

SUPERLIFE

WORKPLACE SAVINGS SCHEME

(FORMERLY SUPERLIFE SUPERANNUATION SCHEME)

FINANCIAL STATEMENTS

For the year ended 31 March 2017

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SuperLife workplace savings scheme (formerly SuperLife superannuation scheme)

Statement of net assets

as at 31 March 2017

	Note	31 March 2017 \$'000	31 March 2016 \$'000
Current assets			
Investments	7	1,058,944	1,437,472
Derivative instruments	14	-	521
Cash and cash equivalents		145	28,496
Cash and cash equivalents - foreign currency		-	8,487
PIE tax receivable		-	68
Sundry debtors		-	7,591
Total current assets		1,059,089	1,482,635
Current liabilities			
Sundry creditors		(180)	(1,550)
PIE tax payable	3 (j)	(2,815)	-
Total current liabilities		(2,995)	(1,550)
Total net assets available for benefits		1,056,094	1,481,085
Liability for benefits		1,056,094	1,481,085

The Directors of Smartshares Limited 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 workplace savings scheme (formerly SuperLife superannuation scheme)

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

	Note	31 March 2017 \$'000	31 March 2016 \$'000
Investment activities			
Interest	11	798	11,799
Dividends		24,543	32,658
Foreign currency gain/(loss)		16,371	(33,355)
Realised/unrealised change in fair value of investments	12	44,667	56,659
Other income		11	141
Total net investment income		86,390	67,902
Investment fee rebates	4	1,981	1,382
Administration fees - fixed dollars	4	(1,163)	(1,180)
Administration fees - percentage of assets	4	(1,885)	(2,746)
Audit fees	5	(50)	(65)
Other expenses		(85)	(93)
Change in net assets before membership activities		85,188	65,200
Membership activities			
Contributions received in respect of members			
- Member contributions	4	175,939	195,219
- Employer contributions		35,374	34,557
- Transfers in		171,510	4,712
Add: Insurance proceeds received		3,226	5,488
Less: withdrawal benefits paid			
- Retirement benefits		(23,014)	(17,876)
- Withdrawals	4	(823,931)	(58,392)
- Transfer to the SuperLife - KiwiSaver scheme		(163)	(1,517)
- Permanent emigration		-	(67)
- Resignations/dismissals		(24,606)	(19,794)
- Deaths/disablements		(3,712)	(3,983)
Less: insurance premiums paid:			
- Insurance Premium Disability		(1,640)	(1,609)
- Insurance Premium Life		(4,144)	(3,829)
- Insurance Premium Medical		(7,069)	(6,521)
Less PIE tax paid/payable on behalf of members	3 (j)	(7,949)	(2,840)
Net membership activities		(510,179)	123,549
(Decrease)/increase in net assets during the year		(424,991)	188,750
Net assets available for benefits			
Opening balance		1,481,085	1,292,335
(Decrease)/Increase in net assets during the year		(424,991)	188,750
Closing balance		1,056,094	1,481,085

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

SuperLife workplace savings scheme (formerly SuperLife superannuation scheme)

Statement of cash flow

for the year ended 31 March 2017

	Note	31 March 2017 \$'000	31 March 2016 \$'000
Cash flows from operating activities			
Cash was provided from:			
- Sale of investments		93,980	636,362
- Contributions received in respect of members		261,097	234,488
- Insurance proceeds received		3,227	5,488
- Currency gains/(losses)		18,190	(7,907)
- Interest received/(paid)		775	(294)
- Dividend received		19,512	15,255
		396,781	883,392
Cash was applied to:			
- Purchase of investments		(211,588)	(755,658)
- Withdrawal benefits paid		(144,557)	(101,628)
- Insurance premiums paid		(12,854)	(11,959)
- Investment fees		2,283	1,523
- PIE tax paid on behalf of members	3 (j)	530	(12,736)
- Pension transfer costs		-	-
- Other expenses		(3,443)	(2,853)
		(369,629)	(883,311)
Net cash flows from operating activities	13	27,152	81
Opening cash brought forward		36,983	36,350
Bank balances transferred out to SuperLife Invest scheme		(66,059)	-
Exchange gains/(losses) on foreign currency account		2,069	551
Closing cash carried forward		145	36,983

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

SuperLife workplace savings scheme (formerly SuperLife superannuation scheme)

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

1 General information

The SuperLife workplace savings scheme (known as SuperLife superannuation scheme before 9 November 2016) (the "Scheme") is a managed investment scheme registered by the Financial Markets Authority ("FMA") under the Financial Markets Conduct Act 2013 ("FMCA") from 9 November 2016. The registration number under the FMCA is SCH 10769. Prior to this date, the Scheme was a defined contribution superannuation scheme under the Superannuation Schemes Act 1989. The registration number under the Superannuation Schemes Act 1989 was AS/1068. The Scheme is open to participating employers and individuals who joined prior to the FMCA. The Scheme was established under a trust deed (the "Trust Deed") on 8 November 1993 for the principal purpose of providing retirement, investments and other benefits to its members. The Trust Deed was amended and restated on 2 November 2016. The Scheme's principal address of business is 21 Queen Street, Auckland 1010.

