

SUPERLIFE INVEST

FINANCIAL STATEMENTS

For the year ended 31 March 2018

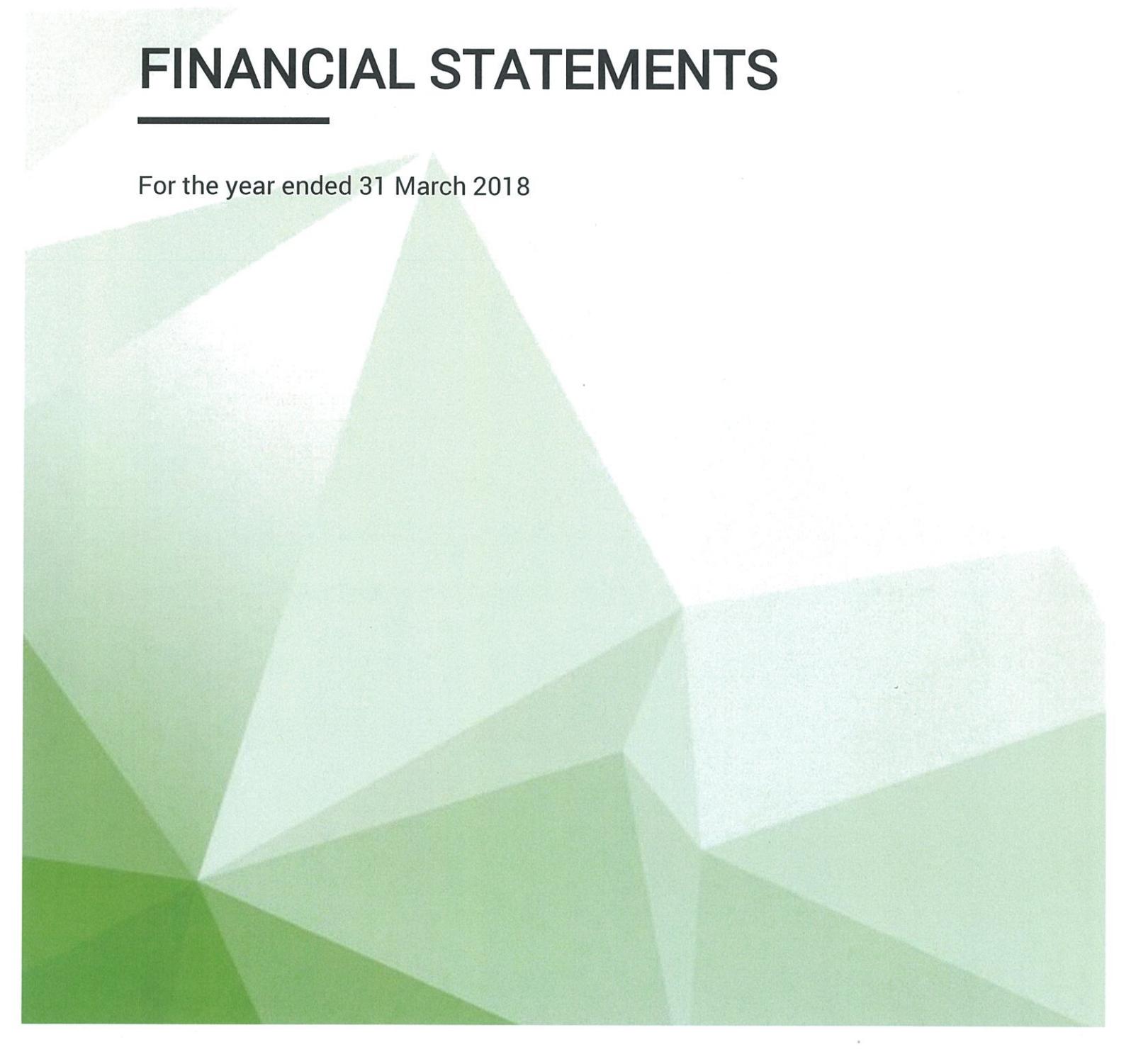
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SuperLife Invest

Statement of net assets
 as at 31 March 2018

	Note	31 March 2018 \$'000	31 March 2017 \$'000
Current assets			
Investments	7	1,937,676	1,710,769
Derivative instruments	14,15	568	-
Cash and cash equivalents		32,361	34,105
Cash and cash equivalents - foreign currency accounts		11,436	11,060
Receivables		1,340	6,647
Total current assets		1,983,381	1,762,581
Current liabilities			
Derivative instruments	14,15	-	(9,035)
Payables		(690)	(1,623)
PIE tax payable	3 (j)	(226)	(112)
Total current liabilities		(916)	(10,770)
Total net assets available for benefits		1,982,465	1,751,811
Liability for benefits		1,982,465	1,751,811

The Directors of Smartshares Limited authorised these financial statements for issue on 2 July 2018.

