

SUPERLIFE UK PENSION TRANSFER SCHEME

FINANCIAL STATEMENTS

For the year ended 31 March 2019

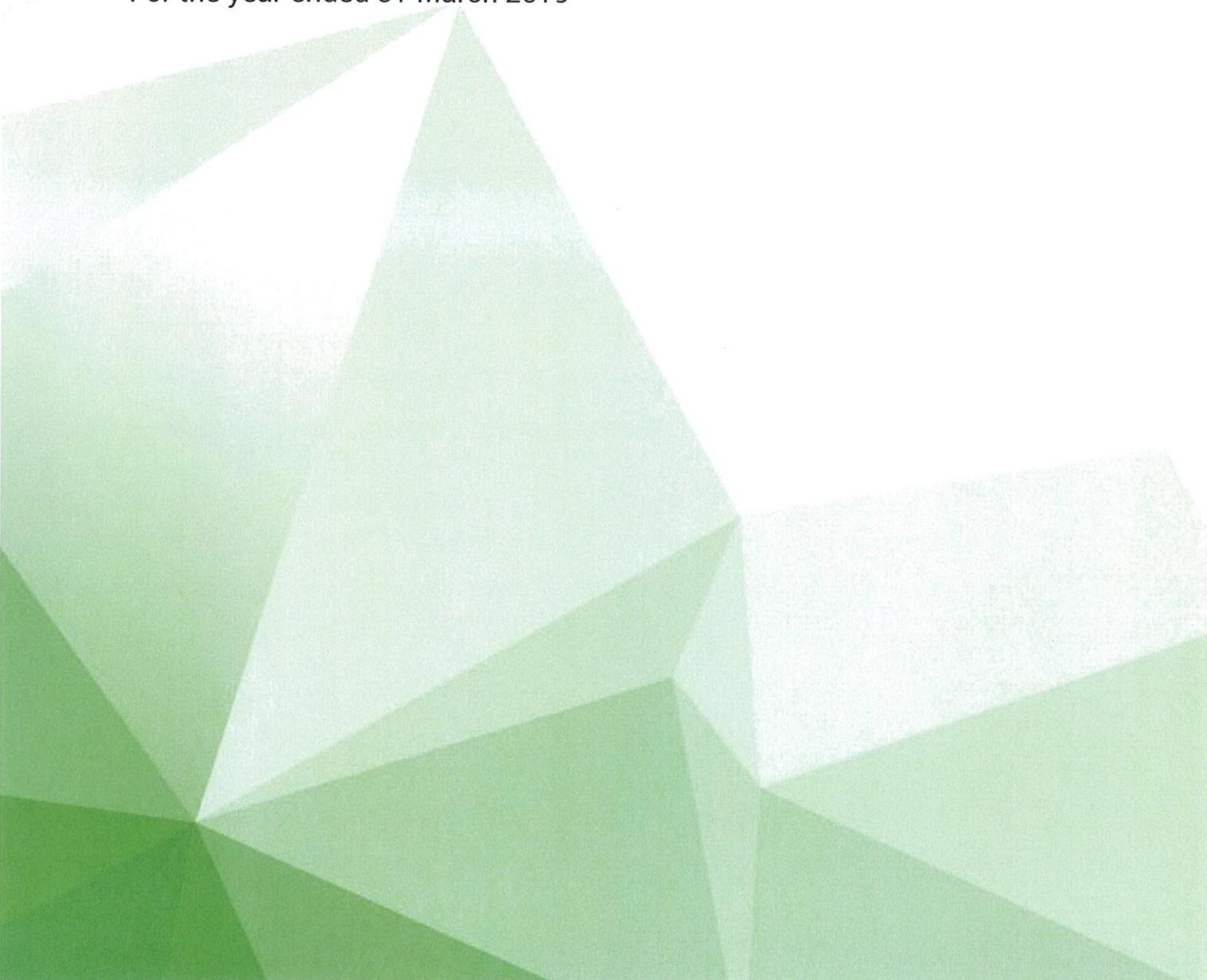


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SuperLife UK Pension Transfer Scheme

Statement of net assets

as at 31 March 2019



	Note	31 March 2019	31 March 2018
		\$	\$
Current assets			
Investments at fair value through profit or loss	7	48,928,116	48,019,521
Cash and cash equivalents		462	306
Cash and cash equivalents - foreign currency account		7	33
Taxation receivable	14	47,653	50,739
Total current assets		48,976,238	48,070,599
Current liabilities			
Payables		(84,870)	(71,730)
Total current liabilities		(84,870)	(71,730)
Total net assets available for benefits to members		48,891,368	47,998,869
Liability for benefits		48,891,368	47,998,869

The Directors of Smartshares Limited authorised these financial statements for issue on 18 July 2019.

