

SUPERLIFE

SUPERANNUATION SCHEME

FINANCIAL STATEMENTS

For the year ended 31 March 2016

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SuperLife - superannuation scheme

Statement of net assets

as at 31 March 2016

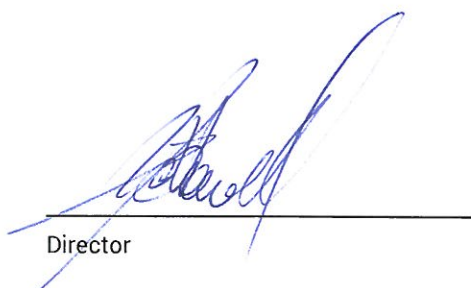
	Note	31 March 2016 \$000	31 March 2015 \$000
Current assets			
Cash and cash equivalents		28,496	26,996
Cash and cash equivalents - foreign currency accounts		8,487	9,354
Investments	8	1,437,472	1,251,395
Derivative instruments	15,16	521	15,593
Sundry debtors		7,591	2,848
PIE tax receivable		68	-
Total current assets		1,482,635	1,306,186
Current liabilities			
Sundry creditors		(1,550)	(320)
PIE tax payable		-	(13,532)
Total current liabilities		(1,550)	(13,852)
Total net assets available for benefits to members		1,481,085	1,292,334
Liability for benefits		1,481,085	1,292,334

The Trustee of SuperLife authorised these financial statements for issue on 8 June 2016.

For and on behalf of SuperLife Trustee Limited:



Director



Director

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

SuperLife - superannuation scheme

Statement of changes in net assets

for the year ended 31 March 2016

	Note	31 March 2016 \$000	31 March 2015 \$000
Investment activities			
Interest income	12	11,799	18,497
Dividend income		32,658	47,734
Foreign currency (loss)/gain		(33,355)	22,926
Realised/unrealised change in fair value of investments	13	56,659	50,099
Other income		141	57
Total net investment income		67,902	139,313
Investment management (fees)/rebate	4	1,382	(1,019)
Administration fees - fixed dollars	4	(1,180)	(1,157)
Administration fees - percentage of assets	4	(2,746)	(2,437)
Pension transfer costs	4	-	(12)
Audit fees	5	(65)	(100)
Other expenses		(93)	(95)
Changes in net assets before membership activities		65,200	134,493
Membership activities			
Contributions received in respect of members:			
- Member contributions		195,219	141,422
- Employer contributions		34,557	26,016
- Transfers in		4,712	10,088
Add: Insurance proceeds received		5,488	3,537
Less: benefits paid:			
- Retirement benefits		(17,876)	(23,488)
- Withdrawals		(58,390)	(93,929)
- Transfers to the SuperLife KiwiSaver scheme		(1,517)	(1,459)
- Permanent emigrations		(67)	(49)
- Resignations/dismissals		(19,794)	(24,575)
- Deaths/disablements		(3,983)	(5,112)
Less: insurance premiums paid:			
- Disability income protection and life		(5,438)	(5,113)
- Medical		(6,520)	(5,868)
Less: PIE tax paid/payable on behalf of members		(2,840)	(15,066)
Net membership activities		123,551	6,404
Increase in net assets during the year		188,751	140,897
Net assets available for benefits			
Opening balance		1,292,334	1,151,437
Increase in net assets during the year		188,751	140,897
Closing balance		1,481,085	1,292,334

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

SuperLife - superannuation scheme

Statement of cash flows

for the year ended 31 March 2016

	Note	31 March 2016 \$000	31 March 2015 \$000
Cash flows from operating activities			
Cash was provided by:			
- Sale of investments		636,362	212,607
- Contributions received from and in respect of members		234,488	177,526
- Insurance proceeds received		5,488	3,537
- Currency (losses)/gains		(7,907)	14,722
- Interest (loss)/income received		(294)	1,304
- Dividends income received		15,255	9,668
		<u>883,392</u>	<u>419,364</u>
Cash was applied to:			
- Purchase of investments		(755,658)	(236,042)
- Withdrawal benefits paid		(101,628)	(148,612)
- Insurance premiums paid		(11,959)	(10,981)
- Investment management fees		1,523	(962)
- PIE tax paid on behalf of members		(12,736)	(17,197)
- Pension transfer costs		-	(12)
- Other expenses		(2,852)	(3,891)
		<u>(883,310)</u>	<u>(417,697)</u>
Net cash flows from operating activities	14	82	1,667
Opening cash brought forward		36,350	34,323
Exchange gains on foreign currency account		<u>551</u>	<u>360</u>
Closing cash carried forward		<u><u>36,983</u></u>	<u><u>36,350</u></u>

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

SuperLife - superannuation scheme

Notes to the financial statements

for the year ended 31 March 2016

1 General information

SuperLife (the "Scheme") is a defined contribution superannuation scheme open to employees of participating employers and to individuals. The Scheme was established for the principal purpose of providing retirement benefits to members. The Scheme is registered under the Superannuation Schemes Act 1989 (AS/1068).

The Scheme is domiciled in New Zealand and was established on 1 November 1993. The address of its principal place of business is 41 Charlotte Street, Eden Terrace, Auckland 1021.

The Scheme is governed by a trust deed (the "Trust Deed"). SuperLife Trustee Limited is the Trustee (the "Trustee") of the Scheme. The Trustee was incorporated in Auckland, New Zealand on 1 July 1998 under the Companies Act 1993. The 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").

SuperLife Limited is the manager of the Scheme (the "Manager"). The Manager is also the promoter of the Scheme. Prior to 16 January 2015, the Manager was a subsidiary of Aventine Group Limited ("Aventine Group"). Effective from 16 January 2015, the Manager became a subsidiary of NZX Limited. The Trustee appoints and removes the investment managers for the Scheme. The Trustee is independent of both Aventine Group and NZX Limited. The directors of Aventine Group are also directors of the Manager. The Manager is a member of the Financial Dispute Resolution scheme and is registered as a financial service provider (FSP 42464) under the FSPA.

The Manager, in its role as the investment manager, has appointed a range of external investment managers and advisers for the Scheme.

The Trustee and the directors of the Trustee are independent of the Manager, the investment managers and the promoter of the Scheme.