For and on behalf of Smartshares Limited:



Director



Director

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

SuperLife Invest

Statement of changes in net assets for the year ended 31 March 2018

	Note	Year ended 31 March 2018 \$'000	5 months ended 31 March 2017 \$'000
Investment activities			
Interest	11	1,375	528
Dividends		43,234	17,627
Foreign currency gain/(loss)		1,786	(4,927)
Realised/unrealised change in fair value of investments	13	34,166	82,157
Total net investment income		80,561	95,385
Investment fee rebates	4	4,041	1,524
Administration fees - fixed dollars	4	(17)	(1)
Administration fees - percentage of assets	4	(4,703)	(1,643)
Audit fees	5	(46)	(43)
Other expenses		(552)	(272)
Change in net assets before membership activities		79,284	94,950
Membership activities			
Contributions received in respect of members			
- Member contributions	4	208,218	2,317,022
- Transfers in		7,998	2,084
Add: Insurance proceeds received		132	5
Less: withdrawal benefits paid			
- Withdrawals	4	(64,213)	(662,060)
Less: insurance premiums paid:			
- Insurance Premium Disability		(7)	-
- Insurance Premium Life		(45)	(3)
- Insurance Premium Medical		(100)	(5)
Less PIE tax paid/payable on behalf of members	3 (j)	(613)	(182)
Net membership activities		151,370	1,656,861
Increase in net assets during the year		230,654	1,751,811
Net assets available for benefits			
Opening balance		1,751,811	-
Increase in net assets during the year		230,654	1,751,811
Closing balance		1,982,465	1,751,811

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

SuperLife Invest

Statement of cash flow

for the year ended 31 March 2018

	Note	Year ended 31 March 2018 \$'000	5 months ended 31 March 2017 \$'000
Cash flows from operating activities			
Cash was provided from:			
- Sale of investments		728,211	21,241
- Contributions received in respect of members		215,120	140,146
- Insurance proceeds received		132	5
- Currency (losses)/gains		(8,745)	3,640
- Investment fee rebates		4,011	1,218
- Interest received		1,381	528
- Dividends received		48,395	11,764
		<u>988,505</u>	<u>178,542</u>
Cash was applied to:			
- Purchase of investments		(920,973)	(79,156)
- Withdrawal benefits paid		(64,213)	(52,917)
- Insurance premiums paid		(159)	(8)
- PIE tax paid on behalf of members	3 (j)	(92)	(494)
- Other expenses		(5,365)	(1,270)
		<u>(990,802)</u>	<u>(133,845)</u>
Net cash flows (used in)/from operating activities	12	(2,297)	44,697
Opening cash brought forward		45,165	-
Exchange gains/(losses) on foreign currency account		929	468
Closing cash carried forward		<u>43,797</u>	<u>45,165</u>
Cash and cash equivalents		32,361	34,105
Cash and cash equivalents - foreign currency accounts		11,436	11,060
		<u>43,797</u>	<u>45,165</u>

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

SuperLife Invest

Notes to the financial statements for the year ended 31 March 2018

1 General information

SuperLife Invest (the "Scheme") is a managed investment scheme open to employees of participating employers and to individuals. The Scheme was established for the principal purpose of providing savings, investments and other benefits to its members. The Scheme was established by trust deed (the "Trust Deed") dated 14 September 2016 in Auckland, New Zealand. The Scheme is registered by the Financial Markets Authority ("FMA") under the Financial Markets Conduct Act 2013 ("FMCA") with effect from the date it was established. The Scheme's registration number with the FMA is SCH 10765. The Scheme's principal address of business is 21 Queen Street, Auckland 1010.

The Scheme is supervised by the Public Trust (the "Supervisor") who oversees the Scheme and ensures the Trust Deed is being complied with by the Scheme. The Supervisor is registered under the Financial Service Providers Act 2008 ("FSPA"). The Supervisor's registration number with the FSPA is FSP 24561.

Smartshares Limited is the manager of the Scheme (the "Manager"). The Manager is wholly owned by NZX Limited and is registered under the FSPA. Its registration number with the FSPA is FSP 26531. The Manager has full and absolute power to make investment decisions for the Scheme to ensure compliance with the Scheme's statement of investment policy and objectives ("SIPO") and the terms set out in the Trust Deed. The Scheme invests in funds (the "Funds") managed by the Manager, whereby the Manager has full and absolute power to make investment decisions for the Funds to comply with their relevant SIPO, as applicable, and the terms set out in their relevant Fund Establishment Deed. The Manager, in its role as the investment manager, has appointed a range of external investment managers for the Scheme.

To protect the interests of members, the Scheme's investments are held by independent custodians. The custodians of the Scheme are BNP Paribas Fund Services Australasia Pty Ltd and Public Trust (acting through its nominee company, SuperLife Nominees Limited).

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

The Supervisor is independent of the Scheme, the Manager, the Auditor and NZX Limited. The Manager is independent of the custodians and the Auditor.

The Scheme commenced operations from 28 October 2016 when SuperLife workplace savings scheme ("SLWS") (formerly known as SuperLife superannuation scheme) transferred its investment assets and liabilities to the Scheme.

2 Basis of preparation

Basis of measurement

The measurement base adopted is that of historical cost as 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 equivalents to International Financial Reporting Standards ("NZ IFRS") and other applicable Financial Reporting Standards, as appropriate for for-profit entities (Tier 1). These financial statements also comply with International Financial Reporting Standards ("IFRS").

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

Management makes 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 Invest

Notes to the financial statements for the year ended 31 March 2018

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 receivables.

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

(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/period in which they arise.

(iii) Determination of fair value - financial instruments

Fair values have been determined as follows:

Managed investment: the realisable value of the investments as advised by the investment managers based on the underlying market value on the balance date.

Shares in listed companies and holdings of fixed interest securities: the last traded market quotations on the balance date, where the last traded price falls within the bid-ask spread. In circumstances where the 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.

Derivative instruments/forward currency contract: based on valuation techniques using observable market prices including the use of option pricing models and other valuation techniques widely used and accepted by market participants.

All other financial instruments not traded in an active market: fair value is determined using valuation techniques which include the use of recent comparable arms-length market transactions, reference to the current market value of another similar financial instrument, discounted cash flow analysis and other valuation models making the maximum use of market inputs and relying as little as possible on the Manager's inputs.

The investment manager monitors the trade prices and volumes taking place a few days before and after the balance date, in order to assess whether the prices used at the valuation date are representative of fair value. If a significant movement in fair value occurs subsequent to the close of trading, but before the valuation date, the investment managers will consider if it impacts the value recognised. A significant event is any event that materially affects the integrity of the price used for valuation.