For and on behalf of Smartshares Limited:



Director



Director

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

SuperLife UK Pension Transfer Scheme

Statement of changes in net assets

for the year ended 31 March 2019



	Note	31 March 2019	31 March 2018
		\$	\$
Income			
Realised/unrealised change in fair value of investments	13	2,628,590	2,248,879
Interest	11	209	93
Total net income		2,628,799	2,248,972
Management fees - fixed dollar	4	(118,273)	(122,034)
Management fees - percentage of assets	4	(16,799)	(22,205)
Other expenses	12	(35,290)	(36,926)
Net profit before taxation and membership activities		2,458,437	2,067,807
Income taxation benefits	14	47,600	50,721
Net profit before membership activities		2,506,037	2,118,528
Membership activities			
- Member contributions		8,175,891	13,422,983
- Switches within the Scheme		5	-
		8,175,896	13,422,983
Less withdrawal benefits:			
- Benefits paid		(9,789,434)	(8,719,573)
		(9,789,434)	(8,719,573)
Net membership activities		(1,613,538)	4,703,410
Increase in net assets during the year		892,499	6,821,938
Net assets available for benefits			
Opening balance		47,998,869	41,176,931
Increase in net assets during the year		892,499	6,821,938
Closing balance		48,891,368	47,998,869

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



SuperLife UK Pension Transfer Scheme

Statement of cash flows

for the year ended 31 March 2019



	Note	31 March 2019	31 March 2018
		\$	\$
Cash flows from operating activities			
Cash was provided by:			
- Sale of investments		9,369,539	7,520,557
- Interest income received		209	93
- Tax refund received		50,744	40,082
		<u>9,420,492</u>	<u>7,560,732</u>
Cash was applied to:			
- Purchase of investments		(7,649,544)	(12,104,252)
- General management fees		(157,279)	(159,835)
		<u>(7,806,823)</u>	<u>(12,264,087)</u>
Net cash flows from operating activities		<u>1,613,669</u>	<u>(4,703,355)</u>
Cash flows from financing activities			
Cash was provided from:			
- Contributions received from and in respect of members		8,175,895	13,422,983
Cash was applied to:			
- Retirement benefits		(9,789,434)	(8,719,573)
Net cash flows from financing activities		<u>(1,613,539)</u>	<u>4,703,410</u>
Net cash flows from operating and financing activities	15	130	55
Opening cash brought forward		339	284
Closing cash carried forward		<u>469</u>	<u>339</u>

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

SuperLife UK pension transfer scheme



Notes to the financial statements for the year ended 31 March 2019

1 General information

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

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

The Scheme is supervised by Public Trust (the "Supervisor") who 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.

Smartshares Limited is the manager of the Scheme (the "Manager"). It is wholly owned by NZX Limited and is registered under the FSPA. Its registration number with the FSPA is FSP 26531. The Manager in its role as investment manager invests the assets of the Scheme through the SuperLife Invest ("SLI"). SLI has the same Supervisor and Manager as the Scheme. SLI is registered by the FMA under the FMCA with the registration number SCH 10765. To protect the interest of members, the Scheme's investments are held by an independent custodian. The custodian of the Scheme is Public Trust (acting through its nominee company, SuperLife Nominees Limited ("SNL")). SNL is a subsidiary of the Supervisor.

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

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

2 Basis of preparation

Basis of measurement

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

Statement of compliance

The financial statements are for the year ended 31 March 2019 and have been drawn up in accordance with the requirements of the Trust Deed. The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"), the requirements of FMCA and the Financial Reporting Act 2013. They comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS") and other applicable Financial Reporting Standards, as appropriate for profit 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.



2 Basis of preparation (continued)

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.

Critical accounting judgements and estimates

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 2 and level 3 financial instruments. Refer to Note 9: financial instruments for details.

3 Significant accounting policies

Prior to the adoption of NZ IFRS 9, under the guidance of NZ IAS 39, all of the Scheme's investments in SLI, comprising of its indirect investment in equity securities and derivatives, were classified as fair value through profit or loss.

Pursuant to NZ IFRS 9, a portfolio of financial assets that is managed and whose performance is evaluated on a fair value basis is neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets. The Scheme is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. In addition, a portfolio of financial assets that meets the definition of held for trading is not held to collect contractual cash flows or held both to collect contractual cash flows and to sell financial assets. For such portfolios, the collection of contractual cash flows is only incidental to achieving the business model's objective. Consequently, such portfolios of financial assets are measured at fair value through profit or loss.

The adoption of NZ IFRS 9 has been applied using the full retrospective approach and did not result in a significant change to the classification and measurement of financial instruments in either the current or prior year.

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

(a) Financial instruments

(i) Classification

The Scheme classifies its financial assets based on both the Scheme's business model for managing those financial assets and the contractual cash flow characteristics of the financial assets in accordance with NZ IFRS 9: Financial instruments.

Financial assets and liabilities at fair value through profit or loss: These include investments at fair value through profit and loss. The Scheme is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. The Fund has not taken the option to irrevocably designate any equity securities as fair value through other comprehensive income. The contractual cash flows of the Scheme's debt securities are solely principal and interest, however, these securities are neither held for the purpose of collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Fund's business model's objective. Consequently, all investments are measured at fair value through profit or loss.

Financial assets at amortised cost: 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 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.

