SUPERLIFE
a Member of the NZX Group

SUPERLIFE WORKPLACE SAVINGS SCHEME

FINANCIAL STATEMENTS

For the year ended 31 March 2019

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	Note	31 March 2019	31 March 2018
		$'000	$'000
Current assets			
Investments at fair value through profit or loss	7	1,200,918	1,120,136
Cash and cash equivalents		225	158
PIE taxation receivable	3(j)	497	299
Total current assets		1,201,640	1,120,593
Current liabilities			
Payables		(306)	(167)
Total current liabilities		(306)	(167)
Total net assets available for benefits to members		1,201,334	1,120,426
Liability for benefits		1,201,334	1,120,426

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.

	Note	31 March 2019	31 March 2018
		$'000	$'000
Investment activities			
Realised/unrealised change in fair value of investments	12	**73,545**	50,727
Total net investment income		**73,545**	50,727
Management fees - fixed dollar	4	**(1,004)**	(983)
Audit fees	5	**(42)**	(42)
Other income/(expenses)		**41**	(59)
Change in net assets before membership activities		**72,540**	49,643
Membership activities			
Contributions received from and in respect of members			
- Member contributions		**98,036**	92,619
- Employer contributions		**34,303**	34,204
Add: Insurance proceeds received		**6,320**	4,667
Less Withdrawal benefits paid			
- Retirement benefits		**(43,549)**	(29,394)
- Withdrawals		**(48,040)**	(40,438)
- Transfer to the SuperLife KiwiSaver scheme		**(154)**	(1,399)
- Permanent emigration		**(13)**	(10)
- Resignations/dismissals		**(17,137)**	(20,345)
- Death/disablement		**(7,376)**	(5,669)
Less: insurance premiums paid:			
- Insurance Premium Disability		**(1,585)**	(1,551)
- Insurance Premium Life		**(4,479)**	(4,485)
- Insurance Premium Medical		**(8,218)**	(7,527)
Less PIE tax paid/payable on behalf of members	3(j)	**260**	(5,985)
Net membership activities		**8,368**	14,687
Increase in net assets during the year		**80,908**	64,330
Net assets available for benefits			
Opening balance		**1,120,426**	1,056,096
Increase in net assets during the year		**80,908**	64,330
Closing balance		**1,201,334**	1,120,426

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

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	Note	31 March 2019	31 March 2018
		$'000	$'000
Cash flows from operating activities			
Cash was provided from:			
- Sale of investments		**44,844**	44,845
- Insurance proceeds received		**6,320**	4,667
- Tax refund received		**56**	-
		51,220	49,512
Cash was applied to:			
- Purchase of investments		**(52,078)**	(61,626)
- Insurance premiums paid		**(14,214)**	(13,552)
- PIE tax paid on behalf of the members	3 (j)	**-**	(2,803)
- Other expenses		**(931)**	(1,086)
		(67,223)	(79,067)
Net cash flows from operating activities		**(16,003)**	(29,555)
Cash flows from financing activities			
Cash was provided from:			
- Contributions received from and in respect of members		**132,340**	126,823
Cash was applied to:			
- Withdrawal benefits paid		**(116,270)**	(97,255)
Net cash flows from financing activities		**16,070**	29,568
Net cash flows from operating and financing activities	13	**67**	13
Cash and cash equivalents at beginning of the year		**158**	145
Cash and cash equivalent at end of the year		**225**	158

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

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SUPERLIFE
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1 General information

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

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

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

2 Basis of preparation

Basis of measurement

The measurement base adopted is that of historical cost as modified by the revaluation of financial instruments at fair value 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 ("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 these 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 2 and level 3 financial instruments. Refer to Note 9: financial instruments for details.

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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, comprising of equity securities, debt securities and derivatives, were classified as fair value through profit or loss and sub-categorised between those held for trading and those designated at fair value through profit or loss at inception.

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 and derivatives instruments. 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. 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 substantially transferred all of the risks and rewards of ownership.