SuperLife Invest

Notes to the financial statements for the year ended 31 March 2018

3 Significant accounting policies (continued)

(a) Financial instruments (continued)

(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.

(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 receivables or payables, or any borrowings subject to a term facility, or cash held with the investment managers.

(c) Receivables

Receivables do not carry any interest and are short-term in nature. They are stated at their nominal value as reduced by appropriate allowances for estimated uncollectible amounts.

(d) Payables

Payables 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 currency dividends are accrued using the exchange rate on the ex-dividend dates. When the dividends are received, they are converted by BNP Paribas Fund Services Australasia Pty Ltd (custodian) to New Zealand dollars. Any foreign exchange impact is included within dividend income.

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.

(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 gain and losses on the disposals of financial assets. It 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 or expensed as services are rendered.

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Notes to the financial statements for the year ended 31 March 2018

3 Significant accounting policies (continued)

(j) Taxation

The Scheme is a Portfolio Investment Entity ("PIE") under the NZ tax rules. 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.

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 2017: 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.

Upon receipt of a withdrawal request from a member, the Scheme summarises the members' tax liability and pays the amount liable on behalf of the member to the IRD during the month following the month of withdrawal. If the members are in a tax refund position, the Scheme summarises the members tax refund and claims the refund amount on behalf of the member from the IRD during the month following the month of withdrawal. 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 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.

(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) Insurance

Insurance claim proceeds in respect of life and disability 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.

(n) Contributions

Individual members invest in the Scheme by way of lump sum payments, regular savings and/or in-specie transfers of their investments with the Manager's approvals. Members who join through their employers invest in the Scheme through payroll deductions at pre-determined rates of their gross salary and their employers may contribute at pre-determined rates.

(o) 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. 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.

(p) Impairment of financial assets

The Manager assesses daily and at the end of each reporting year/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 only when there is objective evidence of significant increase in credit risk of the assets after the initial recognition of the assets and that the increase in credit risk 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.

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Notes to the financial statements for the year ended 31 March 2018

3 Significant accounting policies (continued)

(q) New accounting standard adopted

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

(r) New accounting standard not yet adopted

NZ IFRS 9, 'Financial instruments', addresses the classification, measurement and derecognition of financial assets and financial liabilities. It replaces the multiple classification and measurement models in NZ IAS 39 and is effective for reporting periods beginning on or after 1 January 2018.

NZ IFRS 9 states that classification and measurement of debt assets will be driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortised cost if the objective of the business model is to hold the financial asset for the collection of the contractual cash flows and the contractual cash flows under the instrument solely represent payments of principal and interest (SPPI). A debt instrument is measured at fair value through other comprehensive income if the objective of the business model is to hold the financial asset both to collect contractual cash flows from SPPI and to sell. All other debt instruments must be recognised at fair value through profit or loss. An entity may, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Derivative and equity instruments are measured at fair value through profit or loss unless, for equity instruments not held for trading, an irrevocable option is taken to measure at fair value through other comprehensive income. IFRS 9 also introduces a new expected credit loss (ECL) model.

On adoption of IFRS 9 the Scheme's investment portfolio will continue to be classified at fair value through profit or loss. Other financial assets which are held for collection will continue to be measured at amortised cost with no material impact expected from application of the new impairment model. The Scheme intends to adopt NZ IFRS 9 on its effective date and the adoption is not expected to have a material impact on the Scheme's financial statements.

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 the adoption is not expected to have a material impact on the Scheme's financial statements.

(s) Changes in accounting policies

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

(t) Comparatives

These financial statements are for the year ended 31 March 2018. The comparative figures are for the period 28 October to 31 March 2017. Certain prior year comparatives have been reclassified to conform with current period reporting.

The custodial expenses were not disclosed separately in the financial statements for the period ended 31 March 2017. The custodial fees charged for the financial year of 2017 by BNP Paribas Fund Services Australasia Pty Ltd were \$11,630 which is disclosed as comparative numbers in Note 5 (b).

4 Related party transactions

Contributions and withdrawals

The Scheme is the investment vehicle for SLWS. Both schemes are related by way of common manager. Total contributions from SLWS was \$61,629,105 (31 March 2017: \$1,634,206,410). Total withdrawals paid from the Scheme to SLWS is \$44,843,961 (31 March 2017: \$657,610,490).

The Scheme is the investment vehicle for SuperLife KiwiSaver scheme ("SLKS"). Both schemes are related by way of common manager. Total contributions from SLKS is \$76,666,238 (31 March 2017: \$594,139,122). Total withdrawals paid from the Scheme to SLKS is \$5,290,429 (31 March 2017: \$2,536,087).

The Scheme is the investment vehicle for the SuperLife UK pension transfer scheme (formerly known as Ascot) ("SLUK"). Both schemes are related by way of common manager. Total contributions from SLUK is \$12,104,251 (31 March 2017: \$40,222,659). Total withdrawals paid from the Scheme to SLUK is \$7,521,999 (31 March 2017: \$1,817,781).

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Notes to the financial statements

for the year ended 31 March 2018

4 Related party transactions (continued)

Contributions and withdrawals (continued)

On 28 October 2016, SLWS transferred its investment assets and liabilities to the Scheme and in return received an equivalent amount of member's interest with the Scheme. 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 on 28 October (which included the holdings of SLKS and SLUK) was \$1,634,206,410 out of which \$66,059,249 represents cash and cash equivalents.

On 8 November 2016, the Scheme became the investment vehicle for SLKS and SLUK. The initial contribution were \$571,070,617 and \$38,071,891 respectively.