3 Significant accounting policies (continued)

(a) Financial instruments (continued)

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

(iii) Determination of fair value - financial instruments

Fair values have been determined as follows:

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

The value of investments may be adjusted where such an adjustment is considered necessary to reflect fair value, taking account of currency exposures and fluctuations, marketability of the invested assets and/or such other considerations that the Manager decides are relevant.

(iv) Offsetting financial instruments

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

(b) Cash and cash equivalents

Cash and cash equivalents ("Cash") means, in addition to cash at bank, 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.

To provide useful information to users of the financial statements in relation to the Scheme's total return on assets (taking account of both capital and income returns), we have presented foreign currency gains or losses associated with the sale and purchase of investments and realised / unrealised change in fair value of investments through profit and loss as one line item within the Statement of cash flows and Note 15 respectively.

(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.

3 Significant accounting policies (continued)

(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.

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 includes interest from cash and cash equivalents. 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 investments

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

(i) Fees and expenses

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

(j) Taxation

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

The Scheme invests its assets in SLI. SLI is a Portfolio Investment Entity. The investment income allocated to the Scheme by SLI is tax paid income. The Prescribed Investor Rate of the Scheme is 28%. The Supervisor and the Manager of the Scheme can choose to, and has chosen to transfer deductible expenses to SLI, the expense transfers will reduce the tax liabilities of the Scheme as a member of SLI.

(k) Liability for benefits

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

3 Significant accounting policies (continued)

(l) Goods and Services Tax (GST)

The Scheme is not registered for GST and consequently all components of the financial statements are stated inclusive of GST where appropriate.

(m) Contributions

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

(n) 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.

(o) Impairment of financial assets

With the introduction of NZ IFRS 9, the Scheme is now applying expected credit loss provisioning since initial recognition of these securities. The Scheme measures expected credit losses using probability of default, exposure at default and loss given default. Management considers both historical analysis and forward looking information in determining any expected credit loss. At 31 March 2019 and 31 March 2018, all cash and cash equivalents are held with counterparties with high credit ratings. Management considers the probability of default to be close to zero as the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Scheme. Prior to the adoption of NZ IFRS 9, the carrying amounts of the financial assets at amortised cost were reviewed at each balance date for objective evidence of impairment.

(p) Changes in accounting policies

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

(q) New accounting standards adopted

The Scheme has applied the following standards and amendments for the first time for the annual reporting period commencing 1 April 2018.

(i) IFRS 9: Financial instruments

The adoption of IFRS 9 has been applied retrospectively and did not result in a change to the classification or measurement of financial instruments, in either the current or prior periods.

Investments in financial assets previously designated at fair value through profit or loss

The Scheme's investment portfolio had previously been designated at fair value through profit or loss. On application of NZ IFRS 9 these investment portfolio are mandatorily classified as fair value through profit or loss.

(ii) NZ IFRS 15: Revenue from contracts with customers

NZ IFRS 15 makes significant changes to revenue recognition and adds some additional disclosures, replacing NZ IAS 18 'Revenue' and NZ IAS 11 'Construction contracts' and related interpretations. The Scheme's main sources of revenue are interest, foreign exchange gains and gains on financial instruments measured at fair value through profit or loss. As these are outside the scope of the new standard, the application of NZ IFRS 15 did not have a material impact on the Scheme's financial statements.

(r) New accounting standards not yet adopted

A number of accounting standards have been issued or revised that are not yet in effect as at 31 March 2019, and were identified as not applicable to the Scheme. Therefore they are not included in the financial statements.

(s) Comparatives

These financial statements are for the year ended 31 March 2019. The comparative figures are for the year ended 31 March 2018. Certain prior year comparatives have been reclassified to conform with current period reporting.

SuperLife UK pension transfer scheme



Notes to the financial statements for the year ended 31 March 2019

4 Related party transactions

Contributions and withdrawals

SLI is 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 \$7,649,549 (31 March 2018: \$12,104,251), the withdrawals the Scheme made from SLI is \$9,369,539 (31 March 2018: \$7,520,557).

Management fees

The Management fee deducted under the Scheme is a fixed charge per member of \$60 per annum net of tax (31 March 2018: \$60 per annum net of tax). This is paid to the Manager.

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

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

	31 March 2019	31 March 2018
	\$	\$
Management fees - fixed dollars	24,952	23,026
Pension transfer costs	93,321	99,008
	<u>118,273</u>	<u>122,034</u>

The Scheme invests all its assets in SLI. Under SLI, the Manager charges a percentage of the Scheme's asset as management fee. The fee calculation uses the percentage disclosed in the Product Disclosure Statement of SLI, then subtract the underlying investment and management fee charged by external investment managers and other third parties. These fees are not paid by the Scheme to the Manager directly; the returns credited to the Scheme are net of these fees. The Scheme also deducts a management fee from the gross investment earnings, this management fee is calculated at the rate of 0.11% p.a. (31 March 2018: 0.05% p.a.) of the net assets.

The Scheme does not pay any investment manager fees or management fees as a percentage of assets in respect of these investments directly. The returns credited to the Scheme are net of all investment manager fees.