The Scheme transferred its investment assets in specie to the SuperLife Invest scheme ("SLI") on 27 October 2016. From 28 October 2016, the Scheme invests in SLI. The Scheme is related to SLI by way of common Manager.

The Scheme is supervised by the Public Trust (the "Supervisor") from 9 November 2016. The Supervisor oversees the Scheme and makes sure that everything is done in accordance with the Trust Deed. The Supervisor is registered under the Financial Service Providers Act 2008 ("FSPA"). The Supervisor's registration number with the FSPA is FSP 24561.

Prior to 9 November 2016, SuperLife Trustee Limited was 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 was a member of the Financial Dispute Resolution scheme (an external disputes resolution service) and was registered as a financial service provider (FSP 42604) under the Financial Service Providers (Registration and Dispute Resolution) Act 2008 ("FSPA").

SuperLife Limited was the manager of the Scheme until 8 November 2016. On 9 November 2016, SuperLife Limited was amalgamated with Smartshares Limited, and Smartshares Limited became the manager of the Scheme. SuperLife Limited and Smartshares Limited are each defined as the "Manager" in these financial statements. The Managers are wholly owned by NZX Limited. The Managers are registered under the FSPA. The Managers' registration numbers with the FSPA are FSP 42464 and FSP 26531 respectively.

SuperLife Limited in its role as investment manager prior to the transfer of the Scheme's investment assets to SLI on 28 October 2016, appointed a range of external investment managers and advisers for the Scheme to manage the Scheme's investments. From 9 November 2016, the Manager in its role as investment manager invests the assets of the Scheme through 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.

The investment consultant for the Scheme up until 27 October 2016 was 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. The Trustee is independent of MCA.

To protect the interest of members, the Scheme's investments are held by an independent custodian. The custodian of the Scheme is the Public Trust (acting through its nominee company, SuperLife Nominees Limited ("SNL")). Prior to 9 November 2016, the custodians were BNP Paribas Fund Services Australasia Pty Limited and SuperLife Trustee Nominees Limited ("STNL"). The Scheme also has custodians within the products it invests in. These custodians are BNP Paribas Fund Services Australasia Pty Ltd, State Street Australia Limited, JP Morgan Chase Bank and the Northern Trust Company. SNL is a subsidiary of the Supervisor and STNL was a subsidiary of the Trustee.

SuperLife workplace savings scheme (formerly SuperLife superannuation 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 Supervisor, 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.

The Trustee, the directors of the Trustee, the Supervisor are independent of the Scheme, the Manager, the investment consultant, the Auditor and NZX Limited. The Manager is independent of the custodian and the Auditor.

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.

Statement of compliance

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZGAAP"), the requirements of the FMCA and the Financial Reporting Act 2013. They comply with New Zealand equivalent 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. 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 9: financial instruments for details.

SuperLife workplace savings scheme (formerly SuperLife superannuation scheme)

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

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 the performance is 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.

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 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.

SuperLife workplace savings scheme (formerly SuperLife superannuation scheme)

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

3 Significant accounting policies (continued)

(a) Financial instruments (continued)

(iii) Determination of fair value - financial instruments (continued)

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.

(v) Derivatives

Derivative contracts serve as components of the Scheme's investment strategy and are used primarily to structure and hedge investments, to manage effective exposures 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.

SuperLife workplace savings scheme (formerly SuperLife superannuation scheme)

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

3 Significant accounting policies (continued)

(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.

Foreign exchange gains and losses resulting from the settlement of assets and liabilities denominated in foreign currencies and from the translation at balance date exchange rates are recognised 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.

(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 2016: 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.

SuperLife workplace savings scheme (formerly SuperLife superannuation scheme)

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

3 Significant accounting policies (continued)

(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 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 are shown as benefit payments when the insurance proceeds are paid to the member or beneficiary.

(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 workplace savings scheme (formerly SuperLife superannuation 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. 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 paid in accordance with clause 10 of the Trust Deed. Withdrawals are recognised when the Manager has confirmed the validity of the member's application and has verified the conditions required for withdrawal eligibility. Where withdrawals 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.

(s) Impairment of financial assets

The Manager 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.

(t) Comparatives

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

4 Related party transactions

Contributions and withdrawals

On 28 October 2016, the Scheme transferred its investment assets and liabilities to SLI and in return received an equivalent amount of member's interest with SLI. The investment assets and liabilities were transferred in specie based on their book values as at 27 October 2016. Total investment assets and liabilities transferred (which included the holdings of the SuperLife KiwiSaver Scheme ("SLKS") and the SuperLife UK pension transfer scheme ("SLUK") (formerly known as Ascot)) on 28 October 2016 was \$1,634,206,410 out of which \$66,059,249 represents cash and cash equivalents.

