March 2017 - 10% change in exchange rate	31 March 2016 + 10% change in exchange rate	31 March 2016 - 10% change in exchange rate
	\$	\$	\$	\$
America (USD)	(525,113)	641,805	(251,769)	307,717
Australia (AUD)	(402,115)	491,474	(251,581)	307,488
Europe (EURO)	(98,384)	120,248	(36,971)	45,187
Japan (YEN)	(47,000)	57,444	(15,701)	19,190
United Kingdom (GBP)	(910,761)	1,113,152	(575,313)	703,160
Canada (CAD)	(1,557)	1,903	(1,041)	1,272
China (YUAN)	(17,953)	21,943	(13,115)	16,030
India (INR)	(10,572)	12,921	(13,641)	16,672
Brazil (BRL)	(7,245)	8,855	(4,183)	5,113
South Korea (WON)	(13,831)	16,905	(5,243)	6,409
Taiwan (TWD)	(12,625)	15,431	(9,591)	11,722
South Africa (RAND)	(6,862)	8,387	(6,639)	8,114
Others	(85,051)	103,950	(57,099)	69,788
	(2,139,069)	2,614,418	(1,241,887)	1,517,862

SuperLife UK pension transfer scheme

Notes to the financial statements for the year ended 31 March 2017

8 Financial risk and management objectives and policies (continued)

(e) Market risk (continued)

(iii) Equity price risk

All equity investments present a risk of loss of capital often due to factors beyond an investment manager's control such as competition, regulatory changes, commodity price changes and changes in the general economic climate, domestically and internationally. The Scheme is exposed to indirect equity price risk through its investments. The investment manager manages this risk through stock selection and diversification, daily monitoring of the Scheme's market position and adherence to the investment mandate set in the SIPO. The maximum price risk resulting from financial instruments is determined by their fair value.

The Scheme's indirect exposure to equity price risk is estimated by the effect of increases/decreases of equity prices on the value of the Scheme's net assets as detailed in the tables below.

	31 March 2017	Impact given 10% increase in equity price	Impact given 10% decrease in equity price
	\$	\$	\$
Property	2,144,976	214,498	(214,498)
New Zealand shares	4,290,919	429,092	(429,092)
Australian shares	3,368,990	336,899	(336,899)
Overseas shares currency hedged	2,542,322	254,232	(254,232)
Overseas shares (unhedged)	8,375,083	837,508	(837,508)
Emerging markets	891,628	89,163	(89,163)
	<u>21,613,918</u>	<u>2,161,392</u>	<u>(2,161,392)</u>

	31 March 2016	Impact given 10% increase in equity price	Impact given 10% decrease in equity price
	\$	\$	\$
Property	2,034,940	203,494	(203,494)
New Zealand shares	2,482,114	248,211	(248,211)
Australian shares	1,850,160	185,016	(185,016)
Overseas shares currency hedged	1,731,347	173,135	(173,135)
Overseas shares (unhedged)	3,369,903	336,990	(336,990)
Emerging markets	921,046	92,105	(92,105)
	<u>12,389,510</u>	<u>1,238,951</u>	<u>(1,238,951)</u>

(f) Liquidity risk

In accordance with the Scheme's policy, the Manager monitors the Scheme's liquidity position on a daily basis. Liquidity management is designed to ensure that the Scheme has the ability to generate sufficient cash in a timely manner to meet its financial commitments and normal levels of withdrawals. The Manager regularly monitors market volatility and withdrawal levels to establish the Scheme's appropriate liquidity level. In the event of abnormal levels of withdrawals, timing of payments may depend on the ability of the particular Fund to realise its underlying investments on a timely basis.

SuperLife UK pension transfer scheme

Notes to the financial statements for the year ended 31 March 2017

8 Financial risk and management objectives and policies (continued)

(f) Liquidity risk (continued)

The Scheme holds financial assets that are highly liquid. Members are able to transfer their balances to other QROPSs subject to approval by the Manager or make withdrawals subject to withdrawal eligibility.