	31 March 2019	31 March 2018
	\$	\$
SLI	131,641	111,496
	<u>131,641</u>	<u>111,496</u>

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

	31 March 2019	31 March 2018
	\$	\$
Management fees - percentage of assets	16,799	22,205
	<u>16,799</u>	<u>22,205</u>



SuperLife UK pension transfer scheme



Notes to the financial statements for the year ended 31 March 2019

4 Related party transactions (continued)

Investment management fees

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

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

	31 March 2019	31 March 2018
	\$	\$
SLI	9,673	15,847
	<u>9,673</u>	<u>15,847</u>

Other related party transactions

As at 31 March 2019, there is a balance payable of \$49,773 to the Manager (31 March 2018: \$64,783). A tax benefit of \$47,613 relating to expense transfers to SLI is receivable from SLI (31 March 2018: \$50,700).

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

5 Audit fees

For the year ended 31 March 2019, the audit fees of \$5,750 and registry audit fees of \$1,236 are paid or payable by the Scheme. The audit fees and registry audit fees for the financial year ended 31 March 2018 were \$5,750 and \$1,236 respectively.

6 Contingent liabilities and capital commitments

There are no material contingent liabilities or capital commitments as at 31 March 2019 (31 March 2018: Nil).

7 Investments

During the year, the Scheme purchases and sells investments through SLI. As at 31 March 2019, 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 Manager under SLI. The available investment funds are Sector Funds, Diversified Funds previously referred to as "Managed Funds", ETF Funds 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 Fund, the Emerging Markets Fund and the UK Cash Fund. The Diversified Funds are SuperLife Income, SuperLife Conservative, SuperLife Balanced, SuperLife Growth and SuperLife High Growth. The Diversified 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. Just before the year end, the diversified funds were separated out from the sector funds and started to hold direct investments. The ETF Funds are the NZ Cash ETF Fund, the NZ Dividend ETF Fund, the NZ Top 50 ETF Fund, the NZ Top 10 ETF Fund, the NZ Mid Cap ETF Fund, the NZ Property ETF Fund, the Australian Top 20 ETF Fund, the Australian Dividend ETF Fund, the Australian Financials ETF Fund, the Australian Property ETF Fund, the Australian Resources ETF Fund, the Australian Mid Cap ETF Fund, the Total World ETF Fund, the US 500 ETF Fund, the Europe ETF Fund, the Asia Pacific ETF Fund, the US Large Growth ETF Fund, the US Large Value ETF Fund, the US Mid Cap ETF Fund and the US Small Cap ETF Fund. 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.



SuperLife UK pension transfer scheme

Notes to the financial statements
for the year ended 31 March 2019



7 Investments (continued)

During the year, one sector fund and three ETF funds ceased to be available for the members of the Scheme. They were Gemino, New Zealand Bond ETF Fund, Global Bond ETF Fund and Emerging Markets ETF Fund.

The investments by Managed Fund have been broken down to the Sector Funds for these financial statements.

	31 March 2019	31 March 2018
	\$	\$
(a) Investments by Fund		
SuperLife Income	1,795,324	1,913,990
SuperLife Conservative	2,036,189	1,920,732
SuperLife Balanced	5,699,293	4,643,923
SuperLife Growth	4,734,161	3,267,618
SuperLife High Growth	6,227,765	6,097,630
Ethica	2,525,611	1,576,898
NZ Cash	1,588,160	1,752,286
NZ Bonds	1,346,544	1,108,046
OS Bonds	207,537	137,659
OS Non-govt. Bonds	274,069	305,554
Property	1,057,108	1,053,552
NZ Shares	1,228,575	1,513,546
Australian shares	745,872	792,229
OS Shares (Currency Hedged)	407,560	546,674
OS Shares	2,560,735	1,769,464
Emerging markets	1,328,642	620,440
Gemino	-	30,804
UK Cash	7,716,478	8,694,992
NZ Cash ETF	560,487	528,562
NZ Bond ETF	-	20,704
Global Bond ETF	-	12,539
NZ Dividend ETF	333,666	193,821
NZ 50 Portfolio ETF	634,683	283,709
NZ Top 10 ETF	112,492	-
NZ Mid Cap ETF	180,603	49,081
NZ Property ETF	254,786	-
Australian Top 20 ETF	95,600	2,912
Australian Dividend ETF	14,351	153,346
Australian Financials ETF	91,614	38,420
Australian Property ETF	63,671	267,086
Australian Resources ETF	345,901	889,061
Australian Mid Cap ETF	250,576	232,013
Total World ETF	343,666	91,989
US 500 ETF	1,461,330	3,800,140
Europe ETF	1,476,455	1,697,168
Asia Pacific ETF	927,456	968,757
US Large Growth ETF	72,650	261,804
US Large Value ETF	140,686	33,770
US Mid Cap ETF	35,579	6,506
US Small Cap ETF	52,241	256,988
Emerging Markets ETF	-	485,108
Total investments	48,928,116	48,019,521



SuperLife UK pension transfer scheme

Notes to the financial statements
for the year ended 31 March 2019



7 Investments (continued)

(b) Investments by geographical location

New Zealand	13,511,930	12,652,952
United Kingdom	9,174,651	10,117,200
United States of America	10,283,194	11,972,107
Australia	7,148,333	4,850,782
Europe	2,661,074	2,832,009
Rest of the world	6,148,934	5,594,471
Total investments	48,928,116	48,019,521

8 Financial risk and management objectives and policies

(a) Introduction

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

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

(b) Risk management structure

The Scheme's investment manager is responsible for identifying and controlling risks relevant to its mandates. The Manager oversees the investment manager and the management of the risk in the portfolios 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 reporting 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 Statement of Investment Policy and Objectives ("SIPO") for the Scheme. This is available online.