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 is \$1,673,754,359 of which \$1,634,206,410 was the initial contribution and the balance represents ongoing contributions throughout the year. During the year, SLWS also made withdrawals from the Scheme of \$657,640,190.

The Scheme was the investment vehicle for the SLKS up until 7 November 2016. Both schemes are related by way of common manager. Up until 7 November 2016, the Scheme received contributions of \$54,242,388 (31 March 2016: \$97,142,067) from SLKS. The Scheme's withdrawals by SLKS were \$574,290,159 (31 March 2016: \$13,112,220) of which \$571,070,617 was made on 8 November 2016 when SLKS terminated its membership with the Scheme and transferred these assets to SLI.

SuperLife workplace savings scheme (formerly SuperLife superannuation scheme)

Notes to the financial statements

for the year ended 31 March 2017

4 Related party transactions (continued)

Contributions and withdrawals (continued)

The Scheme was the investment vehicle for the SLUK up until 7 November 2016. Both schemes are related by way of common manager. Up until 7 November 2016, the Scheme received contributions of \$13,718,078 (31 March 2016: \$4,750,151) from SLUK. The Scheme's withdrawals by SLUK were \$40,373,131 (31 March 2016: \$635,685) of which \$38,071,891 was made on 8 November 2016 when SLUK terminated its membership with the Scheme and transferred these assets to SLI.

Related party holdings

The directors of SuperLife Trustee Limited are members of the Scheme. On 9 November 2016, the directors ceased to be related parties of the Scheme. Their combined membership transactions during the year were as follows:

	31 March 2017 \$'000	31 March 2016 \$'000
Opening balance	1,011	727
Contributions	11	289
Withdrawals	-	(30)
Insurance premiums	(6)	(9)
Realised/unrealised change in fair value of investments	26	41
PIE tax paid/payable on behalf of members	(8)	(7)
Cessation of related party relationship	(1,034)	-
Closing balance	-	1,011

Two of the directors of SuperLife Limited were members of the Scheme. On 9 November 2016, SuperLife Limited was amalgamated with Smartshares Limited which became the Manager of the Scheme, the directors of SuperLife Limited therefore ceased to be related parties of the Scheme. Their combined membership transactions during the year were as follows:

	31 March 2017 \$'000	31 March 2016 \$'000
Opening balance	3,372	221
Contributions	-	3,054
Withdrawals	(499)	(2)
Insurance premiums	-	-
Realised/unrealised change in fair value of investments	78	121
PIE tax paid/payable on behalf of members	(25)	(22)
Cessation of related party relationship	(2,926)	-
Closing balance	-	3,372

Smartshares Limited is a subsidiary of NZX Limited. Up until 27 October 2016, the Scheme held investments in exchange traded funds ("ETF"s) managed by Smartshares Limited. On 27 October 2016, the Scheme transferred its investment assets in specie to SLI. The Scheme from this date cease to hold investments in ETFs managed by Smartshares Limited directly.



SuperLife workplace savings scheme (formerly SuperLife superannuation scheme)

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

4 Related party transactions (continued)

Related party holdings (continued)

As at 31 March, the Scheme's investment transactions in ETFs managed by Smartshares Limited were as follows:

	31 March 2017 \$'000	31 March 2016 \$'000
Opening balance	1,095,266	77,746
Purchase	89,427	1,055,227
Sale	(13,818)	(12,078)
Transferred to SLI	(1,175,255)	-
Realised/unrealised change in fair value of investments	4,380	(25,629)
Closing balance	-	1,095,266

As at 31 March, the Scheme received distributions of \$12,227,737 from ETFs managed by Smartshares Limited (31 March 2016: \$11,978,716).

On 27 October 2016, the Scheme transferred its distribution receivable which is classified as sundry debtors in specie to SLI. As at 31 March, the Scheme does not have any distribution receivable (31 March 2016: \$6,522,879).

Administration fees

The Scheme pays administration fees to the Manager. Administration fees are a fixed charge per member ranging from \$0 to \$114 net of tax (prior to 9 November 2016: \$0 to \$99) (31 March 2016: \$0 to \$99), these fees are made up of a savings fee, and a fee for each insurance benefit. Up until 8 November 2016, the Scheme also charged a membership fee which represented 0.2% p.a. gross of tax calculated as a percentage of the Scheme's assets (31 March 2016: 0.2% p.a.). This percentage of assets fee is deducted from the returns on investments of the Scheme. The percentage of assets fee is no longer charged from 9 November 2016.

	31 March 2017 \$'000	31 March 2016 \$'000
Administration fees to the Manager:		
Administration fees - fixed dollars	1,163	1,180
Administration fees - percentage of assets	1,885	2,746
	<u>3,048</u>	<u>3,926</u>

On 27 October 2016, the Scheme transferred its payables in specie to SLI. As at 31 March, total administration fees remaining as payable to the Manager is as follows:

	31 March 2017 \$000	31 March 2016 \$000
Administration fees - fixed dollar	25	4
Administration fees - percentage of assets	-	249
	<u>25</u>	<u>253</u>

The estimated administration fees - percentage of assets for SLKS scheme which was deducted from the return on investments of the Scheme was \$659,251 (31 March 2016: \$913,069).