The investment consultant for the Scheme is MCA NZ Limited ("MCA"). MCA is a member of the Financial Dispute Resolution scheme and is registered as a financial service provider (FSP 42521) under the FSPA. MCA is owned by Aventine Group. The Trustee is independent of MCA.

The registrar of the Scheme is SuperLife Limited (the "Registrar"). The investments of the Scheme are held in the name of the Trustee. The custodians of the Scheme are SuperLife Trustee Nominees Limited ("STNL"), BNP Paribas Fund Services Australasia Pty Ltd, State Street Australia Limited, JP Morgan Chase Bank and the Northern Trust Company. STNL is a subsidiary of the Trustee.

The auditor of the Scheme is PricewaterhouseCoopers (the "Auditor"). The Auditor is independent of the Trustee, the Manager and the investment managers, 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 by clause 10 of the Trust Deed. Where benefits are payable to or in respect of a member, they may be paid as a lump sum or as a series of withdrawals, as determined by the member.

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 value through profit or loss.

SuperLife - superannuation scheme

Notes to the financial statements for the year ended 31 March 2016

2 Basis of preparation (continued)

Statement of compliance

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZGAAP"), the requirements of the Financial Reporting Act 2013 and the Superannuation Schemes Act 1989. They comply with New Zealand 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 Trustee 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. This is the functional and presentation currency for the Scheme. All amounts contained in this Financial Statements are presented in thousands, unless otherwise stated.

Critical accounting judgements and estimates in the preparation of financial statements

In preparing the financial statements in conformity 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 level 3 financial instruments. Refer to Note 10: financial instruments 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: These include investments and derivative instruments. These financial instruments are not classified as held for trading, but are managed and performance are evaluated on a fair value basis in accordance with the Scheme's investment policies.

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

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 a 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 assets.

SuperLife - superannuation scheme

Notes to the financial statements

for the year ended 31 March 2016

3 Significant accounting policies (continued)

(a) Financial instruments (continued)

(ii) Recognition, derecognition and measurement (continued)

Financial assets are derecognised when the right to receive cash flows from the investments have 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 investments in the year in which they arise.

(iii) Determination of fair value - financial instruments

Investment assets of the Scheme are recorded at fair values as at the balance date and changes in the fair values of the investments are recognised in the Statement of changes in net assets in the years in which they occur. Fair values have been determined as follows:

- in the case of managed investments, the realisable value of the investments as advised by the investment managers based on the underlying market value.
- in the case of shares in listed companies and holdings of fixed interest securities, by reference to relevant last traded market quotations on the reporting date, where the last traded price falls within the bid-ask spread. In circumstances where last traded price is not within the bid-ask spread, the Manager determines the point within the bid-ask spread that is the most representative of fair value.

For all other financial instruments not traded in an active market, fair value is determined using valuation techniques. Valuation techniques include using recent comparable arms-length market transactions, reference to the current market value of another similar financial instrument, discounted cash flow analysis and valuation models.

Inputs to valuation models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include consideration of various factors used in the inputs to the valuation models. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

(iv) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the Statement of net assets, 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.

SuperLife - superannuation scheme

Notes to the financial statements
 for the year ended 31 March 2016

3 Significant accounting policies (continued)

(a) Financial instruments (continued)

(v) Derivatives

Derivative contracts serve as components of the Scheme's investment strategy and are used primarily to structure and hedge investments, to enhance performance and reduce risk to the Scheme. The derivative contracts that the Scheme holds are forward currency contracts.

The Scheme uses forward currency contracts to hedge its risks associated primarily with foreign currency movements.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently measured at their fair value at each reporting date. Fair values are obtained from valuation techniques using observable market prices including the use of option pricing models and other valuation techniques widely used and accepted by market participants.

(b) Cash and cash equivalents

Cash and cash equivalents ("Cash") means, 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 managers.

(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 uncollectible amounts.

(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 income relating to investments on which interest is earned is recognised on a time proportionate 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 investment assets

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, dividend income and expenses.

SuperLife - superannuation scheme

Notes to the financial statements for the year ended 31 March 2016

3 Significant accounting policies (continued)

(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

The Scheme is a Portfolio Investment Entity ("PIE"). Under the PIE regime, income is effectively taxed in the hands of the members and therefore the Scheme has no income tax liability on its own account.

Under the PIE regime, the Scheme attributes the taxable income of the Scheme to members in accordance with the proportion of their interest in the Scheme. The income attributed to each member is taxed at the members' Prescribed Investor Rate which is capped at 28% (31 March 2015: 28%). Any PIE tax payable/refundable is paid/received by the Scheme on behalf of members.

The members' net tax position is accrued and the value of members' funds has been adjusted to reflect the impact of tax payable/receivable on the value of the members' interest in the Scheme. Members' PIE tax amounts disclosed in the Statement of changes in net assets include withdrawals to meet member tax liabilities and contributions representing member tax refunds under the PIE regime.

The Scheme pays tax on behalf of its members who have withdrawn from the Scheme to Inland Revenue on a monthly basis. On an annual basis, the Scheme pays tax on behalf of its existing members to Inland Revenue on the last working day of April in the following financial year.

(k) Liability for benefits

The Trustee 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 a 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.

(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) Changes in accounting policies

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

(n) New accounting standard adopted

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

(o) Insurance

Insurance claim proceeds in respect of life and income protection insurance, are shown as insurance proceeds received from insurers when the monies is received. The payments to the member or beneficiary is shown as benefit payments when the insurance proceeds are paid to the member or beneficiary.

SuperLife - superannuation scheme

Notes to the financial statements

for the year ended 31 March 2016

3 Significant accounting policies (continued)

(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 actually use 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.

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

(q) Contributions

Individual members invest in the Scheme by way of lump sum payments and/or regular savings as they choose. Employee members invest in the Scheme through payroll deductions at pre-determined rates of their gross salary and their employers also contribute at pre-determined rates.

(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 Trustee assesses 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 are 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.

SuperLife - superannuation scheme

Notes to the financial statements

for the year ended 31 March 2016

3 Significant accounting policies (continued)

(t) Comparatives

Certain prior year comparatives have been reclassified to conform with current year reporting. This includes amounts reclassified for foreign exchange gains and losses in the Statement of Cash Flow and Note 14: Reconciliation of increase in net assets for the year to net cash flows from operating activities.