(e) Market risk

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

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

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



8 Financial risk and management objectives and policies (continued)

(e) Market risk (continued)

(i) Interest rate risk

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

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

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

	31 March 2019	31 March 2018
	\$	\$
Direct exposure to interest rate risk		
Floating interest holdings	469	339
Indirect exposure to interest rate risk		
Fixed interest holdings	11,556,600	10,193,887
Floating interest holdings	7,716,478	8,694,992
	<u>19,273,547</u>	<u>18,889,218</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 2019	31 March 2018
	\$	\$
Direct exposure to interest rate risk		
Floating interest holdings	5	3
Indirect exposure to interest rate risk		
Fixed interest holdings	439,124	340,279
Floating interest holdings	77,165	86,950
	<u>516,293</u>	<u>427,232</u>

(ii) Currency risk

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

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

	31 March 2019	31 March 2018
	\$	\$
Direct exposure to currency risk		
United Kingdom (GBP)	7	33
Total foreign currency exposure	<u>7</u>	<u>33</u>
Total foreign currency hedging	-	-
Net foreign currency exposure	<u>7</u>	<u>33</u>

A 10% increase in the value of the New Zealand dollar would have an adverse impact on the value of the Scheme's net assets of \$0.65 (31 March 2018: \$3). A 10% decrease in the value of the New Zealand dollar would have a favourable impact on the value of the Scheme's net assets of \$0.79 (31 March 2018:\$3).

SuperLife UK pension transfer scheme

Notes to the financial statements for the year ended 31 March 2019

8 Financial risk and management objectives and policies (continued)

(e) Market risk (continued)

(ii) Currency risk (continued)

	31 March 2019	31 March 2018
	\$	\$
Indirect exposure to currency risk		
Europe (EURO)	2,661,074	2,832,009
United States of America (USD)	10,283,194	11,972,107
United Kingdom (GBP)	9,174,651	10,117,200
Australia (AUD)	7,148,333	4,850,782
Japan (YEN)	1,921,544	1,773,579
China (YUAN)	147,942	97,521
India (INR)	262,587	209,975
Brazil (BRL)	152,061	140,126
Canada (CAD)	248,845	241,927
South Korea (WON)	21,009	595
Taiwan (TWD)	278,753	256,689
South Africa (RAND)	150,734	147,801
Others	2,965,461	2,726,258
Total foreign currency exposure	<u>35,416,186</u>	<u>35,366,569</u>
Total foreign currency hedging	<u>(13,704,954)</u>	<u>(11,683,812)</u>
Net foreign currency exposure	<u>21,711,232</u>	<u>23,682,757</u>

The above analysis reflects the underlying currency risks held by the investment managers. The underlying currency risks are hedged by the investment manager. Total investments covered by the investment manager's hedge are \$13,704,954 (2018: \$11,683,812).

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

The impact from indirect currency exposures is as follows:

	31 March 2019 + 10% change in exchange rate	31 March 2019 - 10% change in exchange rate	31 March 2018 + 10% change in exchange rate	31 March 2018 - 10% change in exchange rate
	\$	\$	\$	\$
United States of America (USD)	(461,677)	564,272	(653,650)	798,905
Australia (AUD)	(270,699)	330,854	(174,693)	213,514
Europe (EURO)	(115,711)	141,424	(123,595)	151,061
Japan (YEN)	(87,044)	106,387	(88,448)	108,104
United Kingdom (GBP)	(766,226)	936,499	(858,906)	1,049,774
Canada (CAD)	(1,296)	1,584	(856)	1,046
China (YUAN)	(9,753)	11,920	(8,853)	10,821
India (INR)	(23,526)	28,754	(18,967)	23,183
Brazil (BRL)	(13,717)	16,765	(12,233)	14,951
South Korea (WON)	(542)	662	-	-
Taiwan (TWD)	(25,181)	30,777	(23,176)	28,326
South Africa (RAND)	(13,227)	16,166	(13,331)	16,294
Others	(185,151)	226,293	(176,270)	215,438
	<u>(1,973,748)</u>	<u>2,412,359</u>	<u>(2,152,978)</u>	<u>2,631,417</u>

8 Financial risk and management objectives and policies (continued)

(e) Market risk (continued)