The estimated administration fees - percentage of assets for SLUK which was deducted from the return on investments of the Scheme was \$39,887 (31 March 2016: \$50,653).

SuperLife workplace savings scheme (formerly SuperLife superannuation scheme)

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

4 Related party transactions (continued)

Administration fees (continued)

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. Estimated administration fees as percentage of assets for SLWS which was deducted from the returns on investments of SLI were \$1,086,272 (31 March 2016: not applicable).

Investment management fees

Up until 27 October 2016, the investment management fees paid to the Manager were between 0.10% to 0.50% of the relevant Funds' net assets. The investment management fees paid to the Manager up to 27 Oct were \$206,591 (31 March 2016: \$391,599). Total remaining payable of \$27,639 as at 27 October 2016 was transferred to SLI (31 March 2016: \$28,900).

Up until 27 October 2016, the Scheme held investments in exchange traded funds managed by the Manager. Investment management fees were deducted from within the funds. Investment management fee rebates were then rebated to the Scheme down to the agreed level. Total net investment management fees deducted from within the product up until 27 Oct were \$998,094 (31 March 2016: \$929,163). Total investment management fees rebated to the Scheme up until 27 Oct were \$2,223,137 (31 March 2016: \$2,068,066). Total investment management fees rebate receivable as at 27 October 2016 was transferred to SLI (31 March 2016: \$589,767).

Estimated investment management fees for SLWS which was deducted from the returns on investments of SLI was \$85,922 (31 March 2016: not applicable).

The estimated investment management fees for SLKS scheme which was deducted from the return on investments was \$80,024 (31 March 2016: \$231,674).

The estimated investment management fees for SLUK which was deducted from the return on investments was \$7,978 (31 March 2016: \$18,238).

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

SuperLife workplace savings scheme (formerly SuperLife superannuation scheme)

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

5 Audit fees

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

	31 March 2017 \$000	31 March 2016 \$000
Controls audit	26	31
Financial statements audit	23	33
Registry audit	1	1
	50	65

6 Contingent liabilities and capital commitments

There are no material contingent liabilities or capital commitments as at 31 March (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-govt Bonds Fund, the Property Fund, the NZ Shares Fund, the Australian Shares Fund, the Overseas Shares (Currency Hedged) Fund, the Overseas Shares 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 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 and the Emerging Markets ETF. There are also a range of mixes of the Funds. The mixes are the smartConservative, smartBalanced, smartGrowth and SuperLife A^{ge} Steps. These are not investment funds but strategies that combine the individual Funds.

Investment in the UK Cash Fund was 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, ETFs and Ethical Fund. The investments by Managed Fund have been broken down to the Sector Funds for these financial statements.

SuperLife workplace savings scheme (formerly SuperLife superannuation scheme)

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

7 Investments (continued)

	31 March 2017	31 March 2016
	\$000	\$000
(a) Investments by Fund		
Ethica	11,028	21,517
NZ Cash	100,205	164,901
NZ Bonds	96,599	211,674
Overseas Bonds	49,007	133,935
Overseas Non-govt. Bonds	39,634	84,122
Property	27,278	104,590
NZ Shares	73,587	166,584
Australian shares	31,639	112,900
Overseas Shares (Currency Hedged)	108,963	196,078
Overseas Shares	78,228	134,561
Emerging Markets	11,738	55,805
Gemino	2,657	6,595
UK Cash	1,410	-
UK Income	147	520
UK Shares/Property	236	1,374
NZ Cash ETF	135	40
NZ Bond ETF	673	188
Global Bond ETF	236	117
NZ Dividend ETF	960	315
NZ 50 Portfolio ETF	3,497	23,027
NZ Top 10 ETF	241	244
NZ Mid Cap ETF	369	120
NZ Property ETF	393	107
Aust Top 20 ETF	393	71
Australian Dividend ETF	436	536
Australian Financials ETF	261	140
Australian Property ETF	167	162
Australian Resources ETF	1,029	307
Australian Mid Cap ETF	1,178	14,448
Total World ETF	754	325
US 500 ETF	1,680	628
Europe ETF	445	270
Asia Pacific ETF	274	95
US Large Growth ETF	591	132
US Large Value ETF	387	243
US Mid Cap ETF	174	272
US Small Cap ETF	259	314
Emerging Markets ETF	336	215
SuperLife 30	30,193	-
SuperLife 60	274,723	-
SuperLife 80	14,828	-
SuperLife Income	34,669	-
SuperLife 100	57,307	-
Total investments	1,058,944	1,437,472



SuperLife workplace savings scheme (formerly SuperLife superannuation scheme)