All other financial liabilities of the Scheme are due within twelve months.

(g) Credit risk

The maximum credit risk of the Scheme is the carrying value of the financial assets. The significant counterparty of the Scheme is its investment manager. The underlying investments are held separate to the assets of the investment manager for the benefit of the Scheme. The Manager considers the credit risk to be associated with the items described in the table below. While the investment manager represents a concentration of credit risk, the investment manager has a significantly diversified portfolio and a number of counterparties with whom its investments are held on behalf of the Scheme.

The following table sets out the calculated direct and indirect credit exposure of the Scheme.

	31 March 2017	31 March 2016
	\$	\$
Investments	19,573,029	15,697,485
Cash and cash equivalents	234	158
Cash and cash equivalent - foreign currency account	50	25
	<u>19,573,313</u>	<u>15,697,668</u>

The analysis below summarises the credit quality of the Scheme's direct and indirect exposure rated externally by Standard & Poor's or Moody's, or internally by the investment managers. The investment managers' internal credit rating process comprises analysing the issuing company's financial statements. An estimate is then made as to what rating the security might attain if it were to seek an external rating.

	31 March 2017	31 March 2016
	%	%
Direct exposure to credit risk		
AAA	-	-
Indirect exposure to credit risk		
AAA	5	9
AA	68	61
A	11	12
BBB	11	12
Unrated	5	6
	<u>100</u>	<u>100</u>

The quality of the "Unrated" underlying debt securities is monitored by the investment manager.

None of these assets are impaired nor past due.

SuperLife UK pension transfer scheme

Notes to the financial statements for the year ended 31 March 2017

9 Financial instruments

(a) Financial instruments by category

The table below provides reconciliation of the line items in the Scheme's Statement of net assets to the categories of financial instruments for 31 March 2017.

	31 March 2017			
	Financial assets designated at fair value through profit or loss	Loans and receivables	Financial liabilities at amortised cost	Total carrying amount
	\$	\$	\$	\$
Assets				
Investments	41,186,947	-	-	41,186,947
Cash and cash equivalent	-	284	-	284
Total assets	41,186,947	284	-	41,187,231
Liabilities				
Sundry creditors	-	-	(50,401)	(50,401)
Liability for benefits	-	-	(41,176,931)	(41,176,931)
Total liabilities	-	-	(41,227,332)	(41,227,332)

The table below provides reconciliation of the line items in the Scheme's Statement of net assets to the categories of financial instruments for 31 March 2016.

	31 March 2016			
	Financial assets designated at fair value through profit or loss	Loans and receivables	Financial liabilities at amortised cost	Total carrying amount
	\$	\$	\$	\$
Assets				
Investments	28,086,995	-	-	28,086,995
Cash and cash equivalent	-	183	-	183
Total assets	28,086,995	183	-	28,087,178
Liabilities				
Sundry creditors	-	-	(20,092)	(20,092)
Liability for benefits	-	-	(28,081,557)	(28,081,557)
Total liabilities	-	-	(28,101,649)	(28,101,649)

SuperLife UK pension transfer scheme

Notes to the financial statements for the year ended 31 March 2017

9 Financial instruments (continued)

(b) Fair value of financial instruments

The Scheme's investments are recorded at fair value as investments in the Statement of net assets, with changes in fair value recorded as realised/unrealised changes in fair value of investments in the Statement of changes in net assets.

While in some cases, a degree of judgement was required in establishing fair values, the fair values recorded in the Statement of net assets and the changes in fair values recorded in the Statement of changes in net assets were based on the policies and processes the Scheme employed.

According to NZ IFRS 13: Fair Value Measurement, a three level hierarchy of disclosures is required for assets and liabilities measured at fair value. The three levels are defined below:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: 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).

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

There were no transfers between level 1, level 2 and level 3 during the period.

The Scheme's level 2 investments are investments in funds of a managed scheme with the Scheme's investment manager. These investment funds are not traded on an active market and their fair value is determined using valuation techniques. The value is based primarily on the latest available redemption price of the respective funds.