Related party holdings

The Scheme invests in exchange traded funds ("ETFs") managed by Smartshares Limited. As at 31 March, the holdings and transactions are as follows:

	Year ended 31 March 2018 \$'000	5 months ended 31 March 2017 \$'000
Opening balance	1,292,782	-
Purchase	375,702	49,750
Sale	(244,693)	(5,382)
Transfer in from SLWS	-	1,175,256
Realised/unrealised change in fair value of investments	88,228	73,158
Closing balance	<u>1,512,019</u>	<u>1,292,782</u>

The Scheme received distributions from Smartshares Limited for the year ended 31 March 2018 of \$25,859,068 (31 March 2017: \$9,614,945). Total remaining as distribution receivable classified as receivables at the end of the year is \$NIL (31 March 2017: \$NIL).

Administration fees

The Scheme pays administration fees to the Manager. Administration fees are a fixed charge per member ranging from \$0 to \$96 net of tax p.a. (31 March 2017: \$0 to \$96) (made up of a savings fee, a statement fee and a fee for both of life and disability insurance benefits) and a percentage of the Scheme's assets which equal to 0.25% p.a. (31 March 2017: 0.25%) gross of tax of such balance.

	Year ended 31 March 2018 \$'000	5 months ended 31 March 2017 \$'000
Administration fees - fixed dollars	17	1
Administration fees - percentage of assets	4,703	1,643
	<u>4,720</u>	<u>1,644</u>

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

	Year ended 31 March 2018 \$000	5 months ended 31 March 2017 \$000
Administration fees - fixed dollar	-	-
Administration fees - percentage of assets	399	368
	<u>399</u>	<u>368</u>

The estimated administration fees - percentage of assets for SLWS which are deducted from the income from investments are \$2,724,104 (31 March 2017: \$1,086,272).

The estimated administration fees - percentage of assets for SLKS which are deducted from the income from investments are \$1,729,601 (31 March 2017: \$597,903).

The estimated administration fees - percentage of assets for SLUK which are deducted from the income from investments are \$111,496 (31 March 2017: \$38,336).

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Notes to the financial statements for the year ended 31 March 2018

4 Related party transactions (continued)

Investment management fees

The investment management fees paid to the Manager are between 0.10% to 0.50% (31 March 2017: 0.10% to 0.50%) of the relevant Funds' net assets. The investment management fees paid to the Manager for the year ended 31 March 2018 were \$391,736 (31 March 2017: \$159,681). Of this amount, total remaining payable as at 31 March 2018 is \$21,346 (31 March 2017: \$33,335).

The Scheme's investments in the ETFs have investment management fees deducted from within the product. These fees are rebated to the Scheme down to an agreed level. Total net investment management fees deducted from within the product for the year ended 31 March 2018 was \$2,066,730 (31 March 2017: \$763,554). Total investment management fees rebated to the Scheme for the year ended 31 March 2018 was \$4,570,798 (31 March 2017: \$1,719,074). Total investment management fees rebate remaining receivable as at 31 March 2018 is \$390,318 (31 March 2017: \$359,784).

The estimated investment management fees for SLWS which are deducted from the return on investments are \$198,807 (31 March 2017: \$85,922).

The estimated investment management fees for SLKS which are deducted from the return on investments are \$166,543 (31 March 2017: \$65,807).

The estimated investment management fees for SLUK which are deducted from the return on investments are \$15,847 (31 March 2017: \$6,481).

Other related party transactions

The Scheme is a majority shareholder in Energy Mad Limited. As at balance date, the Scheme valued its investments in Energy Mad Limited at \$NIL (31 March 2017: \$NIL). It however still maintains its shareholding in Energy Mad Limited as listed in Note 7: Investments. Transactions with the company are listed as follows:

	Year ended 31 March 2018	5 months ended 31 March 2017
	\$000	\$000
Loan facility drawdown	-	1,000
Transfer in from SLWS	-	3,617
Realised/unrealised loss in fair value of investments	-	(4,617)
Coupons/dividends received	-	80

The Scheme is a majority shareholder in Wellington Drive Technologies Limited. As at balance date, the Scheme has investments in Wellington Drive Technologies Limited as listed in Note 7: Investments. Transactions with the company are listed as follows:

	Year ended 31 March 2018	5 months ended 31 March 2017
	\$000	\$000
Loan facility drawdown	500	500
Transfer in from SLWS	-	14,452
Realised/unrealised (loss)/gain in fair value of investments	(7,753)	7,683
Coupons/dividends received	374	201

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

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Notes to the financial statements

for the year ended 31 March 2018

5 Audit fees and custodial fees

(a) Audit fees

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

	Year ended 31 March 2018 \$000	5 months ended 31 March 2017 \$000
Controls audit	18	18
Financial statements audit	27	24
Registry audit	1	1
	<u>46</u>	<u>43</u>

(b) Custodial fees

Custodial fees for the year/period ended 31 March is as follows:

	Year ended 31 March 2018 \$000	5 months ended 31 March 2017 \$000
BNP Paribas Fund Services Australasia Pty Ltd	40	12
Public Trust (acting through its nominee company, SuperLife Nominees Limited)	67	-
	<u>107</u>	<u>12</u>

6 Contingent liabilities and capital commitments

There are no material contingent liabilities or capital commitments as at 31 March 2018 (31 March 2017: \$NIL).

7 Investments

The Scheme invests in funds managed by the Manager. The available investment funds are Sector Funds, Managed Funds, ETF Funds and an Ethical Fund. The Sector Funds and ETF Funds are listed in Note 7 (a) below. 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 also an investment option available that combines individual funds. This option is SuperLife^{Age Steps} which automatically sets the proportion of investments in income and growth assets based on members' ages.