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

7 Investments (continued)

(b) Investments by geographical location

	31 March 2017	31 March 2016
	\$000	\$000
New Zealand	437,455	630,197
United States of America	224,067	325,938
Australia	114,446	179,057
Europe	84,968	82,192
Japan	44,117	35,814
United Kingdom	49,329	45,010
Canada	10,405	11,587
China	6,617	9,866
India	3,407	9,264
Korea	6,942	2,847
Taiwan	4,023	4,140
South Africa	2,211	6,529
Brazil	2,623	4,553
Rest of the world	68,334	90,478
Total investments	1,058,944	1,437,472

(c) Investment holdings of 5% or more

The Scheme up until 27 October 2016, held more than 5% shareholding in the following entities. On 27 October 2016, the Scheme transferred its investments in these entities to SLI. The Scheme from this date ceased to hold investments in these entities directly.

	31 March 2017	31 March 2017	31 March 2016	31 March 2016
	\$000	%	\$000	%
Energy Mad Limited	-	0.00%	1,938	45.48%
Energy Mad Limited Convertible Note 12.5%	-	0.00%	2,288	100.00%
Energy Mad Limited Convertible Note 13.5%	-	0.00%	287	100.00%
Energy Mad Limited Convertible Note 14.0%	-	0.00%	356	0.00%
Energy Mad Limited Loan Facility 14.00%	-	0.00%	-	0.00%
Energy Mad Limited Loan Facility 15.75%	-	0.00%	-	0.00%
Wellington Drive Technologies Limited	-	0.00%	6,176	27.81%
Wellington Drive Technologies Limited - Preference Shares	-	0.00%	3,777	73.54%
Wellington Drive Technologies Loan Facility 14.75%	-	0.00%	-	0.00%
Pacific Edge Limited	-	0.00%	13,967	5.81%
Methven Limited	-	0.00%	4,496	5.15%

SuperLife workplace savings scheme (formerly SuperLife superannuation scheme)

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

7 Investments (continued)

(c) Investment holdings of 5% or more (continued)

The Scheme up until 27 October 2016, held more than 5% shareholding in the following exchange traded funds managed by the Manager. On 27 October 2016, the Scheme transferred its investments in these exchange traded funds to SLI. The Scheme from this date ceased to hold investments in these entities directly.

	31 March 2017	31 March 2017	31 March 2016	31 March 2016
	\$000	%	\$000	%
Europe Trust ETF	-	0.00%	80,946	5.47%
US 500 Trust ETF	-	0.00%	78,055	5.27%
NZ Cash Trust ETF	-	0.00%	124,995	8.44%
NZ Bond Trust ETF	-	0.00%	198,410	13.40%
Global Bond Trust ETF	-	0.00%	122,687	8.28%

8 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 Manager'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 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 are summarised in the Investment Statement) for the Scheme. This is available online.

SuperLife workplace savings scheme (formerly SuperLife superannuation 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

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 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 held with SLI.

The Scheme was in the previous financial year exposed to direct market risks through its directly held investments. The Scheme was exposed to indirect market risk through its investments with external investment managers.

(i) Interest rate risk

The Scheme is exposed to indirect 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.

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

	31 March 2017 \$000	31 March 2016 \$000
Direct exposure to interest rate risk		
Fixed interest holdings	-	8,380
Floating interest holdings	-	44,594
Indirect exposure to interest rate risk		
Fixed interest holdings	453,390	594,539
Floating interest holdings	1,410	-
	<u>454,800</u>	<u>647,513</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 \$000	31 March 2016 \$000
Direct exposure to interest rate risk		
Fixed interest holdings	-	305
Indirect exposure to interest rate risk		
Fixed interest holdings	17,534	21,329
	<u>17,534</u>	<u>21,634</u>

SuperLife workplace savings scheme (formerly SuperLife superannuation 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

The Scheme is indirectly affected by the impact of foreign exchange changes on investments with the investment managers who are invested in non-New Zealand denominated securities.

The following table sets out the Scheme's effective exposure to currency risks as at 31 March 2017:

	31 March 2017
	\$000
America (USD)	68,303
Australia (AUD)	107,333
Europe (EURO)	21,068
Japan (YEN)	9,668
United Kingdom (GBP)	14,285
Canada (CAD)	612
China (YUAN)	5,257
India (INR)	3,276
Others	391,687
Total foreign currency exposure	621,489
Total foreign currency hedging	(358,726)
Net foreign currency exposure	262,763

In the previous financial year, the Scheme through its investments in overseas equities was exposed to direct and indirect currency risks. Some indirect risks were hedged by the investment manager as part of its investing operations. The Scheme used forward exchange contracts to manage its direct foreign currency risk.