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

3 Significant accounting policies (continued)

(a) Financial instruments (continued)

(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 manager based on the underlying market value on the 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 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") may include, 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 receivables or payables, or any borrowings subject to a term facility, or cash held with the investment manager.

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 13 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 the 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 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 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 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 gains and losses on the disposal 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 as services are rendered.

(j) **Taxation**

The Scheme is a Portfolio Investment Entity ("PIE") under New Zealand 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 2018: 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 with respect to the 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 member's tax liability and pays the amount liable on behalf of the member to Inland Revenue during the month following the month of the 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 members 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.

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3 Significant accounting policies (continued)

(k) Liability for benefits

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

(l) Goods and Services Tax (GST)

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

(m) Insurance

Insurance claim proceeds in respect of life and income protection insurance, are shown as insurance proceeds received from insurers when the monies are received. The payments to the members or beneficiaries 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 and/or regular savings as they choose. Employee members invest in the Scheme through payroll deductions at pre-determined rates of their gross salary and their employers also contribute at pre-determined rates.

(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

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.

(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) NZ IFRS 9: Financial Instruments

The adoption of NZ 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.

3 Significant accounting policies (continued)

(q) New accounting standards adopted (continued)

(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 dividends, 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 effective as at 31 March 2019, and were identified as not applicable to the Scheme. Therefore they are not included in the financial statements.

(s) Changes in accounting policies

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

(t) 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.

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 were $68,208,848 (31 March 2018: $61,629,105). The withdrawals the Scheme made from SLI were $60,978,901 (31 March 2018: $44,843,961). These contributions and withdrawals are associated with the Scheme's purchases and sales of investments through SLI.

Related party holdings

No directors (31 March 2018: none) of Smartshares Limited are members of the Scheme.

Smartshares Limited is a subsidiary of NZX Limited. Smartshares Limited manages exchange traded funds ("ETF"s) that can be invested in by the public. The Scheme has no direct holdings in ETFs.

The Scheme received no distributions from ETFs managed by Smartshares Limited during the year (31 March 2018: $Nil).

Management fees

The Scheme pays management fees to the Manager. Management fees include a fixed charge per member ranging from $0 to $129 net of tax. These fees are made up of a savings fee, and a fee for each insurance benefit.

	31 March 2019 $'000	31 March 2018 $'000
Management fees - fixed dollars	1,004	983
	1,004	983

As at 31 March, total management fees remaining as payable to the Manager are as follows:

	31 March 2019 $000	31 March 2018 $000
Management fees - fixed dollar	8	4
	8	4

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4 Related party transactions (continued)

Management fees (continued)

The Scheme invests all its assets in SLI. Under SLI, the Manager charges a percentage of the Scheme's asset as management fees. The fee calculation uses the percentages as disclosed in the Product Disclosure Statement of SLI, then subtract the underlying investment and management fees 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. Estimated management fees as a percentage of assets for SLWS which was deducted from the returns on investments of SLI were $3,098,457 (31 March 2018: $2,724,104).

Investment management fees

SLI is the investment vehicle for the Scheme. The estimated investment management fees for the Scheme which were deducted from the returns on investments of SLI were $39,568 (31 March 2018: $198,807).

All related party balances are unsecured with no fixed repayment terms and are non interest-bearing.

5 Audit fees

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

	31 March 2019 $000	31 March 2018 $000
Controls assurance engagement	**18**	18
Financial statements audit	**23**	23
Member registry compliance assurance	**1**	1
	42	42

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 purchased and sold 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 invested in investment funds set up by the investment manager. 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 Shares 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 Managed Funds previously invested in one or more Sector Funds in the proportions decided by the investment manager. These proportions have changed from time to time at the discretion of the investment manager depending on its view of the current investment markets. There is only one Ethical Fund, Ethica. The ETF Funds are the NZ Cash ETF Fund, the NZ Dividend ETF Fund, the NZ Top 50 Portfolio 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, the US Small Cap ETF Fund and the Emerging Markets ETF Fund. There is also an investment option available that combines individual funds. This option is SuperLife$^{Age\ Steps}$. This option automatically sets the proportion of investments in income and growth assets based on the members' ages.