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.

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Notes to the financial statements for the year ended 31 March 2018

7 Investments (continued)

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.

(a) Investments by Fund

	31 March 2018	31 March 2017
	\$000	\$000
Ethica	36,428	29,648
NZ Cash	182,301	172,359
NZ Bonds	256,443	236,699
Overseas Bonds	143,533	123,965
Overseas Non-government Bonds	140,093	119,459
Property	111,130	106,118
NZ Shares	200,713	182,256
Australian Shares	139,684	139,256
Overseas Shares (Currency Hedged)	342,411	285,175
Overseas Shares	183,709	165,319
Emerging Markets	74,861	64,309
Gemino	5,027	7,405
UK Income	-	592
UK Shares/Property	-	2,418
NZ Cash ETF	1,312	456
NZ Bond ETF	2,970	904
Global Bond ETF	1,450	359
NZ Dividend ETF	3,036	2,174
NZ 50 Portfolio ETF	38,907	31,786
NZ Top 10 ETF	1,209	572
NZ Mid Cap ETF	4,168	679
NZ Property ETF	1,033	755
Australian Top 20 ETF	1,660	1,124
Australian Dividend ETF	972	876
Australian Financials ETF	594	629
Australian Property ETF	976	583
Australian Resources ETF	5,160	2,624
Australian Mid Cap ETF	20,703	17,959
Total World ETF	4,703	1,112
US 500 ETF	11,439	6,809
Europe ETF	5,887	1,156
Asia Pacific ETF	3,671	771
US Large Growth ETF	3,250	1,163
US Large Value ETF	994	730
US Mid Cap ETF	1,224	721
US Small Cap ETF	1,967	988
Emerging Markets ETF	4,058	861
Total investments	1,937,676	1,710,769

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Notes to the financial statements
 for the year ended 31 March 2018

7 Investments (continued)

(b) Investments by geographical location

	31 March 2018	31 March 2017
	\$000	\$000
New Zealand	769,868	694,356
United States of America	505,745	344,154
Australia	191,123	228,253
Europe	145,437	127,342
Japan	84,439	64,926
United Kingdom	68,265	71,759
Canada	18,841	15,230
China	3,880	14,432
India	8,412	7,926
Korea	56	12,010
Taiwan	10,290	9,349
South Africa	5,933	5,157
Brazil	5,870	5,809
Rest of the world	119,517	110,066
Total investments	1,937,676	1,710,769

(c) Investment holdings of 5% or more

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

	31 March 2018	31 March 2018	31 March 2017	31 March 2017
	\$000	%	\$000	%
Energy Mad Limited	-	71%	-	71%
Energy Mad Limited Convertible Note 13.5%	-	100%	-	100%
Energy Mad Limited Loan Facility 14.0%	-	100%	-	100%
Energy Mad Limited Loan Facility 15.75%	-	100%	-	100%
Energy Mad Limited Loan Facility 20.0%	-	100%	-	100%
Wellington Drive Technologies Limited	13,272	32%	16,424	40%
Wellington Drive Technologies Limited Loan Facility 14.75%	2,110	100%	1,508	100%
Wellington Drive Technologies Preference Shares	-	0%	4,703	86%
Mercer Group Limited	1,388	6%	-	0%
Pacific Edge Limited	9,498	5%	12,108	5%
Methven Limited	4,405	6%	4,849	6%

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

	31 March 2018	31 March 2018	31 March 2017	31 March 2017
	\$000	%	\$000	%
Europe ETF	132,185	7%	156,870	9%
US 500 ETF	147,956	7%	99,238	6%
NZ Cash ETF	115,093	6%	124,896	7%
NZ Bond ETF	199,527	10%	196,962	11%
NZ Top 50 ETF	176,143	9%	53,247	3%
Global Bond ETF	144,983	7%	124,324	7%

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Notes to the financial statements

for the year ended 31 March 2018

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. 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. 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 as described in the SIPO. The external investment managers are responsible for identifying and controlling risks relevant to their mandates. The Supervisor oversees the investment manager and the management of the risk in the portfolios invested by 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 balance date, 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 SIPO 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 largely through the holding of financial instruments. A typical holding 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.

During the financial year, the Scheme has materially moved its investment methodology from investing directly to managed investments. As a result of this change, the Scheme's exposure to direct market risks has reduced whilst its indirect market risks have increased.

(i) Interest rate risk

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

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.

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Notes to the financial statements
 for the year ended 31 March 2018

8 Financial risk and management objectives and policies (continued)

(e) Market risk (continued)

(i) Interest rate risk (continued)

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

	31 March 2018 \$000	31 March 2017 \$000
Direct exposure to interest rate risk		
Fixed interest holdings	9,633	10,217
Floating interest holdings	45,706	51,812
Indirect exposure to interest rate risk		
Fixed interest holdings	728,100	654,201
Floating interest holdings	-	-
	<u>783,439</u>	<u>716,230</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 2018 \$000	31 March 2017 \$000
Direct exposure to interest rate risk		
Fixed interest holdings	271	300
Indirect exposure to interest rate risk		
Fixed interest holdings	26,549	24,994
	<u>26,820</u>	<u>25,294</u>

(ii) Currency risk

The Scheme through its directly held investments in overseas equities is exposed to direct currency risk. The Scheme through its underlying investments are exposed to indirect currency risks. Some of the indirect risks are hedged by the investment manager and may be hedged within the product it is invested in.