(iii) Equity price risk

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

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

	31 March 2019	Impact given 10% increase in equity price	Impact given 10% decrease in equity price
	\$	\$	\$
Property	3,261,249	326,125	(326,125)
New Zealand shares	5,146,807	514,681	(514,681)
Australian shares	3,830,437	383,044	(383,044)
Overseas shares currency hedged	5,035,640	503,564	(503,564)
Overseas shares (unhedged)	10,074,037	1,007,404	(1,007,404)
Emerging markets	2,306,869	230,687	(230,687)
	<u>29,655,038</u>	<u>2,965,504</u>	<u>(2,965,504)</u>

	31 March 2018	Impact given 10% increase in equity price	Impact given 10% decrease in equity price
	\$	\$	\$
Property	2,914,870	291,487	(291,487)
New Zealand shares	4,348,484	434,848	(434,848)
Australian shares	4,167,195	416,720	(416,720)
Overseas shares currency hedged	4,476,972	447,697	(447,697)
Overseas shares (unhedged)	11,235,670	1,123,567	(1,123,567)
Emerging markets	1,987,450	198,745	(198,745)
	<u>29,130,642</u>	<u>2,913,064</u>	<u>(2,913,064)</u>

(f) Liquidity risk

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

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

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

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.

(i) Managed

In accordance with the Scheme's policy, the Manager is to invest in debt securities that are investment grade as at investment purchase date. If not rated, these securities must be assessed by the Manager to be of at least investment grade quality. The Manager has also set limits for the management of counterparty risk and compliance with these limits is monitored.

(ii) Measurement:

The Scheme measures credit risk and any expected credit losses using probability of default, exposure at default and loss given default taking into consideration both historical analysis and forward looking information. The Manager considers the Scheme's financial assets at amortised cost to have a probability of default close to zero as they are short term in nature and the counterparties have a strong capacity to meet their obligations in the near term. As a result, no impairment allowances for expected credit losses have been recognised as any such impairment would be wholly insignificant to the Scheme. With respect to derivative financial instruments, the Manager's policy is to limit the counterparties to a group of major international banks. All transactions in listed securities are settled upon recognised and reputable exchanges. The risk of default is considered minimal as trades are not completed if either party fails to meet its obligation.

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

The following table sets out the calculated direct and indirect credit exposure of the Scheme, excluding indirect investment in equity instruments.

	31 March 2019	31 March 2018
	\$	\$
Investments	19,273,078	18,888,879
Cash and cash equivalents	462	306
Cash and cash equivalent - foreign currency account	7	33
	<u>19,273,547</u>	<u>18,889,218</u>

No loss allowance has been recognised based on 12 month expected credit losses as any such impairment would be wholly insignificant to the Scheme.

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

	31 March 2019	31 March 2018
	%	%
Direct exposure to credit risk		
AA	-	-
Indirect exposure to credit risk		
AAA	7	7
AA	61	68
A	18	11
BBB	13	12
BB	-	-
Unrated	1	2

The quality of the "Unrated" underlying debt securities is monitored by the investment manager. No significant increase in credit risk has been identified during the year ended 31 March 2019.

SuperLife UK pension transfer scheme

Notes to the financial statements for the year ended 31 March 2019

9 Financial instruments

(a) Financial instruments by category

The table below provides reconciliation of the line items in the Scheme's Statement of net assets to the categories of financial instruments for 31 March 2019.

31 March 2019				
	Financial assets at fair value through profit or loss	Financial assets at amortised cost	Financial liabilities at amortised cost	Total carrying amount
	\$	\$	\$	\$
Assets				
Investments	48,928,116	-	-	48,928,116
Cash and cash equivalent	-	462	-	462
Foreign currency accounts	-	7	-	7
Total assets	48,928,116	469	-	48,928,585
Liabilities				
Sundry creditors	-	-	(84,870)	(84,870)
Liability for benefits	-	-	(48,891,368)	(48,891,368)
Total liabilities	-	-	(48,976,238)	(48,976,238)

The table below provides reconciliation of the line items in the Scheme's Statement of net assets to the categories of financial instruments for 31 March 2018.

31 March 2018				
	Financial assets at fair value through profit or loss	Financial assets at amortised cost	Financial liabilities at amortised cost	Total carrying amount
	\$	\$	\$	\$
Assets				
Investments	48,019,521	-	-	48,019,521
Cash and cash equivalent	-	306	-	306
Foreign currency accounts	-	33	-	33
Total assets	48,019,521	339	-	48,019,860
Liabilities				
Sundry creditors	-	-	(71,730)	(71,730)
Liability for benefits	-	-	(47,998,869)	(47,998,869)
Total liabilities	-	-	(48,070,599)	(48,070,599)

(b) Fair value of financial instruments

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

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

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

SuperLife UK pension transfer scheme

Notes to the financial statements for the year ended 31 March 2019

9 Financial instruments (continued)

(b) Fair value of financial instruments (continued)

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

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

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

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

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

The following table presents the Scheme's investments that are measured at fair value by the different asset types for 31 March 2019.