During the year, four funds were disestablished. They were Gemino, NZ Bond ETF Fund, Global Bond ETF Fund and Emerging Markets ETF Fund.

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7 Investments (continued)

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

(a) Investments by Fund	31 March 2019 $000	31 March 2018 $000
Ethica	**12,291**	12,594
NZ Cash	**115,110**	117,736
NZ Bonds	**96,014**	95,216
Overseas Bonds	**49,890**	48,464
Overseas Non-govt. Bonds	**38,578**	37,749
Property	**30,969**	26,075
NZ Shares	**79,795**	71,113
Australian shares	**32,330**	30,695
Overseas Shares (Currency Hedged)	**109,015**	108,421
Overseas Shares	**86,236**	81,730
Emerging Markets	**14,358**	13,375
Gemino	**-**	1,502
UK Cash	**2,373**	1,383
NZ Cash ETF	**396**	109
NZ Bond ETF	**-**	1,286
Global Bond ETF	**-**	291
NZ Dividend ETF	**1,547**	724
NZ 50 Portfolio ETF	**5,771**	4,010
NZ Top 10 ETF	**949**	200
NZ Mid Cap ETF	**1,380**	1,317
NZ Property ETF	**1,978**	122
Australian Top 20 ETF	**353**	321
Australian Dividend ETF	**541**	460
Australian Financials ETF	**166**	147
Australian Property ETF	**291**	168
Australian Resources ETF	**2,723**	2,035
Australian Mid Cap ETF	**867**	963
Total World ETF	**1,350**	1,235
US 500 ETF	**5,316**	1,966
Europe ETF	**1,224**	1,609
Asia Pacific ETF	**515**	771
US Large Growth ETF	**2,085**	1,067
US Large Value ETF	**226**	263
US Mid Cap ETF	**452**	274
US Small Cap ETF	**853**	347
Emerging Markets ETF	**-**	1,094
SuperLife Balanced	**34,270**	30,304
SuperLife Conservative	**313,478**	281,109
SuperLife Growth	**19,170**	18,408
SuperLife Income	**51,389**	45,796
SuperLife High Growth	**86,669**	77,687
Total investments	**1,200,918**	1,120,136

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7 **Investments (continued)**

(b) **Investments by geographical location**

	31 March 2019 $000	31 March 2018 $000
New Zealand	**452,676**	471,999
United States of America	**328,019**	289,301
Australia	**118,001**	91,648
Europe	**83,592**	86,268
Japan	**59,172**	49,822
United Kingdom	**49,069**	42,028
Canada	**12,151**	11,396
China	**4,266**	1,564
India	**4,922**	3,408
Korea	**894**	36
Taiwan	**5,113**	4,171
South Africa	**2,964**	2,408
Brazil	**2,800**	2,484
Rest of the world	**77,279**	63,603
Total investments	**1,200,918**	1,120,136

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

The Scheme invests in SLI. The Scheme does not have any direct investment shareholdings of 5% or more in any other entities in the current and prior year.

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. The process of risk management is critical to the Scheme's continuing viability. It is also recognised that most members directly manage their own investment risk by the determination of their investment strategy and how their account balance is invested from the options available. The Manager's role is to manage the investment risks within each of the investment funds.

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

(b) **Risk management structure**

The Scheme's investment manager is responsible for identifying and controlling risks as described in the Scheme's statement of investment policy and objectives ("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 reporting date is disclosed in the respective risk categories below.

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8 **Financial risk and management objectives and policies (continued)**

(d) **Risk management**

The Scheme has investment guidelines that set out its overall strategies which are described in the 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 holding may be exposed to a number of different market risks.

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

(i) **Interest rate risk**

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

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

The Scheme's exposure to indirect fixed interest holdings for the year is $510,500,000 (31 March 2018: $485,449,000).