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

Direct and indirect exposure to currency risk

	31 March 2018 \$000	31 March 2017 \$000
America (USD)	10,677	5,404
Australia (AUD)	3,393	8,877
Europe (EUR)	1,465	1,659
Japan (JPY)	1,965	-
United Kingdom (GBP)	12,434	12,354
Canada (CAD)	66	-
Others	2,874	915
Indirect exposure to currency risk (refer next page for detailed breakdown)	1,146,369	998,265
Total foreign currency exposure	<u>1,179,243</u>	<u>1,027,474</u>
Total foreign currency hedging	<u>(819,326)</u>	<u>(528,329)</u>
Net foreign currency exposure	<u>359,917</u>	<u>499,145</u>

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Notes to the financial statements

for the year ended 31 March 2018

8 Financial risk and management objectives and policies (continued)

(e) Market risk (continued)

(ii) Currency risk (continued)

Direct and indirect 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 2018	31 March 2018	31 March 2017	31 March 2017
	+ 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)	(971)	1,186	(491)	600
Australia (AUD)	(308)	377	(807)	986
Europe (EUR)	(133)	163	(151)	184
Japan (JPY)	(179)	218	-	-
United Kingdom (GBP)	(1,130)	1,381	(1,123)	1,373
Canada (CAD)	(6)	7	-	-
Others	(261)	320	(83)	102
	<u>(2,988)</u>	<u>3,652</u>	<u>(2,655)</u>	<u>3,245</u>

Indirect exposure to currency risk

	31 March 2018	31 March 2017
	\$000	\$000
America (USD)	495,068	338,751
Australia (AUD)	187,731	219,376
Europe (EUR)	143,972	125,683
Japan (JPY)	82,473	64,926
United Kingdom (GBP)	67,268	70,465
Canada (CAD)	18,775	15,230
China (YUAN)	3,880	14,432
India (INR)	8,412	7,926
Brazil (BRL)	5,870	5,809
South Korea (WON)	56	12,010
Taiwan (TWD)	10,290	9,349
South Africa (RAND)	5,933	5,157
Others	116,641	109,151
Total foreign currency exposure	<u>1,146,369</u>	<u>998,265</u>
America (USD)	(354,351)	(230,881)
Australia (AUD)	(152,441)	(10,675)
Europe (EUR)	(117,169)	(94,091)
Japan (JPY)	(62,509)	(49,762)
United Kingdom (GBP)	(52,644)	(51,328)
Canada (CAD)	(18,384)	(14,194)
China (YUAN)	(13)	(2,036)
India (INR)	(102)	(198)
Brazil (BRL)	(506)	(551)
South Korea (WON)	(55)	(5,246)
Taiwan (TWD)	(134)	(248)
South Africa (RAND)	(90)	(117)
Others	(60,928)	(69,002)
Total foreign currency hedging	<u>(819,326)</u>	<u>(528,329)</u>
Net foreign currency exposure	<u>327,043</u>	<u>469,936</u>

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Notes to the financial statements
 for the year ended 31 March 2018

8 Financial risk and management objectives and policies (continued)

(e) Market risk (continued)

(ii) Currency risk (continued)

Indirect 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 2018 + 10% change in \$000	31 March 2018 - 10% change in \$000	31 March 2017 + 10% change in \$000	31 March 2017 - 10% change in \$000
America (USD)	(12,793)	15,635	(9,806)	11,986
Australia (AUD)	(3,208)	3,921	(18,973)	23,189
Europe (EUR)	(2,437)	2,978	(2,872)	3,510
Japan (JPY)	(1,815)	2,218	(1,378)	1,685
United Kingdom (GBP)	(1,329)	1,625	(1,740)	2,126
Canada (CAD)	(35)	43	(94)	115
China (YUAN)	(352)	430	(1,127)	1,377
India (INR)	(755)	923	(703)	859
Brazil (BRL)	(488)	596	(478)	584
South Korea (WON)	-	-	(615)	752
Taiwan (TWD)	(923)	1,128	(827)	1,011
South Africa (RAND)	(531)	649	(458)	560
Others	(5,065)	6,190	(3,650)	4,461
	<u>(29,731)</u>	<u>36,336</u>	<u>(42,721)</u>	<u>52,215</u>

The above analysis reflects the indirect currency risks arising through the Scheme's underlying investment in managed funds and ETFs. Some of the indirect currency risks are hedged by the investment manager and may be hedged within the product the Scheme is invested in. The Scheme's currency risk in respect of these investments are in Australian dollar, Swiss franc, Euro, Pound sterling, Japanese yen and United States dollar. The Scheme has in place hedging contracts with Nikko Asset Management to cover these exposures. Total investments covered by the hedging contracts are \$819,326,312 (31 March 2017: \$528,329,477). 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 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.

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Notes to the financial statements
 for the year ended 31 March 2018

8 Financial risk and management objectives and policies (continued)

(e) Market risk (continued)

(iii) Equity price risk (continued)

Direct exposure to equity price risk

	31 March 2018	Impact given 10% increase in equity price \$000	Impact given 10% decrease in equity price \$000
	\$000	\$000	\$000
Property	3,422	342	(342)
New Zealand Shares	72,678	7,268	(7,268)
Australian Shares	2,888	289	(289)
Overseas Shares	16,311	1,631	(1,631)
Emerging Markets	-	-	-
	95,299	9,530	(9,530)

	31 March 2017	Impact given 10% increase in equity price \$000	Impact given 10% decrease in equity price \$000
	\$000	\$000	\$000
Property	4,856	486	(486)
New Zealand Shares	136,484	13,648	(13,648)
Australian Shares	6,881	688	(688)
Overseas Shares	8,798	880	(880)
Emerging Markets	-	-	-
	157,019	15,702	(15,702)