\$3,189,836 has been reclassified from overseas shares (unhedged) level 1 to emerging markets level 2 as they related to investments held for emerging markets with ishares S&P India Nifty 50 Index Fund. \$56,651,097 has been reclassified from overseas shares (unhedged) level 2 to emerging markets level 2 as they related to investments held for emerging markets with third party investment managers. \$276,718 has been reclassified from level 2 investments for overseas shares (unhedged) to level 1 as they related to investments held directly by the Scheme which can be readily quoted.

4 Related party transactions

Related party holdings

All of the directors of SuperLife Trustee Limited are members of SuperLife. As at 31 March, their membership transactions are as follows:

	31 March 2016	31 March 2015
	\$000	\$000
Opening balance	727	382
Contributions	289	328
Withdrawals	(30)	(10)
Insurance premiums	(9)	(6)
Realised/unrealised change in fair value of investments	41	41
PIE tax paid/payable on behalf of members	(7)	(8)
Closing balance	<u>1,011</u>	<u>727</u>

As at 31 March, the directors of the Manager are members of SuperLife. As at 31 March, their combined membership totalled as follows:

	31 March 2016	31 March 2015
	\$000	\$000
Opening balance	221	581
Contributions	3,054	11
Withdrawals	(2)	(370)
Insurance premiums	-	-
Realised/unrealised change in fair value of investments	121	4
PIE tax paid/payable on behalf of members	(22)	(5)
Closing balance	<u>3,372</u>	<u>221</u>

SuperLife - superannuation scheme

Notes to the financial statements

for the year ended 31 March 2016

4 Related party transactions (continued)

Related party holdings (continued)

The Scheme became a related party to Smartshares Limited on 16 January 2015. Smartshares Limited is a subsidiary of NZX Limited.

As at 31 March 2016, the Scheme held investments in exchange traded funds managed by Smartshares Limited, as follows:

	31 March 2016 \$000	31 March 2015 \$000
Opening balance	77,746	-
Purchase - cash	935,545	86,112
Purchase - non cash	119,682	-
Sale	(12,078)	-
Realised/unrealised change in fair value of investments	(25,629)	(8,367)
Closing balance	<u>1,095,266</u>	<u>77,745</u>

The Scheme received distributions of \$11,978,716 from funds managed by Smartshares Limited for the year ended 31 March 2016 (31 March 2015: \$660,782).

Total remaining as distribution receivable classified as sundry debtors at the end of the year is \$6,522,879 (31 March 2015: \$660,782).

Administration fees

The Scheme pays administration fees to the Manager. Administration fees are a fixed charge per member ranging from \$0 to \$99 net of tax (31 March 2015: \$0 to \$99) made up of a savings fee, and a fee for each insurance benefit and a percentage of the Scheme's assets which equal to 0.2% p.a. gross of tax (31 March 2015: 0.2% p.a.) of such balance.

	31 March 2016 \$'000	31 March 2015 \$'000
Administration fees to the Manager:		
Administration fees - fixed dollars	1,180	1,157
Administration fees - percentage of assets	<u>2,746</u>	<u>2,437</u>
	<u>3,926</u>	<u>3,594</u>

Of the balances above, total remaining as payable at the end of the year to the Manager is as follows:

	31 March 2016 \$000	31 March 2015 \$000
Administration fees - fixed dollar	4	13
Administration fees - percentage of assets	<u>249</u>	<u>38</u>
	<u>253</u>	<u>51</u>

SuperLife - superannuation scheme

Notes to the financial statements

for the year ended 31 March 2016

4 Related party transactions (continued)

Pension transfer costs

Pension transfer costs are charged for the processing of transfers of superannuation funds from other jurisdictions to the members' accounts in SuperLife. The costs incorporate charges made to members by the Manager for work carried out by it.

	31 March 2016	31 March 2015
	\$000	\$000
SuperLife Limited	-	12
	-	12

Investment management fees

For some investment managers, the Scheme invests in a product of the investment manager and the investment manager deducts investment management fees from within the product. These managers then rebate fees to the Scheme down to the agreed level.

	31 March 2016	31 March 2015
	\$000	\$000
Investment management fees	687	1,102
Investment management fees rebate	(2,069)	(83)
	(1,382)	1,019

The investment management fees paid to the Manager are between 0.10% to 0.50% of the relevant Funds' net assets. These investment management fees paid to the Manager for the year ended 31 March 2016 were \$391,599 (31 March 2015: \$650,252).

Of the balances above, total fees remaining as payable at the end of the year to the Manager is \$28,900 (31 March 2015: \$7,588).

Investment management fees paid to external managers are deducted from the investments held by the investment managers and do not flow through the Scheme's financial statements. The estimated rate per annum of this fee for the year ended 31 March 2016 is between 0.10% to 1.00% of the investments' value (31 March 2015: 0.10% to 1.00%).

The net investment management fees deducted from the return of investments for the Smartshares ETF investments are \$929,163 (31 March 2015: \$52,414).

Of the balances above, total fees remaining as receivable at the end of the year is \$589,767 (31 March 2015: \$32,806).

SuperLife - superannuation scheme

Notes to the financial statements

for the year ended 31 March 2016

4 Related party transactions (continued)

Other related party transactions

The Scheme is the investment vehicle of the SuperLife KiwiSaver scheme. The SuperLife KiwiSaver scheme is related to the Scheme by way of common Manager and promoter. During the year, the Scheme's contributions from the SuperLife KiwiSaver scheme total \$97,142,067 (31 March 2015: \$66,372,090) and the Scheme's withdrawals by the SuperLife KiwiSaver scheme total \$13,112,220 (31 March 2015: \$18,055,046).

The Scheme is the investment vehicle of the Ascot scheme. The Ascot scheme is related to the Scheme by way of common Manager and promoter. During the year, the Scheme's contributions from the Ascot scheme total \$4,750,131 (31 March 2015: \$9,614,855) and the Scheme's withdrawals by the Ascot scheme total \$635,685 (31 March 2015: \$2,018,321).