The following table sets out the Scheme's effective exposure to currency risks as at 31 March 2016:

	31 March 2016
	\$000
America (USD)	4,643
Australia (AUD)	7,461
Europe (EURO)	1,163
United Kingdom (GBP)	9,313
India (INR)	2,902
Others	422
Indirect exposure to managed funds	789,856
Total foreign currency exposure	815,760

SuperLife workplace savings scheme (formerly SuperLife superannuation 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)

The breakdown of the indirect exposures to managed funds is as follows:

	31 March 2016
	\$000
America (USD)	321,294
Australia (AUD)	171,596
Europe (EURO)	81,029
Japan (YEN)	35,814
United Kingdom (GBP)	44,184
Canada (CAD)	11,587
China (YUAN)	9,866
India (INR)	6,361
Brazil (BRL)	2,847
South Korea (WON)	4,140
Taiwan (TWD)	6,529
South Africa (RAND)	4,553
Others	90,056
Total foreign currency exposure	789,856
Less currency hedging	
America (USD)	(226,897)
Australia (AUD)	(3,710)
Europe (EURO)	(62,832)
Japan (YEN)	(23,665)
United Kingdom (GBP)	(31,733)
Canada (CAD)	(10,964)
China (YUAN)	(925)
India (INR)	-
Brazil (BRL)	-
South Korea (WON)	(589)
Taiwan (TWD)	-
South Africa (RAND)	(40)
Others	(52,781)
Total foreign currency hedging	(414,136)
Net foreign currency exposure	375,720

SuperLife workplace savings scheme (formerly SuperLife superannuation 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)

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 direct currency exposures is as follows:

	31 March 2017	31 March 2017	31 March 2016	31 March 2016
	+ 10% change in exchange rate	- 10% change in exchange rate	+ 10% change in exchange rate	- 10% change in exchange rate
	\$000	\$000	\$000	\$000
America (USD)	-	-	(422)	516
Australia (AUD)	-	-	(678)	829
Europe (EURO)	-	-	(106)	129
United Kingdom (GBP)	-	-	(847)	1,035
India (INR)	-	-	(264)	322
Others	-	-	(38)	47
	<u>-</u>	<u>-</u>	<u>(2,355)</u>	<u>2,878</u>

The impact from indirect currency exposures is as follows:

	31 March 2017	31 March 2017	31 March 2016	31 March 2016
	+ 10% change in exchange rate	- 10% change in exchange rate	+ 10% change in exchange rate	- 10% change in exchange rate
	\$000	\$000	\$000	\$000
America (USD)	(6,209)	7,589	(8,582)	10,489
Australia (AUD)	(9,758)	11,926	(15,262)	18,654
Europe (EURO)	(1,915)	2,341	(1,654)	2,022
Japan (YEN)	(879)	1,074	(1,104)	1,350
United Kingdom (GBP)	(1,299)	1,587	(1,132)	1,383
Canada (CAD)	(56)	68	(57)	69
China (YUAN)	(478)	584	(813)	993
India (INR)	(298)	364	(578)	707
Brazil (BRL)	(203)	248	(259)	316
South Korea (WON)	(316)	387	(323)	395
Taiwan (TWD)	(351)	429	(594)	725
South Africa (RAND)	(194)	237	(410)	501
Others	(2,477)	3,029	(3,388)	4,143
	<u>(24,433)</u>	<u>29,863</u>	<u>(34,156)</u>	<u>41,747</u>

The above analysis for the current financial year reflects the underlying currency risks held by SLI. The underlying currency risks are hedged by SLI and its external investment managers. Total investments covered by SLI and its investment managers' hedging activities are \$358,725,687 (31 March 2016: Not applicable).

SuperLife workplace savings scheme (formerly SuperLife superannuation 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)

The above analysis for the previous financial year reflects the underlying currency risks held by the external investment managers through the Scheme's investments in managed funds. The underlying currency risks were hedged at the external investment manager's discretion. The Scheme's currency risk in respect of these managed funds was the Australian dollar and the Scheme had in place Australian dollar hedging contracts. Total investments covered by the hedging contracts were \$414,136,273. Refer to Note 14: Derivatives.

(iii) Equity price risk

All equity investments present a risk of loss of capital often due to factors beyond the 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. In the previous financial year, the Scheme was also exposed to direct equity price risk through its directly held 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 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 table below.

As at 31 March 2017, the Scheme's exposures to equity price risk are indirect:

Indirect exposure to equity price risk

	31 March 2017	Impact given 10% increase in equity price	Impact given 10% decrease in equity price
	\$000	\$000	\$000
Property	59,920	5,992	(5,992)
New Zealand shares	130,084	13,008	(13,008)
Australian shares	80,214	8,021	(8,021)
OS Shares (Currency Hedged)	187,811	18,781	(18,781)
OS Shares	118,722	11,872	(11,872)
Emerging markets	27,393	2,739	(2,739)
	<u>604,144</u>	<u>60,413</u>	<u>(60,413)</u>

SuperLife workplace savings scheme (formerly SuperLife superannuation 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 (continued)

As at 31 March 2016, the Scheme's exposures to equity price risk and the effect of 10% increase/decrease on equity price were:

Direct exposure to equity price risk

	31 March 2016	Impact given 10% increase in equity price \$000	Impact given 10% decrease in equity price \$000
	\$000		
Property	4,428	443	(443)
NZ shares	125,552	12,555	(12,555)
Australian shares	5,774	577	(577)
OS Shares	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 \$000	Impact given 10% decrease in equity price \$000
	\$000		
Property	102,673	10,267	(10,267)
NZ shares	73,703	7,370	(7,370)
Australian shares	126,804	12,680	(12,680)
OS Shares (Currency Hedged)	196,078	19,608	(19,608)
OS Shares	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>

(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 generally have good liquidity.