Indirect exposure to equity price risk

	31 March 2018	Impact given 10% increase in equity price \$000	Impact given 10% decrease in equity price \$000
	\$000	\$000	\$000
Property	113,139	11,314	(11,314)
New Zealand Shares	184,555	18,456	(18,456)
Australian Shares	168,774	16,877	(16,877)
Overseas Shares (Currency Hedged)	342,413	34,241	(34,241)
Overseas Shares	216,844	21,684	(21,684)
Emerging Markets	78,918	7,892	(7,892)
	1,104,643	110,464	(110,464)

	31 March 2017	Impact given 10% increase in equity price \$000	Impact given 10% decrease in equity price \$000
	\$000	\$000	\$000
Property	105,779	10,578	(10,578)
New Zealand Shares	91,265	9,127	(9,127)
Australian Shares	161,118	16,112	(16,112)
Overseas Shares (Currency Hedged)	285,175	28,518	(28,518)
Overseas Shares	181,188	18,119	(18,119)
Emerging Markets	65,170	6,517	(6,517)
	889,695	88,971	(88,971)

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Notes to the financial statements
 for the year ended 31 March 2018

8 Financial risk and management objectives and policies (continued)

(f) Liquidity risk

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

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

(g) Credit risk

The maximum credit risk of the Scheme is the carrying value of the financial assets. The Manager considers the credit risk to be associated with the items described in the table below. 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's or Moody's or internally by the investment managers.

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

	31 March 2018	31 March 2017
	\$000	\$000
Investments	737,734	664,419
Derivative instruments	568	-
Cash and cash equivalents	32,361	34,105
Cash and cash equivalents - foreign currency accounts	11,436	11,060
Receivables	1,340	6,647
	<u>783,439</u>	<u>716,231</u>

The Scheme's investments in Energy Mad Limited was impaired and written down to nil as at 31 March 2017. None of the remaining assets are impaired or past due.

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Notes to the financial statements

for the year ended 31 March 2018

8 Financial risk and management objectives and policies (continued)

(g) Credit risk (continued)

The following table sets out the direct and indirect exposure to credit risk by credit rating of the Scheme.

	31 March 2018	31 March 2017
	%	%
Direct exposure to credit risk		
AAA	-	-
AA	6	7
A	-	-
BBB	-	1
Unrated	1	1
Indirect exposure to credit risk		
AAA	15	10
AA	37	39
A	19	20
BBB	21	17
Unrated	1	5
	<u>100</u>	<u>100</u>

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

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 2018			
	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	1,937,676	-	-	1,937,676
Derivative instruments	568	-	-	568
Cash and cash equivalents	-	32,361	-	32,361
Cash and cash equivalents - foreign currency accounts	-	11,436	-	11,436
Receivables	-	1,340	-	1,340
Total assets	<u>1,938,244</u>	<u>45,137</u>	<u>-</u>	<u>1,983,381</u>
Liabilities				
Derivative instruments	-	-	-	-
Payables	-	-	(690)	(690)
Liability for benefits	-	-	(1,982,465)	(1,982,465)
Total liabilities	<u>-</u>	<u>-</u>	<u>(1,983,155)</u>	<u>(1,983,155)</u>

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Notes to the financial statements
 for the year ended 31 March 2018

9 Financial instruments (continued) (a) Financial instruments by category (continued)

	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	1,710,769	-	-	1,710,769
Derivative instruments	-	-	-	-
Cash and cash equivalents	-	34,105	-	34,105
Cash and cash equivalents - foreign currency accounts	-	11,060	-	11,060
Receivables	-	6,647	-	6,647
Total assets	<u>1,710,769</u>	<u>51,812</u>	<u>-</u>	<u>1,762,581</u>
Liabilities				
Derivative instruments	(9,035)	-	-	(9,035)
Payables	-	-	(1,623)	(1,623)
Liability for benefits	-	-	(1,751,811)	(1,751,811)
Total liabilities	<u>(9,035)</u>	<u>-</u>	<u>(1,753,434)</u>	<u>(1,762,469)</u>

(b) Fair value of financial instruments

Financial assets and liabilities in the Scheme are recorded at fair values in the Statement of net assets, with changes in fair values 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 (31 March 2017: \$NIL).

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 are 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.

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Notes to the financial statements for the year ended 31 March 2018

9 Financial instruments (continued)

(b) Fair value of financial instruments (continued)

The Scheme's level 2 investments are investments held with the Scheme's external investment managers and directly held investments which are illiquid. 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 external 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 external investment managers. The valuation of these derivatives is 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 oversight committee who report to the Supervisor on a monthly basis. The committee considers the appropriateness of the valuation process used on these investments. The Scheme initially values these investments using the entry price. The Scheme will consider other liquidity, credit and market risk factors, and adjust the valuation as deemed necessary.

The following table presents the Scheme's investments by Fund that are measured at fair value at 31 March 2018.

	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
Financial assets at fair value through profit or loss:				
Investments				
Cash	183,613	-	-	183,613
NZ Bonds	267,990	-	1,055	269,045
Overseas Bonds	144,983	-	-	144,983
Overseas Non-government Bonds	-	140,093	-	140,093
Property	62,648	53,913	-	116,561
New Zealand Shares	242,906	13,272	1,055	257,233
Australian Shares	171,662	-	-	171,662
Overseas Shares (Currency Hedged)	342,413	-	-	342,413
Overseas Shares	233,155	-	-	233,155
Emerging Markets	78,918	-	-	78,918
Total investments	1,728,288	207,278	2,110	1,937,676
Derivatives	-	568	-	568

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	172,815	-	-	172,815
New Zealand bonds	245,981	-	886	246,867
Overseas government bonds	124,324	-	-	124,324
Overseas non-government bonds	-	119,459	-	119,459
Property	91,703	18,932	-	110,635
New Zealand shares	205,999	16,424	5,325	227,748
Australian shares	167,999	-	-	167,999
Overseas shares currency hedged	285,175	-	-	285,175
Overseas shares (unhedged)	190,577	-	-	190,577
Emerging markets	41,008	24,162	-	65,170
Total investments	1,525,581	178,977	6,211	1,710,769
Derivatives	-	-	-	-

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Notes to the financial statements for the year ended 31 March 2018

9 Financial instruments (continued)

(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 the end of the financial years

(d) Financial instruments in level 3

The following table presents the changes in level 3 instruments for the period ended 31 March.