The estimated investment management fees for the SuperLife KiwiSaver scheme which are deducted from the return on investments are \$231,674 (31 March 2015: \$355,248).

The estimated investment management fees for Ascot which are deducted from the return on investments are \$18,238 (31 March 2015: \$16,776).

The estimated administration fees - percentage of assets for Ascot which are deducted from the return on investments are \$50,653 (31 March 2015: \$37,398).

The estimated administration fees - percentage of assets for the SuperLife KiwiSaver scheme which are deducted from the return on investments are \$913,069 (31 March 2015: \$724,571).

The Scheme is an investor in Energy Mad Limited. As at balance date, the Scheme has investments in Energy Mad Limited as listed in Note 8: Investments. Transactions with the company are listed as follows:

	31 March 2016	31 March 2015
	\$000	\$000
Underwriting share option	-	1,757
Convertible note issue	-	1,784
Loan facility drawdown	350	0
Realised/unrealised loss in fair value of investments	(65)	(2,591)
Underwriting fees income	-	55
Coupons/dividends received	334	217

The Scheme is an investor in Wellington Drive Limited. As at balance date, the Scheme has investments in Wellington Drive Limited as listed in Note 8: Investments. Transactions with the company are listed as follows:

	31 March 2016	31 March 2015
	\$000	\$000
Underwriting share option	1,195	9
Preference share issue	-	894
Realised/unrealised gain in fair value of investments	3,701	231
Underwriting fees income	100	-
Coupons/dividends received	185	82

All related party balances are unsecured with no fixed repayment terms and bear no interest.

SuperLife - superannuation scheme

Notes to the financial statements

for the year ended 31 March 2016

5 Audit fees

Audit fees for the financial year ended 31 March is as follows:

	31 March 2016 \$000	31 March 2015 \$000
Controls audit	31	31
Financial statements audit	33	37
Registry audit	1	1
(Over)/under accrual	-	31
	<u>65</u>	<u>100</u>

6 Contingent liabilities and capital commitments

There are no material contingent liabilities or capital commitments as at 31 March 2016 (31 March 2015: \$Nil).

7 Subsequent events

Guy Elliffe and John William were appointed Directors of the Manager on 9 May 2016.

Subsequent to 31 March 2016, the Scheme has entered into a loan facility with Energy Mad Limited for \$1,000,000. \$400,000 has been drawn down from this loan as at 8 June 2016.

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

8 Investments

The Scheme invests in investment funds set up by the investment manager. The available investment funds are Sector Funds, Managed Funds, ETF Funds and an Ethical Fund. The Sector Funds are the 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. There is only one Ethical Fund, Ethica. The ETF Funds are the NZ Cash ETF Fund, the NZ Bond ETF Fund, the Global Bond ETF Fund, the NZ Dividend ETF Fund, the NZ 50 Portfolio ETF Fund, the NZ Top 10 ETF Fund, the NZ Midcap ETF Fund, the NZ Property ETF Fund, the Aust Top 20 Leaders ETF Fund, the Aust Dividend ETF Fund, the Aust Financials ETF Fund, the Aust Property ETF Fund, the Aust Resources ETF Fund, the Aust Midcap ETF Fund, the Total World ETF Fund, the US S&P 500 ETF Fund, the Europe ETF Fund, the Asia Pacific ETF Fund, the US Growth ETF Fund, the US Value ETF Fund, the US Midcap ETF Fund, the US Small ETF Fund and the Emerging Markets ETF Fund. There are also a range of mixes of the Funds. The mixes are the D fund, AIM^{First Home}, AIM^{MyFutureFund}, smartConservative, smartBalanced, smartGrowth and AIM^{Age Steps}. These are not investment funds but strategies that combine the individual 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 equivalents.

Investments by Fund represent investments in the Sector Funds, ETF Funds and Ethical Fund. The investments by Managed Fund have been broken down to the Sector Funds for these Financial Statements.

SuperLife - superannuation scheme

Notes to the financial statements
for the year ended 31 March 2016

8 Investments (continued)

	31 March 2016	31 March 2015
	\$000	\$000
(a) Investments by Fund		
Ethica	21,517	13,267
Cash	164,901	139,073
NZ Bonds	211,674	204,848
Overseas Bonds	133,935	50,970
Overseas Non-government Bonds	84,122	129,290
Property	104,590	81,259
NZ Shares	166,584	134,956
Australian shares	112,900	102,316
Overseas Shares Currency Hedged	196,078	201,071
Overseas Shares (Unhedged)	134,561	125,424
Emerging Markets	55,805	59,841
Gemino	6,595	6,553
UK Cash	-	-
UK Income	520	331
UK Shares/Property (formerly known as UK Growth)	1,374	1,889
NZ Cash ETF	40	-
NZ Bond ETF	188	-
Global Bond ETF	117	-
NZ Dividend ETF	315	-
NZ 50 Portfolio ETF (formerly known as SuperLife ^{smartFONZ})	23,027	173
NZ Top 10 ETF	244	-
NZ Midcap ETF	120	-
NZ Property ETF	107	-
Aust Top 20 Leaders ETF	71	-
Aust Dividend ETF	536	-
Aust Financials ETF	140	-
Aust Property ETF	162	-
Aust Resources ETF	307	-
Aust MidCap ETF (formerly known as SuperLife ^{smartMOZY})	14,448	134
Total World ETF	325	-
US S&P 500 ETF	628	-
Europe ETF	270	-
Asia Pacific ETF	95	-
US Growth ETF	132	-
US Value ETF	243	-
US Midcap ETF	272	-
US Small ETF	314	-
Emerging Markets ETF	215	-
Total investments	1,437,472	1,251,395

SuperLife - superannuation scheme

Notes to the financial statements
for the year ended 31 March 2016

8 Investments (continued)

(b) Investments by geographical location

	31 March 2016	31 March 2015
	\$000	\$000
New Zealand	630,197	529,852
United States of America	325,938	277,397
Australia	179,057	143,445
Europe	82,192	89,403
Japan	35,814	48,934
United Kingdom	45,010	40,762
Canada	11,587	13,418
China	9,866	8,799
India	9,264	8,467
Korea	2,847	7,722
Taiwan	4,140	7,054
South Africa	6,529	4,475
Brazil	4,553	3,596
Rest of the world	90,478	68,071
Total investments	1,437,472	1,251,395