The Scheme's exposure to indirect floating interest holdings for the year is $2,373,000 (31 March 2018: $1,383,000).

A 1% increase/decrease in the fixed interest rate would have a total adverse/favourable impact on the value of the Scheme's net assets of $20,463 (31 March 2018: $16,913).

A 1% increase/decrease in the floating interest rate would have a total adverse/favourable impact on the value of the Scheme's net assets of $23,730 (31 March 2018: $13,830).

(ii) **Currency risk**

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

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

	31 March 2019	**31 March 2018**
	$000	**$000**
United States of America (USD)	**328,018**	289,300
Australia (AUD)	**118,001**	91,647
Europe (EUR)	**83,592**	86,267
Japan (JPY)	**59,172**	49,822
United Kingdom (GBP)	**49,069**	42,028
Canada (CAD)	**12,151**	11,396
China (YUAN)	**4,266**	1,564
India (INR)	**4,922**	3,408
Brazil (BRL)	**2,800**	2,484
South Korea (WON)	**894**	36
Taiwan (TWD)	**5,113**	4,171
South Africa (RAND)	**2,964**	2,408
Others	**77,280**	63,605
Total foreign currency exposure	**748,242**	648,136
Total foreign currency hedging	**(551,728)**	(478,617)
Net foreign currency exposure	**196,514**	169,519

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8 Financial risk and management objectives and policies (continued)

(e) Market risk (continued)

(ii) Currency risk (continued)

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

The impact from indirect currency exposures is as follows:

	31 March 2019	31 March 2019	31 March 2018	31 March 2018
	+ 10% change in exchange rate	- 10% change in exchange rate	+ 10% change in exchange rate	- 10% change in exchange rate
	$000	$000	$000	$000
United States of America (USD)	**(8,431)**	**10,305**	(7,450)	9,106
Australia (AUD)	**(1,569)**	**1,918**	(751)	918
Europe (EUR)	**(1,416)**	**1,730**	(1,468)	1,794
Japan (JPY)	**(1,072)**	**1,310**	(1,116)	1,364
United Kingdom (GBP)	**(1,005)**	**1,228**	(935)	1,142
Canada (CAD)	**(14)**	**17**	(17)	20
China (YUAN)	**(179)**	**219**	(141)	173
India (INR)	**(428)**	**523**	(304)	372
Brazil (BRL)	**(249)**	**305**	(196)	240
Taiwan (TWD)	**(458)**	**559**	(372)	455
South Africa (RAND)	**(240)**	**294**	(214)	262
Others	**(2,805)**	**3,428**	(2,446)	2,990
	(17,866)	**21,836**	(15,410)	18,836

The above analysis reflects the underlying currency risks held by SLI. Some of the underlying currency risks are hedged by SLI and its external investment manager. Total investments covered by SLI and its investment manager's hedging activities are $551,728,835 (31 March 2018: $478,616,955).

(iii) Equity price risk

All equity investments present a risk of loss of capital often due to factors beyond the investment manager's control such as competition, regulatory changes, commodity price changes and changes in the general economic climate, domestically and internationally. The Scheme is exposed to indirect equity price risk through its investments. 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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8 Financial risk and management objectives and policies (continued)

(e) Market risk (continued)

(iii) Equity price risk (continued)

As at 31 March 2019, the Scheme's exposures to equity price risk are indirect:

	31 March 2019	Impact given 10% increase in equity price	Impact given 10% decrease in equity price
	$000	$000	$000
Property	69,204	6,920	(6,920)
New Zealand shares	144,209	14,421	(14,421)
Australian shares	64,932	6,493	(6,493)
Overseas Shares (Currency Hedged)	224,295	22,430	(22,430)
Overseas Shares	143,360	14,336	(14,336)
Emerging markets	42,295	4,229	(4,229)
	688,295	68,829	(68,829)

As at 31 March 2018, the Scheme's exposures to equity price risk and the effect of 10% increase/decrease on equity price were:

	31 March 2018	Impact given 10% increase in equity price	Impact given 10% decrease in equity price
	$000	$000	$000
Property	60,787	6,079	(6,079)
NZ shares	131,425	13,143	(13,143)
Australian shares	80,741	8,074	(8,074)
Overseas Shares (Currency Hedged)	198,336	19,834	(19,834)
Overseas Shares	130,430	13,043	(13,043)
Emerging markets	31,743	3,174	(3,174)
	633,462	63,347	(63,347)

(f) Liquidity risk

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

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

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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 determined at the date of purchase of debt securities. 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 credit exposure of the Scheme, excluding equity instruments.

	31 March 2019	31 March 2018
	$000	$000
Investments at fair value through profit or loss	**512,622**	486,674
Cash and cash equivalents	**225**	158
	512,847	486,832

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 indirect exposure to credit risk by credit rating of the Scheme.

	31 March 2019	31 March 2018
	%	%
Indirect exposure to credit risk		
AAA	**17**	15
AA	**32**	40
A	**29**	21
BBB	**21**	22
Unrated	**1**	2
	100	100

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.

None of these assets are impaired or past due.

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 2019			
	Financial assets at fair value through profit or loss	Financial assets at amortised cost	Financial liabilities at amortised cost	Total carrying amount
	$000	$000	$000	$000
Assets				
Investments at fair value through profit or loss	1,200,918	-	-	1,200,918
Cash and cash equivalents	-	225	-	225
Total assets	**1,200,918**	**225**	**-**	**1,201,143**
Liabilities				
Payables	-	-	(306)	(306)
Liability for benefits	-	-	(1,201,334)	(1,201,334)
Total liabilities	**-**	**-**	**(1,201,640)**	**(1,201,640)**

	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
	$000	$000	$000	$000
Assets				
Investments at fair value through profit or loss	1,120,136	-	-	1,120,136
Cash and cash equivalents	-	158	-	158
Total assets	1,120,136	158	-	1,120,294
Liabilities				
Payables	-	-	(167)	(167)
Liability for benefits	-	-	(1,120,426)	(1,120,426)
Total liabilities	-	-	(1,120,593)	(1,120,593)

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9 Financial instruments (continued)

(b) Fair value of financial instruments

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

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

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

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

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

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

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

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

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

	Level 1	Level 2	Level 3	Total
	$000	$000	$000	$000
Financial assets at fair value through profit or loss:				
Investments				
Cash	-	123,367	-	123,367
New Zealand bonds	-	171,057	-	171,057
Overseas government bonds	-	114,583	-	114,583
Overseas non-government bonds	-	103,615	-	103,615
Property	-	69,204	-	69,204
New Zealand shares	-	144,209	-	144,209
Australian shares	-	64,932	-	64,932
Overseas shares (currency hedged)	-	224,295	-	224,295
Overseas shares (unhedged)	-	143,360	-	143,360
Emerging markets	-	42,296	-	42,296
Total investments	-	1,200,918	-	1,200,918

The Scheme's investments in SLI are categorised as level 2. Refer to the financial statements of SLI for details on the fair value hierarchy of investments within SLI.

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9 **Financial instruments (continued)**

(b) **Fair value of financial instruments (continued)**

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

	Level 1	Level 2	Level 3	Total
	$000	$000	$000	$000
Financial assets at fair value through profit or loss:				
Investments				
Cash	-	135,871	-	135,871
New Zealand bonds	-	174,717	-	174,717
Overseas government bonds	-	93,487	-	93,487
Overseas non-government bonds	-	82,599	-	82,599
Property	-	60,787	-	60,787
New Zealand shares	-	131,425	-	131,425
Australian shares	-	80,741	-	80,741
Overseas shares (currency hedged)	-	198,336	-	198,336
Overseas shares (unhedged)	-	130,430	-	130,430
Emerging markets	-	31,743	-	31,743
Total investments	-	1,120,136	-	1,120,136

(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 31 March 2018.