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

SuperLife workplace savings scheme (formerly SuperLife superannuation scheme)

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

8 Financial risk and management objectives and policies (continued)

(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 credit exposure of the Scheme.

	31 March 2017	31 March 2016
	\$000	\$000
Investments	454,800	602,940
Derivative instruments	-	521
Cash and cash equivalents	-	28,496
Cash and cash equivalents - foreign currency accounts	-	8,487
Sundry debtors	-	7,591
	454,800	648,035

The analysis below summarises the credit quality of the Scheme's direct and indirect exposure rated externally by Standard & Poors or Moodys, 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	-	-
AA	-	6
A	-	-
BBB	-	1
Unrated	-	1
Indirect exposure to credit risk		
AAA	11	14
AA	42	39
A	22	19
BBB	19	15
Unrated	6	5
	100	100

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

None of these assets are impaired or past due.

SuperLife workplace savings scheme (formerly SuperLife superannuation 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.

31 March 2017				
	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	1,058,944	-	-	1,058,944
Derivative instruments	-	-	-	-
Cash and cash equivalents	-	145	-	145
Cash and cash equivalents - foreign currency accounts	-	-	-	-
Sundry debtors	-	-	-	-
Total assets	1,058,944	145	-	1,059,089
Liabilities				
Sundry creditors	-	-	(180)	(180)
Liability for benefits	-	-	(1,056,094)	(1,056,094)
Total liabilities	-	-	(1,056,274)	(1,056,274)
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)

SuperLife workplace savings scheme (formerly SuperLife superannuation 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 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).

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

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

In the previous financial year, the Scheme's level 1 investments were in equities, NZ bonds, bank deposits and other cash and short-term fixed interest investments which were valued using quoted prices in active markets. The fair value of financial instruments traded in active markets was based on quoted market prices at the balance date. The market was regarded as active if quoted prices were 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.

In the previous financial year, the Scheme's level 2 derivatives were held with the Scheme's investment managers. The valuation of these derivatives was based on market derived inputs.

In the previous financial year, the Scheme's level 3 investments were unquoted investments held by the Scheme and reviewed on a quarterly basis by the Scheme's investment committee who reported to the Manager on a quarterly basis. The committee considers the appropriateness of the valuation used on these investments. The Scheme initially valued these investments using the entry price. The Scheme would consider other liquidity, credit and market risk factors, and adjust the valuation as deemed necessary.

SuperLife workplace savings scheme (formerly SuperLife superannuation 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 by Fund that are measured at fair value at 31 March 2017.

	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
Financial assets at fair value through profit or loss:				
Investments				
Cash	-	116,741	-	116,741
New Zealand bonds	-	166,584	-	166,584
Overseas government bonds	-	91,258	-	91,258
Overseas non-government bonds	-	80,217	-	80,217
Property	-	59,920	-	59,920
New Zealand shares	-	130,084	-	130,084
Australian shares	-	80,214	-	80,214
Overseas shares currency hedged	-	187,811	-	187,811
Overseas shares (unhedged)	-	118,722	-	118,722
Emerging markets	-	27,393	-	27,393
Total investments	-	1,058,944	-	1,058,944

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

(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 31 March 2016.

SuperLife workplace savings scheme (formerly SuperLife superannuation scheme)

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

9 Financial instruments (continued)

(d) Financial instruments in level 3

The following table presents the changes in level 3 instruments for the year ended 31 March 2017 and year ended 31 March 2016.

	31 March 2017 \$000	31 March 2016 \$000
Opening balance	6,707	6,281
Purchase	2,150	3,086
Sale	-	(2,736)
Transferred to SLI	(8,068)	-
Realised/unrealised change in fair value of investments	(789)	76
	<u>-</u>	<u>6,707</u>

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 8, 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 \$000	31 March 2016 \$000
Cash and cash equivalents	450	1,460
Investments	350	10,342
Other	(2)	(3)
Total interest income	<u>798</u>	<u>11,799</u>

SuperLife workplace savings scheme (formerly SuperLife superannuation scheme)

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

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

Refer to Note 7: Investments for the description of investments by Fund.