As at 31 March, the Scheme held more than 5% shareholding in the following entities:

	31 March 2016	31 March 2016	31 March 2015	31 March 2015
	\$000	%	\$000	%
Energy Mad Limited	1,938	45.48%	2,009	45.48%
Energy Mad Limited Convertible Note 12.5%	2,288	100.00%	2,288	100.00%
Energy Mad Limited Convertible Note 13.5%	287	100.00%	287	100.00%
Wellington Drive Technologies Limited	6,176	27.81%	1,351	19.46%
Wellington Drive Technologies Limited - Preference Shares	3,777	73.54%	3,705	73.54%
Pacific Edge Limited	13,967	5.81%	13,340	5.45%
Methven Limited	4,496	5.15%	4,243	5.07%

As at 31 March, the Scheme held more than 5% of total net assets available to members in the following holdings:

	31 March 2016	31 March 2016	31 March 2015	31 March 2015
	\$000	%	\$000	%
Europe Trust ETF	80,946	5.47%	-	-
US 500 Trust ETF	78,055	5.27%	-	-
NZ Cash Trust ETF	124,995	8.44%	-	-
NZ Bond Trust ETF	198,410	13.40%	-	-
Global Bond Trust ETF	122,687	8.28%	-	-

SuperLife - superannuation scheme

Notes to the financial statements

for the year ended 31 March 2016

9 Financial risk and management objectives and policies

(a) Introduction

The Scheme is 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 most members 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 Trustee's role is to manage the investment risks within each of the investment funds.

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 occasioned by 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 Trustee oversees the investment manager and is ultimately responsible for the overall risk management approach within the Scheme.

(c) Risk measurement and reporting system

The risks are measured using a method that reflects the expected impact on the results and net assets available for benefits of the Scheme from reasonable possible changes in the relevant risk variables. Information about these risk exposures at the reporting date, measured on this basis, is disclosed in the respective risk categories below.

(d) Risk mitigation

The Scheme has investment guidelines that set out its overall strategies are set out in the Prospectus and are summarised in the Investment Statement of the Scheme, which 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.

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

The Scheme is exposed to direct market risks through its directly held investments. The Scheme is exposed to indirect market risk through its investments with external investment managers.

(i) Interest rate risk

The Scheme is directly and indirectly exposed to interest rate risk as future interest rate movements will affect net current values of fixed interest assets. Interest rate risk management activities are undertaken by the investment manager in accordance with the investment mandates set by the Trustee. The intention is not necessarily to hold these assets to maturity but to realise and purchase similar assets as part of the ongoing management of the portfolio.

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

SuperLife - superannuation scheme

Notes to the financial statements
for the year ended 31 March 2016

9 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 year end is as follows:

	31 March 2016 \$000	31 March 2015 \$000
Direct exposure to interest rate risk		
Fixed interest holdings	8,380	311,348
Floating interest holdings	44,594	75,408
Indirect exposure to interest rate risk		
Fixed interest holdings	594,539	180,260
Floating interest holdings	-	-
	<u>647,513</u>	<u>567,016</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 2016 \$000	31 March 2015 \$000
Direct exposure to interest rate risk		
Fixed interest holdings	305	7,541
Indirect exposure to interest rate risk		
Fixed interest holdings	21,329	11,833
	<u>21,634</u>	<u>19,374</u>

Actual trading results are likely to differ from the sensitivity analysis required by NZ IFRS 7: *Financial Instruments Disclosures* and the differences could be significant.

(ii) Currency risk

The Scheme through its investments in overseas equities is exposed to direct and indirect currency risks. The indirect risks may be hedged by the investment manager as part of its operations.

The following table sets out the Scheme's effective exposure to currency risks as at year end:

Direct exposure to currency risk

	31 March 2016 \$000	31 March 2015 \$000
America (USD)	4,643	4,630
Australia (AUD)	7,461	62,328
Europe (EURO)	1,163	431
United Kingdom (GBP)	9,313	10,179
India (INR)	2,902	3,190
Others	422	139
Indirect exposure to managed funds (AUD)	789,856	650,000
Total foreign currency exposure	<u>815,760</u>	<u>730,897</u>

SuperLife - superannuation scheme

Notes to the financial statements
for the year ended 31 March 2016

9 Financial risk and management objectives and policies (continued)

(e) Market risk (continued)

(ii) Currency risk (continued)

Direct exposure to currency risk (continued)

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 as follows:

	31 March 2016 + 10% change in exchange rate \$000	31 March 2016 - 10% change in exchange rate \$000	31 March 2015 + 1% change in exchange rate \$000	31 March 2015 - 1% change in exchange rate \$000
America (USD)	(422)	516	(46)	47
Australia (AUD)	(678)	829	(617)	630
Europe (EURO)	(106)	129	(4)	4
United Kingdom (GBP)	(847)	1,035	(101)	103
India (INR)	(264)	322	(32)	32
Others	(38)	47	(1)	1
	<u>(2,355)</u>	<u>2,878</u>	<u>(801)</u>	<u>817</u>

Indirect exposure to currency risk

	31 March 2016 \$000	31 March 2015 \$000
America (USD)	321,294	272,767
Australia (AUD)	171,596	81,117
Europe (EURO)	81,029	88,972
Japan (YEN)	35,814	48,934
United Kingdom (GBP)	44,184	39,937
Canada (CAD)	11,587	13,418
China (YUAN)	9,866	8,799
India (INR)	6,361	5,277
Brazil (BRL)	2,847	3,596
South Korea (WON)	4,140	7,722
Taiwan (TWD)	6,529	7,054
South Africa (RAND)	4,553	4,475
Others	90,056	67,932
Total foreign currency exposure	<u>789,856</u>	<u>650,000</u>

SuperLife - superannuation scheme

Notes to the financial statements
for the year ended 31 March 2016

9 Financial risk and management objectives and policies (continued)

(e) Market risk (continued)

(ii) Currency risk (continued)

Indirect exposure to currency risk (continued)

America (USD)	(226,897)	(192,228)
Australia (AUD)	(3,710)	(3,545)
Europe (EURO)	(62,832)	(72,531)
Japan (YEN)	(23,665)	(37,188)
United Kingdom (GBP)	(31,733)	(26,561)
Canada (CAD)	(10,964)	(8,713)
China (YUAN)	(925)	-
India (INR)	-	-
Brazil (BRL)	-	-
South Korea (WON)	(589)	-
Taiwan (TWD)	-	-
South Africa (RAND)	(40)	-
Others	(52,781)	(40,444)
Total foreign currency hedging	(414,136)	(381,210)
Net foreign currency exposure	375,720	268,790

A 10% increase in the value of the New Zealand dollar would have an adverse impact of \$34,156,326 where as a 10% decrease in the value of the New Zealand dollar would have a favourable impact of \$41,746,620 for financial year ended 31 March 2016.