The following table presents the Scheme's investments that are measured at fair value by the different asset types for 31 March 2017.

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Financial assets at fair value through profit or loss				
Investments				
Cash	-	12,420,293	-	12,420,293
New Zealand bonds	-	3,703,803	-	3,703,803
Overseas bonds	-	1,345,652	-	1,345,652
Overseas non-govt. bonds	-	2,103,281	-	2,103,281
Property	-	2,144,976	-	2,144,976
New Zealand shares	-	4,290,919	-	4,290,919
Australian shares	-	3,368,990	-	3,368,990
Overseas shares currency hedged	-	2,542,322	-	2,542,322
Overseas shares (unhedged)	-	8,375,083	-	8,375,083
Emerging markets	-	891,628	-	891,628
Total investments	-	41,186,947	-	41,186,947

SuperLife UK pension transfer scheme

Notes to the financial statements for the year ended 31 March 2017

9 Financial instruments (continued)

(b) Fair value of financial instruments (continued)

The following table presents the Scheme's investments that are measured at fair value by the different asset types for 31 March 2016.

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Investment				
Cash	-	7,878,665	-	7,878,665
New Zealand bonds	-	3,545,895	-	3,545,895
Overseas bonds	-	2,592,403	-	2,592,403
Overseas non-govt. bonds	-	1,680,522	-	1,680,522
Property	-	2,034,940	-	2,034,940
New Zealand shares	-	2,482,114	-	2,482,114
Australian shares	-	1,850,160	-	1,850,160
Overseas shares currency hedged	-	1,731,347	-	1,731,347
Overseas shares (unhedged)	-	3,369,903	-	3,369,903
Emerging markets	-	921,046	-	921,046
Total investments	-	28,086,995	-	28,086,995

(c) Assets and liabilities not carried at fair value but for which fair value is disclosed

The carrying amounts of financial assets and liabilities not measured at fair value are considered to be reasonable approximations of their fair values as at 31 March 2017 and 2016.

10 Capital management

The Scheme's capital is represented by the net assets available for benefits held by the Scheme on behalf of its members and is reflected in the Statement of net assets under liability for benefits. In accordance with the accounting policies and the risk management policies in Note 9: Financial risk and management objectives and policies, the Scheme endeavours to invest the contributions received in appropriate investments whilst maintaining sufficient liquidity to meet any withdrawal requests and all other present and future obligations.

The Scheme is not subject to any externally imposed capital requirements.

11 Interest income

	31 March 2017	31 March 2016
	\$	\$
Cash and cash equivalents	81	126
Total interest income	81	126

12 Other expenses

	31 March 2017	31 March 2016
	\$	\$
Filing fees and FMA Levy	615	10,759
Registry audit fees	1,236	1,086
Audit fees	5,750	5,750
Bank fees	10	16
Total other expenses	7,611	17,611

SuperLife UK pension transfer scheme

Notes to the financial statements for the year ended 31 March 2017

13 Realised/unrealised change in fair value of investments (by Fund)
Refer Note 8: Investments for the description of investments by Fund.

	31 March 2017	31 March 2016
	\$	\$
SuperLife Income	26,341	37,154
SuperLife 30	243,574	183,660
SuperLife 60	354,868	134,305
SuperLife 80	201,294	62,357
SuperLife 100	110,743	45,434
Ethica	52,083	78,616
NZ Cash	43,975	40,609
NZ Bonds	22,818	38,379
Overseas Bonds	5,111	2,877
Overseas Non-govt. Bonds	10,968	1,662
Property	10,042	93,973
NZ Shares	144,388	155,271
Australian shares	120,959	29,351
Overseas Shares (Currency Hedged)	60,737	(8,836)
Overseas Shares	120,991	44,964
Emerging markets	56,490	(10,996)
Gemino	6,050	(784)
UK Cash	(896,532)	332,153
UK Income	(23,491)	20,990
UK Shares/Property	82,418	96,066
NZ Cash ETF	638	-
NZ Bond ETF	(3)	-
Global Bond ETF	8	-
NZ Dividend ETF	2,342	-
NZ 50 Portfolio ETF	55,706	-
NZ Mid Cap ETF	423	-
Aust Top 20 ETF	406	-
Australian Dividend ETF	18,057	-
Australian Financials ETF	4,710	-
Australian Property ETF	23,753	-
Australian Resources ETF	69,826	(4,421)
Australian Mid Cap ETF	17,825	745
US 500 ETF	322,158	-
Europe ETF	23,120	-
Asia Pacific ETF	13,831	-
US Large Growth ETF	23,649	(418)
US Large Value ETF	2,040	(35)
US Mid Cap ETF	9,079	(486)
US Small Cap ETF	7,413	(642)
Emerging Markets ETF	4,836	-
Total realised/unrealised change in fair value of investment assets	1,353,644	1,371,948