	31 March 2017 \$000	31 March 2016 \$000
Ethica	(433)	1,486
NZ Cash	1,396	(255)
NZ Bonds	2,169	3,434
Overseas Bonds	1,460	5,244
Overseas Non-govt. Bonds	(2,754)	10,063
Property	(5,084)	9,048
NZ Shares	6,984	22,641
Australian shares	6,017	2,488
Overseas Shares (Currency Hedged)	9,054	470
Overseas Shares	6,496	2,900
Emerging Markets	3,382	(3,878)
Gemino	249	164
UK Cash	(23)	-
UK Income	(55)	(14)
UK Shares/Property	(29)	56
NZ Cash ETF	0	-
NZ Bond ETF	5	1
Global Bond ETF	5	2
NZ Dividend ETF	9	27
NZ 50 Portfolio ETF	(621)	1,931
NZ Top 10 ETF	(22)	19
NZ Mid Cap ETF	5	9
NZ Property ETF	(38)	4
Aust Top 20 ETF	28	(3)
Australian Dividend ETF	44	37
Australian Financials ETF	11	(8)
Australian Property ETF	(16)	13
Australian Resources ETF	167	(3)
Australian Mid Cap ETF	(166)	856
Total World ETF	70	(1)
US 500 ETF	23	(7)
Europe ETF	(25)	(5)
Asia Pacific ETF	30	(5)
US Large Growth ETF	36	(5)
US Large Value ETF	12	(1)
US Mid Cap ETF	(1)	(23)
US Small Cap ETF	5	(30)
Emerging Markets ETF	39	4
SuperLife 30	841	-
SuperLife 60	15,758	-
SuperLife 80	918	-
SuperLife Income	44	-
SuperLife 100	(1,323)	-
Total realised/unrealised change in fair value of investments	44,667	56,659

SuperLife workplace savings scheme (formerly SuperLife superannuation scheme)

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

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

	31 March 2017	31 March 2016
	\$000	\$000
(Decrease)/increase in net assets during the year	(424,991)	188,750
Add/(less) non cash items:		
Realised/unrealised change in fair value of investments	(44,667)	(56,659)
Dividends reinvested	(6,539)	(8,547)
Interest reinvested	-	(9,961)
Reinvestment of gain in hedging closeout	-	10,929
Unrealised exchange gains	(2,069)	(551)
Investment assets and liabilities transferred to SLI	2,589	-
Withdrawal of SLKS and SLUK	609,143	-
Add/(less) movements in other working capital items:		
Sale of investments	93,980	636,362
Purchase of investments	(211,588)	(755,658)
Decrease/(increase) in investments receivable	1,669	(2,541)
Decrease in derivative instruments receivable	521	15,072
Decrease/(increase) in sundry debtors	7,591	(4,743)
(Decrease)/increase in sundry creditors	(1,370)	1,228
Increase in PIE tax payable/(increase) in PIE tax receivable	2,883	(13,600)
Net cash flows from operating activities	27,152	81

14 Derivatives

Derivative contracts serve as components of the Scheme's investment strategy and were used primarily to structure and hedge investments, to manage effective exposures to the Scheme.

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

Forward contracts were contractual agreements to buy or sell a specified financial instrument at a specific price and date in the future. Forwards were 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 was generally the quantity of the underlying instrument on which the derivative contract was based, and was the basis upon which changes in the value of the contract were measured. It provided an indication of the underlying volume of business transacted by the Scheme but does not provide any measure of risk. The currencies hedged were USD, AUD, GBP, EURO, YEN and Swiss Franc (CHF).

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

The derivative contracts that the Scheme held up until 27 October 2016 were forward currency contracts. The Scheme transferred its holdings in these derivatives to SLI on that date.

SuperLife workplace savings scheme (formerly SuperLife superannuation scheme)

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

15 Offsetting and amounts subject to master netting arrangements

The Scheme's forward currency contracts were held with one external investment manager. 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 2017 \$000	31 March 2016 \$000
Gross amounts of recognised financial assets	1,462	5,528
Gross amounts of recognised financial liabilities set-off in the Statement of net assets	(4,830)	(5,007)
Net amounts of financial assets presented in the Statement of net assets	(3,368)	521
Derivatives transferred to SLI	3,368	-
Net amount of derivatives in the Statement of net assets	-	521

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.

16 Transfer of investment assets to SLI scheme

On 27 October 2016, SLWS transferred its investment assets and liabilities to the Scheme at their book values. The following table presents the investment assets and liabilities transferred in specie.

Investment assets and liabilities transferred to SLI were at their book values on 27 October 2016.

	27 October 2016 \$000
Current assets	
Investments	(1,570,737)
Cash and cash equivalents	(52,147)
Cash and cash equivalents - foreign currency accounts	(13,912)
Sundry debtors	(811)
Total current assets	(1,637,607)
Current liabilities	
Derivative instruments	3,368
Sundry creditors	33
Total current liabilities	3,401
Total net assets transferred	(1,634,206)

17 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 the UK Shares/Property funds on that date.

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



Independent auditor's report

To the members of SuperLife workplace savings 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 areas of member registry compliance assurance and controls 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