As at 31 March 2015, the same analysis was performed under the assumption of 1% change in currency. A 1% increase in the value of the New Zealand dollar would have an adverse impact of \$2,661,289. A 1% decrease in the value of the New Zealand dollar would have a favourable impact of \$2,715,053 for financial year ended 31 March 2015.

Actual trading results are likely to differ from the sensitivity analysis required by NZ IFRS 7 and the differences could be significant.

The above analysis reflects the underlying currency risks held by the external investment managers through the Scheme's investments in managed funds. The underlying currency risks are hedged at the external investment manager's discretion. The Scheme's currency risk in respect of these managed funds is the Australian dollar and the Scheme has in place Australian dollar hedging contracts. Total investments covered by the hedging contracts are \$414,136,273 (31 March 2015: \$381,210,446). Refer to Note 15: Derivatives.

(iii) Equity price risk

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

The Scheme's exposure to equity price risk and the effect of an increase/decrease in equity price on the value of the Scheme's net assets are detailed in the table below.

SuperLife - superannuation scheme

Notes to the financial statements

for the year ended 31 March 2016

9 Financial risk and management objectives and policies (continued)

(e) Market risk (continued)

(iii) Equity price risk (continued)

Actual trading results are likely to differ from the sensitivity analysis required by NZ IFRS 7 and the differences could be significant.

Direct exposure to equity price risk

	31 March 2016	Impact given 10% increase in equity price	Impact given 10% decrease in equity price
	\$000	\$000	\$000
Property	4,428	443	(443)
New Zealand shares	125,552	12,555	(12,555)
Australian shares	5,774	577	(577)
Overseas shares (unhedged)	6,545	655	(655)
Emerging markets	2,902	290	(290)
	<u>145,201</u>	<u>14,520</u>	<u>(14,520)</u>

Indirect exposure to equity price risk

	31 March 2016	Impact given 10% increase in equity price	Impact given 10% decrease in equity price
	\$000	\$000	\$000
Property	102,673	10,267	(10,267)
New Zealand shares	73,703	7,370	(7,370)
Australian shares	126,804	12,680	(12,680)
Overseas shares currency hedged	196,078	19,608	(19,608)
Overseas shares (unhedged)	136,954	13,695	(13,695)
Emerging markets	53,118	5,312	(5,312)
	<u>689,330</u>	<u>68,932</u>	<u>(68,932)</u>

Direct exposure to equity price risk

	31 March 2015	Impact given 1% increase in equity price	Impact given 1% decrease in equity price
	\$000	\$000	\$000
Property	43,172	432	(432)
New Zealand shares	141,430	1,414	(1,414)
Australian shares	56,803	568	(568)
Overseas shares (unhedged)	6,025	60	(60)
Emerging markets	3,190	32	(32)
	<u>250,620</u>	<u>2,506</u>	<u>(2,506)</u>

SuperLife - superannuation scheme

Notes to the financial statements

for the year ended 31 March 2016

9 Financial risk and management objectives and policies (continued)

(e) Market risk (continued)

(iii) Equity price risk (continued)

Indirect exposure to equity price risk

	31 March 2015	Impact given 1% increase in equity price	Impact given 1% decrease in equity price
	\$000	\$000	\$000
Property	39,172	392	(392)
New Zealand shares	173	2	(2)
Australian shares	47,895	479	(479)
Overseas shares currency hedged	201,071	2,011	(2,011)
Overseas shares (unhedged)	125,147	1,251	(1,251)
Emerging markets	56,651	567	(567)
	<u>470,109</u>	<u>4,702</u>	<u>(4,702)</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 Scheme to realise its underlying investments on a timely basis.

The Scheme holds financial assets that are highly liquid. Members are able to transfer their balances to other registered superannuation schemes subject to approval by the Trustee. Generally only those registered superannuation schemes with appropriate withdrawal provisions will be approved for such transfers. In addition, specified members are entitled to receive benefits on ceasing employment. A maturity analysis is not presented for the liability for promised retirement benefits to members because members can transfer out of the Scheme at any time, or become eligible for a resignation benefit, making the liability repayable on demand.

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. While the investments managed by the respective investment managers represents a concentration of credit risk, they have significantly diversified portfolios and a number of counterparties with whom these investments are held with on behalf of the Scheme.

The analysis below summarises the credit quality of the Scheme's direct and indirect exposure rated externally by Standard & Poor or Moody, 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.

SuperLife - superannuation scheme

Notes to the financial statements

for the year ended 31 March 2016

9 Financial risk and management objectives and policies (continued)

(g) Credit risk (continued)

	31 March 2016	31 March 2015
	%	%
Direct exposure to credit risk (excludes the Scheme's investments with the investment manager)		
AAA	-	-
AA	6	31
A	-	20
BBB	1	11
Unrated	1	7
Indirect exposure to credit risk		
AAA	14	6
AA	39	10
A	19	7
BBB	15	8
Unrated	5	-
	<u>100</u>	<u>100</u>

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

The following table sets out the credit exposure of the Scheme.

	31 March 2016	31 March 2015
	\$000	\$000
Investments	602,940	530,666
Derivative instruments	521	15,593
Cash and cash equivalents	28,496	26,996
Cash and cash equivalents - foreign currency accounts	8,487	9,354
Sundry debtors	7,591	2,848
	<u>648,035</u>	<u>585,457</u>

None of these assets are impaired or past due.