SuperLife UK pension transfer scheme

Notes to the financial statements for the year ended 31 March 2017

14 Taxation

	31 March 2017	31 March 2016
	\$	\$
Investment surplus before taxation	1,208,818	1,302,786
Less: tax paid income	(1,353,644)	(1,371,948)
Add: expenses transferred	1,695	17,595
Taxable loss	(143,131)	(51,567)
Tax charge at the standard tax rate of 28%	40,077	14,439
Income tax benefit	40,077	14,439
Taxation receivable/(payable)		
Opening balance brought forward	14,471	123,020
Current tax benefit for the period	40,077	14,439
Tax refund received	(14,469)	(123,021)
Withholding tax paid	22	33
Taxation receivable	40,101	14,471

15 Reconciliation of net cash flows from operating activities

	31 March 2017	31 March 2016
	\$	\$
Increase in net assets during the year	13,095,374	5,292,571
Add/(less) non cash items:		
- Realised/unrealised change in fair value of investments	(1,353,644)	(1,371,948)
Add/(less) movements in other working capital items:		
- Sale of investments	4,105,379	635,639
- Purchase of investments	(15,851,687)	(4,750,085)
- Increase/(decrease) in sundry creditors	30,309	(109,163)
- (Increase)/decrease in taxation receivable	(25,630)	108,549
Net cash flows from operating activities	101	(194,437)

16 Subsequent events

On 29 June 2017, the Scheme's investments in the UK Income Fund was redeemed and reinvested into the UK Cash Fund; and investments in the UK Shares/Property Fund was transferred to the underlying ETFs which they were invested in. This is due to the termination of the UK Income and UK Shares/Property funds on that date.

There have been no material events after balance date that require adjustment to or disclosure in the financial statements.



Independent auditor's report

To the members of SuperLife UK pension transfer scheme (the Scheme)

The Scheme's financial statements comprise:

- The statement of net assets as at 31 March 2017;
- the statements of changes in net assets for the year then ended;
- the statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion the Scheme's financial statements present fairly, in all material respects, the financial position of the Scheme as at 31 March 2017, its financial performance and its 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 (New Zealand) (ISAs NZ) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

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

Our firm carries out other services for the Scheme in the area of member registry compliance assurance. The provision of these other services has not impaired our independence as auditor of the Scheme.

Information other than the financial statements and auditor's report

Smartshares Limited (the Manager) is responsible for the annual report.

Our opinion on the financial statements does not cover the other information included in the annual report and we do not, and will not, express any form of assurance conclusion on other information. At the time of our audit, there was no other information available to us.

In connection with our audit of the financial statements, if other information is included in the annual report, 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 in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of our auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact.



Responsibilities of the Manager for the financial statements

The Manager is responsible for the preparation and fair presentation of the financial statements in accordance with NZ IFRS and IFRS, and for such internal control as the Manager 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 Manager is responsible 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 Manager either intends to liquidate the Scheme or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ and ISAs 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 at the External Reporting Board's website at:

<https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-6/>

This description forms part of our auditor's report.

Who we report to

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

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

For and on behalf of:

A handwritten signature in black ink that reads 'PricewaterhouseCoopers'.

Chartered Accountants
24 July 2017

Auckland