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Financial assets at fair value through profit or loss				
Investments				
Cash	-	10,631,603	-	10,631,603
New Zealand bonds	-	5,047,068	-	5,047,068
Overseas bonds	-	1,759,681	-	1,759,681
Overseas non-govt. bonds	-	1,834,726	-	1,834,726
Property	-	3,261,249	-	3,261,249
New Zealand shares	-	5,146,807	-	5,146,807
Australian shares	-	3,830,437	-	3,830,437
Overseas shares currency hedged	-	5,035,640	-	5,035,640
Overseas shares (unhedged)	-	10,074,037	-	10,074,037
Emerging markets	-	2,306,869	-	2,306,869
Total investments	-	48,928,116	-	48,928,116

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

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Investment				
Cash	-	11,628,812	-	11,628,812
New Zealand bonds	-	4,016,564	-	4,016,564
Overseas bonds	-	1,541,863	-	1,541,863
Overseas non-govt. bonds	-	1,701,640	-	1,701,640
Property	-	2,914,871	-	2,914,871
New Zealand shares	-	4,348,484	-	4,348,484
Australian shares	-	4,167,195	-	4,167,195
Overseas shares currency hedged	-	4,476,972	-	4,476,972
Overseas shares (unhedged)	-	11,235,670	-	11,235,670
Emerging markets	-	1,987,450	-	1,987,450
Total investments	-	48,019,521	-	48,019,521

SuperLife UK pension transfer scheme



Notes to the financial statements

for the year ended 31 March 2019

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 31 March 2019 and 2018.

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: Financial risk and management objectives and policies, the Scheme endeavours to invest the contributions received in appropriate investments whilst maintaining sufficient liquidity to meet any withdrawal requests and all other present and future obligations.

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

11 Interest income

	31 March 2019	31 March 2018
	\$	\$
Cash and cash equivalents	209	93
Total interest income	209	93

12 Other expenses

	31 March 2019	31 March 2018
	\$	\$
Filing fees and FMA Levy	28,237	29,465
Registry audit fees	1,236	1,236
Audit fees	5,750	5,750
Bank fees	67	475
Total other expenses	35,290	36,926



SuperLife UK pension transfer scheme

Notes to the financial statements for the year ended 31 March 2019

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

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

	31 March 2019	31 March 2018
	\$	\$
SuperLife Income	59,325	25,259
SuperLife Conservative	108,670	115,126
SuperLife Balanced	343,300	191,824
SuperLife Growth	268,788	130,979
SuperLife High Growth	503,033	35,042
Ethica	112,201	34,057
NZ Cash	26,399	45,102
NZ Bonds	34,972	46,939
OS Bonds	4,651	3,730
OS Non-govt. Bonds	8,469	8,481
Property	178,716	24,599
NZ Shares	186,958	42,468
Australian shares	65,274	(3,206)
OS Shares (Currency Hedged)	30,691	30,256
OS Shares	160,200	129,291
Emerging markets	3,272	76,856
Gemino	(3,991)	(10,201)
UK Cash	(84,908)	529,872
UK Income	-	(3,860)
UK Shares/Property	-	23,202
NZ Cash ETF	10,109	921
NZ Bond ETF	9,674	340
Global Bond ETF	1,698	69
NZ Dividend ETF	47,468	6,008
NZ 50 Portfolio ETF	76,903	156,458
NZ Top 10 ETF	11,768	-
NZ Mid Cap ETF	19,613	572
NZ Property ETF	17,378	-
Australian Top 20 ETF	(3,325)	(180)
Australian Dividend ETF	1,102	(12,513)
Australian Financials ETF	(3,228)	(3,993)
Australian Property ETF	7,080	(4,555)
Australian Resources ETF	132,420	86,874
Australian Mid Cap ETF	(9,073)	12,510
Total World ETF	9,766	(271)
US 500 ETF	346,136	270,843
Europe ETF	(6,861)	79,314
Asia Pacific ETF	(25,097)	91,960
US Large Growth ETF	733	26,420
US Large Value ETF	9,095	(1,470)
US Mid Cap ETF	2,298	(505)
US Small Cap ETF	(1,725)	19,805
Emerging Markets ETF	(31,362)	44,456
Total realised/unrealised change in fair value of investment assets	2,628,590	2,248,879

SuperLife UK pension transfer scheme



Notes to the financial statements for the year ended 31 March 2019

14 Taxation

	31 March 2019	31 March 2018
	\$	\$
Investment surplus before taxation	2,458,437	2,067,807
Less: tax paid income	(2,628,590)	(2,248,879)
Taxable loss	(170,153)	(181,072)
Tax charge at the standard tax rate of 28%	47,600	50,721
Income tax benefit	47,600	50,721
Taxation receivable/(payable)		
Opening balance brought forward	50,739	40,101
Current tax benefit for the period	47,600	50,721
Tax refund received	(50,744)	(40,099)
Withholding tax paid	58	16
Taxation receivable	47,653	50,739

15 Reconciliation of net cash flows from operating and financing activities

	31 March 2019	31 March 2018
	\$	\$
Increase in net assets during the year	892,499	6,821,938
Add/(less) non cash items:		
- Realised/unrealised change in fair value of investments	(2,628,590)	(2,248,879)
Add/(less) movements in other working capital items:		
- Decrease/(Increase) in investments	1,719,995	(4,583,695)
- Increase in sundry creditors	13,140	21,329
- Increase /(decrease) in taxation receivable	3,086	(10,638)
Net cash flows from operating and financing activities	130	55

16 Subsequent events

There have been no material events after balance date that require adjustment to or disclosure in the financial statements (31 March 2018: none).