SuperLife - superannuation scheme

Notes to the financial statements

for the year ended 31 March 2016

10 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.

31 March 2016

	Financial assets designated at fair value through profit or loss	Loans and receivables	Financial liabilities at amortised cost	Total carrying amount
	\$000	\$000	\$000	\$000
Assets				
Investments	1,437,472	-	-	1,437,472
Derivative instruments	521	-	-	521
Cash and cash equivalents	-	28,496	-	28,496
Cash and cash equivalents - foreign currency accounts	-	8,487	-	8,487
Sundry debtors	-	7,591	-	7,591
Total assets	1,437,993	44,574	-	1,482,567
Liabilities				
Sundry creditors	-	-	(1,550)	(1,550)
Liability for benefits	-	-	(1,481,085)	(1,481,085)
Total liabilities	-	-	(1,482,635)	(1,482,635)

31 March 2015

	Financial assets designated at fair value through profit or loss	Loans and receivables	Financial liabilities at amortised cost	Total carrying amount
	\$000	\$000	\$000	\$000
Assets				
Investments	1,251,395	-	-	1,251,395
Derivative instruments	15,593	-	-	15,593
Cash and cash equivalents	-	26,996	-	26,996
Cash and cash equivalents - foreign currency accounts	-	9,354	-	9,354
Sundry debtors	-	2,848	-	2,848
Total assets	1,266,988	39,198	-	1,306,186
Liabilities				
Sundry creditors	-	-	(320)	(320)
Liability for benefits	-	-	(1,292,334)	(1,292,334)
Total liabilities	-	-	(1,292,654)	(1,292,654)

SuperLife - superannuation scheme

Notes to the financial statements

for the year ended 31 March 2016

10 Financial instruments (continued)

(b) Fair value of financial instruments

Financial assets and liabilities in the Scheme are recorded at fair value 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 is 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 financial instruments 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).

Transfers between levels of the fair value hierarchy are deemed to have occurred at the beginning of the reporting period.

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

The Scheme's level 1 investments are investments in equities, NZ bonds, bank deposits and other cash and short-term fixed interest investments which are valued using quoted prices in active markets. The fair value of financial instruments traded in active markets is based on quoted market prices at the balance date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arms-length basis.

The Scheme's level 2 investments are investments held with the Scheme's investment managers and directly held investments in an illiquid market. These investments are not traded on an active market and their fair value is based primarily on the latest available redemption price of the respective funds with the investment managers. Level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions and valuations may be adjusted to reflect liquidity and/or non-transferability, which are generally based on available market information.

The Scheme's level 2 derivatives are held with the Scheme's investment managers. These derivatives are based on market derived inputs.

The Scheme's level 3 investments are unquoted investments held by the Scheme and reviewed on a quarterly basis by the Scheme's investment committee who report to the Trustee on a quarterly basis. The committee considers the appropriateness of the valuation used on these investments. The Scheme values these investments using the entry price. The Scheme will consider other liquidity, credit and market risk factors, and adjusts the valuation as deemed necessary.

SuperLife - superannuation scheme

Notes to the financial statements
for the year ended 31 March 2016

10 Financial instruments (continued)

(b) Fair value of financial instruments (continued)

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

	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
Financial assets at fair value through profit or loss:				
Investments				
Cash	164,938	-	-	164,938
New Zealand bonds	218,644	-	664	219,308
Overseas government bonds	122,687	11,365	-	134,052
Overseas non-government bonds	-	84,122	-	84,122
Property	89,437	17,664	-	107,101
New Zealand shares	185,099	8,114	6,043	199,256
Australian shares	132,578	-	-	132,578
Overseas shares currency hedged	195,356	722	-	196,078
Overseas shares (unhedged)	144,019	-	-	144,019
Emerging markets	31,347	24,673	-	56,020
Total investments	1,284,105	146,660	6,707	1,437,472
Derivatives	-	521	-	521

The following table presents the Scheme's investments by Fund that are measured at fair value at 31 March 2015.

	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
Financial assets at fair value through profit or loss:				
Investments				
Cash	139,073	-	-	139,073
New Zealand bonds	207,949	-	2,885	210,834
Overseas government bonds	-	50,970	-	50,970
Overseas non-government bonds	498	129,290	-	129,788
Property	72,849	9,495	-	82,344
New Zealand shares	134,982	3,360	3,396	141,738
Australian shares	104,564	-	-	104,564
Overseas shares currency hedged	-	201,071	-	201,071
Overseas shares (unhedged)	3,805	127,367	-	131,172
Emerging markets	-	59,841	-	59,841
Total investments	663,720	581,394	6,281	1,251,395
Derivatives	-	15,593	-	15,593

(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 2016 and 31 March 2015.

SuperLife - superannuation scheme

Notes to the financial statements

for the year ended 31 March 2016

10 Financial instruments (continued)

(d) Financial instruments in level 3

The following table presents the changes in level 3 instruments for the years ended 2016 and 2015.

	31 March 2016	31 March 2015
	\$000	\$000
Opening balance	6,281	760
Purchase	3,086	5,360
Sale	(2,736)	-
Realised/unrealised change in fair value of investments	76	161
	<u>6,707</u>	<u>6,281</u>

11 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, 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.

12 Interest income

	31 March 2016	31 March 2015
	\$000	\$000
Cash and cash equivalents	1,460	1,022
Investments	10,342	17,484
Other	(3)	(9)
Total interest income	<u>11,799</u>	<u>18,497</u>

SuperLife - superannuation scheme

Notes to the financial statements

for the year ended 31 March 2016

13 Realised/unrealised change in fair value of investments (by Fund)

Refer Note 8: Investments for the description of Investments by Fund. The change in fair value of investments for UK Cash relates to movements in foreign currency and has been disclosed under Foreign currency gain/(loss) in the Statement of changes in net assets.