	Year ended 31 March 2018	5 months ended 31 March 2017
	\$000	\$000
Opening balance	6,211	-
Purchase	500	1,500
Sale	-	-
Transfer in from SuperLife workplace savings scheme	-	8,068
Realised/unrealised change in fair value of investments	(4,601)	(3,357)
	<u>2,110</u>	<u>6,211</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

	Year ended 31 March 2018	5 months ended 31 March 2017
	\$000	\$000
Cash and cash equivalents	604	254
Investments	647	270
Others	124	4
Total interest income	<u>1,375</u>	<u>528</u>

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

	Year ended 31 March 2018	5 months ended 31 March 2017
	\$000	\$000
Increase in net assets during the year	230,654	1,751,811
Add/(less) non cash items:		
Realised/unrealised change in fair value of investments	(34,166)	(82,157)
Offmarket transfer of investments	(1,096)	(1,671)
Transfer of investments from SLWS	-	(1,568,147)
Unrealised exchange gains	(929)	(468)
Add/(less) movements in other working capital items:		
Sale of investments	728,211	21,241
Purchase of investments	(920,973)	(79,156)
Decrease/(increase) in unsettled sales/purchases of investments	1,116	(880)
Decrease/(increase) in receivables	5,307	(6,647)
(Decrease)/increase in derivative instruments payable	(9,603)	9,035
(Decrease)/increase in payables	(933)	1,623
Increase in PIE tax payables	114	112
Net cash flows (used in)/from operating activities	<u>(2,297)</u>	<u>44,696</u>

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Notes to the financial statements
 for the year ended 31 March 2018

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

Refer Note 7: 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.

	Year ended 31 March 2018	5 months ended 31 March 2017
	\$000	\$000
Ethica	309	555
NZ Cash	38	(121)
NZ Bonds	3,035	(3,518)
Overseas Bonds	1,558	(993)
Overseas Non-government Bonds	(6,676)	(3,141)
Property	(5,846)	3,254
NZ Shares	1,542	10,696
Australian Shares	(6,779)	16,640
Overseas Shares (Currency Hedged)	21,363	30,393
Overseas Shares	12,883	17,682
Emerging Markets	8,924	4,889
Gemino	(1,922)	808
UK Cash	-	-
UK Income	(10)	32
UK Shares/Property	20	216
NZ Cash ETF	(3)	-
NZ Bond ETF	15	(12)
Global Bond ETF	4	(3)
NZ Dividend ETF	(117)	16
NZ 50 Portfolio ETF	3,441	1,042
NZ Top 10 ETF	58	(21)
NZ Mid Cap ETF	187	40
NZ Property ETF	13	(15)
Australian Top 20 ETF	(154)	80
Australian Dividend ETF	(110)	89
Australian Financials ETF	(116)	56
Australian Property ETF	(71)	46
Australian Resources ETF	198	193
Australian Mid Cap ETF	1,189	1,887
Total World ETF	42	110
US 500 ETF	481	700
Europe ETF	93	123
Asia Pacific ETF	157	58
US Large Growth ETF	82	113
US Large Value ETF	(6)	71
US Mid Cap ETF	27	62
US Small Cap ETF	107	79
Emerging Markets ETF	210	51
Total realised/unrealised change in fair value of investments	34,166	82,157

SuperLife Invest

Notes to the financial statements for the year ended 31 March 2018

14 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 and tax effect of associated gains or losses.

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, EUR, JPY and Swiss Franc (CHF).

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

15 Offsetting and amounts subject to master netting arrangements

The Scheme's forward currency contracts are 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 2018 \$000	31 March 2017 \$000
Gross amounts of recognised financial assets set-off in the Statement of net assets	4,723	1,039
Gross amounts of recognised financial liabilities set-off in the Statement of net assets	<u>(4,155)</u>	<u>(10,074)</u>
Net amounts of financial assets presented in the Statement of net assets	568	(9,035)
Amounts of financial assets presented in the Statement of net assets not subject to master netting arrangements	-	-
Amounts of financial liabilities presented in the Statement of net assets not subject to master netting arrangements	-	-
Net amount of derivatives in the Statement of net assets	<u><u>568</u></u>	<u><u>(9,035)</u></u>

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.

SuperLife Invest

Notes to the financial statements
 for the year ended 31 March 2018

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.

	31 March 2017 \$000
Current assets	
Investments	1,570,737
Cash and cash equivalents	52,147
Cash and cash equivalents - foreign currency accounts	13,912
Receivables	811
Total current assets	<u>1,637,607</u>
Current liabilities	
Derivative instruments	(3,368)
Payables	(33)
Total current liabilities	<u>(3,401)</u>
Total net assets transferred	<u><u>1,634,206</u></u>

17 Subsequent events

There have been no material events after balance date that require adjustment to or disclosure in the financial statements (31 March 2017: none).



Independent auditor's report

To the members of SuperLife Invest (the Scheme)

The Scheme's financial statements comprise:

- the statement of net assets as at 31 March 2018;
- the statement of changes in net assets for the year then ended;
- the statement 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 2018, 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
2 July 2018

Auckland