Independent auditor's report

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

We have audited the Scheme's financial statements which comprise:

- the statement of net assets as at 31 March 2019;
- 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 net assets of the Scheme as at 31 March 2019, its changes in net assets and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

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

Our firm carries out other services for the Scheme in the area of member registry compliance assurance. We have provided the following services to the Scheme's Manager: conduct risk assessment and non-assurance review of an asset valuation assessment. Subject to certain restrictions, employees of our firm may invest in the Scheme on normal market terms. These services and relationships have not impaired our independence as auditor of the Scheme.

Our audit approach

Overview



An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement.

Overall materiality for the Scheme is \$488,913, which is calculated based on 1% of net assets for the Scheme.

We chose net assets as the benchmark because, in our view, the objective of the Scheme is to provide members with a total return on assets taking account of both capital and income returns.

Because of the significance of the investments to the financial statements, we have determined there is one key audit matter: valuation and existence of investments at fair value through profit or loss.

Materiality

The scope of our audit was influenced by our application of materiality.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the Scheme's financial statements as a whole as set out above. These, together with qualitative considerations, helped us to determine the scope of our audit, the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the Scheme's financial statements as a whole.

Audit scope

We designed our audit by assessing the risks of material misstatement in the financial statements and our application of materiality. As in all of our audits, we also addressed the risk of management override of internal controls including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the Scheme's financial statements as a whole, taking into account the structure of the Scheme, the type of investments held by the Scheme, the accounting processes and controls, the use of third party service providers and the industry in which the Scheme operates.

The Manager is responsible for the governance and control activities of the Scheme. The Manager has appointed Public Trust Limited (the Custodian) to act as the Custodian for the Scheme's investments. The Manager also acts as the administrator in providing investment accounting and registry services to the Scheme.

In establishing our overall audit approach, we assessed the risk of material misstatement, taking into account the nature, likelihood and potential magnitude of any misstatement. As part of our risk assessment, we considered the control environment in place at the Manager and the Custodian.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Scheme's financial statements of the current year. We have one key audit matter, which is valuation and existence of investments at fair value through profit or loss. This matter was addressed in the context of our audit of the Scheme's financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Key audit matter	How our audit addressed the key audit matter
<p data-bbox="277 488 782 555"><i>Valuation and existence of investments at fair value through profit or loss</i></p> <p data-bbox="277 577 782 645">Refer to Note 7 in the Scheme’s financial statements.</p> <p data-bbox="277 667 782 801">As at 31 March 2019, the Scheme has investments at fair value through profit or loss of \$48,928,116 (31 March 2018: \$48,019,521).</p> <p data-bbox="277 824 782 925">This was an area of focus for our audit as it represents the majority of the net assets of the Scheme.</p> <p data-bbox="277 947 782 1339">The Scheme invests in SuperLife Invest, a managed investment scheme managed by the Manager, and the investment is categorised as level 2 in the fair value hierarchy. The fair value of the managed investment scheme is determined based on the redemption price established by the Manager. In assessing the fair value, the Manager uses information provided by the underlying investments of SuperLife Invest and includes assumptions based on market conditions existing at balance date.</p> <p data-bbox="277 1361 782 1440">A record of all investments is held by the Manager on behalf of the Scheme.</p>	<p data-bbox="837 577 1471 734">We assessed the processes employed by the Manager, for recording and valuing the investments at fair value through profit or loss including the relevant controls operated by the Manager. Our assessment of the business processes included:</p> <ul data-bbox="885 757 1471 1070" style="list-style-type: none">- Understanding and evaluating key controls for the purchase and sales of investments.- Obtaining the internal control report over investment accounting provided by the Manager for the period from 1 April 2018 to 31 March 2019. We evaluated the evidence provided by the internal controls report over the design and operating effectiveness of the key controls operated by the Manager. <p data-bbox="837 1115 986 1149">Valuation</p> <p data-bbox="837 1160 1471 1328">We agreed the redemption price as at 31 March 2019 to the confirmation provided by the Manager. We evaluated the redemption price represents fair value by evaluating against fair value information of the underlying investments of SuperLife Invest.</p> <p data-bbox="837 1339 986 1373">Existence</p> <p data-bbox="837 1384 1471 1518">We obtained confirmations from the Manager in relation to the holdings of investments in the managed investment scheme held by the Scheme as at balance date.</p> <p data-bbox="837 1529 1471 1597">From the procedures performed, we have no matters to report.</p>

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 the 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 this 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 has 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/assurance-standards/auditors-responsibilities/audit-report-2/>

This description forms part of our auditor's report.

Who we report to

This report is made solely to 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 than 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
18 July 2019

Auckland