(d) **Financial instruments in level 3**

As at 31 March 2019, the Scheme held no instruments in level 3 (2018: none).

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 Statement of 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**

The scheme received no interest income directly during the year (2018: none). Interest on any holdings of cash or cash equivalents are distributed to the Scheme by SLI through returns on investments.

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

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

	31 March 2019 $000	31 March 2018 $000
Ethica	**861**	381
NZ Cash	**2,361**	2,583
NZ Bonds	**3,945**	4,704
Overseas Bonds	**1,470**	1,588
Overseas Non-govt. Bonds	**1,700**	857
Property	**5,473**	836
NZ Shares	**11,197**	2,761
Australian shares	**2,655**	(205)
Overseas Shares (currency hedged)	**3,799**	8,323
Overseas Shares	**6,414**	6,680
Emerging Markets	**(287)**	1,639
Gemino	**(194)**	(654)
UK Cash	**(51)**	130
UK Income	**-**	(3)
UK Shares/Property	**-**	4
NZ Cash ETF	**4**	2
NZ Bond ETF	**29**	37
Global Bond ETF	**18**	8
NZ Dividend ETF	**206**	34
NZ Top 50 ETF	**819**	540
NZ Top 10 ETF	**102**	26
NZ Mid Cap ETF	**232**	118
NZ Property ETF	**242**	18
Australian Top 20 ETF	**19**	(26)
Australian Dividend ETF	**30**	(32)
Australian Financials ETF	**(4)**	(36)
Australian Property ETF	**66**	(3)
Australian Resources ETF	**435**	93
Australian Mid Cap ETF	**22**	94
Total World ETF	**88**	79
US 500 ETF	**446**	114
Europe ETF	**41**	60
Asia Pacific ETF	**7**	46
US Large Growth ETF	**170**	36
US Large Value ETF	**19**	-
US Mid Cap ETF	**21**	10
US Small Cap ETF	**85**	14
Emerging Markets ETF	**(32)**	71
SuperLife Balanced	**1,830**	1,151
SuperLife Conservative	**19,852**	12,714
SuperLife Growth	**1,261**	868
SuperLife Income	**1,994**	1,438
SuperLife High Growth	**6,200**	3,629
Total realised/unrealised change in fair value of investments	**73,545**	50,727

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

	31 March 2019 $000	31 March 2018 $000
Increase/(decrease) in net assets during the year	**80,908**	64,330
Add/(less) non cash items:		
Realised/unrealised change in fair value of investments	**(73,545)**	(50,727)
Tax credits passed down from investment manager	-	6,318
Add/(less) movements in other working capital items:		
(Increase) in investments	**(7,234)**	(16,781)
(Decrease) in payables	**139**	(13)
Increase in PIE taxation receivable/Increase in PIE taxation payable	**(201)**	(3,114)
Net cash flows from operating activities	**67**	13

14 Subsequent events

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

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Independent auditor's report

To the members of SuperLife workplace savings 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 areas of member registry compliance assurance and controls assurance. We have provided the following services to the Fund'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.

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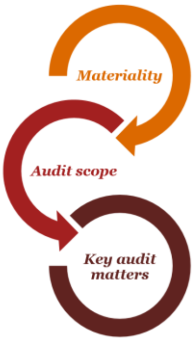
Our audit approach

Overview



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

Overall materiality for the Scheme is $12,013,340, 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.

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Key audit matter	How our audit addressed the key audit matter
Valuation and existence of investments at fair value through profit or loss	
Refer to Note 7 in the Scheme's financial statements. As at 31 March 2019, the Scheme has investments at fair value through profit or loss of $1,200,918,000 (31 March 2018: $1,120,136,000). This was an area of focus for our audit as it represents the majority of the net assets of the Scheme. 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. A record of all investments is held by the Manager on behalf of the Scheme.	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: - 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. **Valuation** 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. **Existence** 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. From the procedures performed, we have no matters to report.

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 Deutschle.

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants
18 July 2019

Auckland