	31 March 2016	31 March 2015
	\$000	\$000
Ethica	1,486	1,067
Cash	(255)	-
NZ Bonds	3,434	6,146
Overseas Bonds	5,244	(246)
Overseas Non-government Bonds	10,063	943
Property	9,048	13,046
NZ Shares	22,641	(3,261)
Australian shares	2,488	7,910
Overseas Shares Currency Hedged	470	588
Overseas Shares (Unhedged)	2,900	17,402
Emerging Markets	(3,878)	8,470
Gemino	164	(2,075)
UK Cash	-	-
UK Income	(14)	17
UK Shares/Property (formerly known as UK Growth)	56	93
NZ Cash ETF	-	-
NZ Bond ETF	1	-
Global Bond ETF	2	-
NZ Dividend ETF	27	-
NZ 50 Portfolio ETF (formerly known as SuperLife ^{smartFONZ})	1,931	(2)
NZ Top 10 ETF	19	-
NZ Midcap ETF	9	-
NZ Property ETF	4	-
Aust Top 20 Leaders ETF	(3)	-
Aust Dividend ETF	37	-
Aust Financials ETF	(8)	-
Aust Property ETF	13	-
Aust Resources ETF	(3)	-
Aust MidCap ETF (formerly known as SuperLife ^{smartMOZY})	856	1
Total World ETF	(1)	-
US S&P 500 ETF	(7)	-
Europe ETF	(5)	-
Asia Pacific ETF	(5)	-
US Growth ETF	(5)	-
US Value ETF	(1)	-
US Midcap ETF	(23)	-
US Small ETF	(30)	-
Emerging Markets ETF	4	-
Total realised/unrealised change in fair value of investments	56,659	50,099

SuperLife - superannuation scheme

Notes to the financial statements

for the year ended 31 March 2016

14 Reconciliation of increase in net assets for the year to net cash flows from operating activities

	31 March 2016	31 March 2015
	\$000	\$000
Increase in net assets during the year	188,751	140,897
Add/(less) non cash items:		
Unrealised change in fair value of investments	(56,659)	(50,099)
Dividends reinvested	(8,547)	(36,337)
Interest reinvested	(9,961)	(17,192)
Reinvestment of gain in hedging closeout	10,929	6,522
Unrealised exchange gains	(551)	(360)
Add/(less) movements in other working capital items:		
Sale of investments	636,362	212,607
Purchase of investments	(755,658)	(236,042)
Investments receivable	(2,541)	883
Decrease/(increase) in derivatives	15,072	(14,367)
Increase in sundry debtors	(4,743)	(1,094)
Increase/(decrease) in sundry creditors	1,228	(102)
Decrease in PIE tax payables	(13,600)	(3,649)
Net cash flows from operating activities	82	1,667

15 Derivatives

Derivative contracts serve as components of the Scheme's investment strategy and are used primarily to structure and hedge investments, to enhance performance and reduce risk to the Scheme. The derivative contracts that the Scheme holds are forward currency contracts.

The Scheme uses forward currency contracts to hedge its risks associated primarily with foreign currency movements and tax effect of associated gains.

Forward contracts are contractual agreements to buy or sell a specified financial instrument at a specific price and date in the future. Forwards are customised contracts negotiated as an amount (notional), maturity and price between the investment managers on behalf of the Scheme and the counterparties offering professional financial services (over-the-counter "OTC" contracts).

The notional amount of a derivative is generally the quantity of the underlying instrument on which the derivative contract is based, and is the basis upon which changes in the value of the contract are measured. It provides an indication of the underlying volume of business transacted by the Scheme but does not provide any measure of risk. The currencies hedged are USD, AUD, GBP, EURO, YEN and Swiss Franc (CHF).

Derivative instruments are carried at fair value based on quoted market prices for exchange traded contracts or valuation techniques, applying market observable inputs for OTC contracts.

SuperLife - superannuation scheme

Notes to the financial statements

for the year ended 31 March 2016

16 Offsetting and amounts subject to master netting arrangements

The Scheme's forward currency contracts are held with one external investment manager (31 March 2015: two). As at 31 March 2016 and 31 March 2015, the Scheme was subject to one master netting arrangement with one of its derivative counterparties.

The following table presents the Scheme's financial assets and liabilities subject to offsetting, enforceable master netting arrangements.

	31 March 2016	31 March 2015
	\$000	\$000
Gross amounts of recognised financial assets	5,528	7,910
Gross amounts of recognised financial liabilities set-off in the Statement of net assets	(5,007)	(56)
Net amounts of financial assets presented in the Statement of net assets	521	7,854
Amounts of financial assets presented in the Statement of net assets not subject to master netting arrangements	-	7,739
Net amount of derivatives in the Statement of net assets	521	15,593

The Scheme and its counterparty have chosen to settle all transaction on a net basis. The Scheme did not receive or pledged any collateral in relation to the master netting agreements.



Independent Auditor's Report

to the members of the SuperLife superannuation scheme

Report on the Financial Statements

We have audited the financial statements of the SuperLife superannuation scheme (the "Scheme") on pages 3 to 32, which comprise the statement of net assets as at 31 March 2016, the statement of changes in net assets and the cash flow statement for the year then ended, and the notes to the financial statements that include a summary of significant accounting policies and other explanatory information.

Trustees' Responsibility for the Financial Statements

The Trustees are responsible for the preparation of these financial statements in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate and for such internal controls as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand) and International Standards on Auditing. These standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal controls relevant to the Scheme's preparation of financial statements that give a true and fair view of the matters to which they relate, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Scheme's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

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

Other than in our capacity as auditor and providers of related assurance services, we have no relationships with, or interests in, the Scheme.



Independent Auditor's Report

SuperLife superannuation scheme

Opinion

In our opinion, the financial statements on pages 3 to 32:

- (i) comply with generally accepted accounting practice in New Zealand;
- (ii) comply with International Financial Reporting Standards; and
- (iii) give a true and fair view of the net assets of the Scheme as at 31 March 2016, and its change in net assets and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

We also report in accordance with Sections 16(1)(d) and 16(1)(e) of the Financial Reporting Act 1993. In relation to our audit of the financial statements for the year ended 31 March 2016:

- (i) we have obtained all the information and explanations that we have required; and
- (ii) in our opinion, proper accounting records have been kept by the Scheme as far as appears from an examination of those records.

Restriction on Use of our Report

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

A handwritten signature in blue ink, which appears to read 'PricewaterhouseCoopers'.

Chartered Accountants
8 June 2016

Auckland