

SUPERLIFE INVEST

FINANCIAL STATEMENTS

For the year ended 31 March 2019



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SuperLife Invest

Statement of net assets
as at 31 March 2019




	Note	31 March 2019 \$'000	31 March 2018 \$'000
Assets			
Current assets			
Investments at fair value through profit or loss	7	2,185,537	1,937,676
Derivative instruments	14,15	12,233	568
Cash and cash equivalents		24,718	32,361
Cash and cash equivalents - foreign currency accounts		11,665	11,436
Dividend receivables		1,924	1,340
PIE tax receivables	3 (k)	49	-
Total current assets		2,236,126	1,983,381
Non - current assets			
Long term deposits	3 (c)	20,000	-
Total assets		2,256,126	1,983,381
Liabilities			
Current liabilities			
Payables		(928)	(690)
PIE tax payable	3 (k)	-	(226)
Total liabilities		(928)	(916)
Total net assets available for benefits		2,255,198	1,982,465
Liability for benefits		2,255,198	1,982,465

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	Year ended 31 March 2019 \$'000	Year ended 31 March 2018 \$'000
Income			
Interest	11	1,331	1,375
Dividends		41,201	43,234
Foreign currency (loss)/gain		(9,390)	1,786
Realised/unrealised change in fair value of investments	13	106,789	34,166
Total net income		139,931	80,561
Investment fee rebates	4	5,543	4,041
Management fees - fixed dollars	4	(66)	(17)
Management fees - percentage of assets	4	(5,754)	(4,703)
Audit fees	5	(46)	(46)
Supervisor fees	5	(388)	(378)
Other expenses		(238)	(174)
Net profit before membership activities		138,982	79,284
Membership activities			
Contributions received in respect of members			
- Member contributions	4	225,460	208,218
- Transfers in		6,613	7,998
Add: Insurance proceeds received		279	132
Less: withdrawal benefits paid			
- Withdrawals	4	(98,236)	(64,213)
Less: insurance premiums paid			
- Insurance Premium Disability		(21)	(7)
- Insurance Premium Life		(115)	(45)
- Insurance Premium Medical		(221)	(100)
Less PIE tax paid/payable on behalf of members	3 (k)	(8)	(613)
Net membership activities		133,751	151,370
Increase in net assets during the year		272,733	230,654
Net assets available for benefits			
Opening balance		1,982,465	1,751,811
Increase in net assets during the year		272,733	230,654
Closing balance		2,255,198	1,982,465

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

	Note	Year ended 31 March 2019 \$'000	Year ended 31 March 2018 \$'000
Cash flows from operating activities			
Cash was provided from:			
- Sale of investments		275,537	728,211
- Insurance proceeds received		279	132
- Currency losses		(20,893)	(8,745)
- Investment fee rebates		5,444	4,011
- Interest received		1,331	1,381
- Dividends received		41,212	48,395
		<u>302,910</u>	<u>773,385</u>
Cash was applied to:			
- Purchase of investments		(442,206)	(920,973)
- Insurance premiums paid		(357)	(159)
- PIE tax paid on behalf of members	3 (k)	(619)	(92)
- Other expenses		(6,651)	(5,365)
		<u>(449,833)</u>	<u>(926,589)</u>
Net cash flows (used in) operating activities		(146,923)	(153,204)
Cash flows from financing activities			
Cash was provided from:			
- Contributions received in respect of members		237,907	215,120
Cash was applied to:			
- Withdrawal benefits paid		(98,236)	(64,213)
Net cash flows from financing activities		139,671	150,907
Net cash flows from operating and financing activities	12	(7,252)	(2,297)
Opening cash brought forward		43,797	45,165
Exchange (losses)/gains on foreign currency account		(163)	929
Closing cash carried forward		36,383	43,797
Cash and cash equivalents		24,718	32,361
Cash and cash equivalents - foreign currency accounts		11,665	11,436
		<u>36,383</u>	<u>43,797</u>

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

1 General information

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

The Scheme is supervised by Public Trust (the "Supervisor") which oversees the Scheme and ensures the Trust Deed is being complied with by the Scheme.

Smartshares Limited is the manager of the Scheme (the "Manager"). The Manager is wholly owned by NZX Limited. The Manager has full and absolute power to make investment decisions for the Scheme and responsibility to ensure the Scheme complies with the Scheme's statement of investment policy and objectives ("SIPO") and the terms set out in the Trust Deed. The Scheme invests in funds (the "Funds") managed by the Manager. The Manager has full and absolute power to make investment decisions for the Funds and responsibility to ensure the Funds comply with their relevant SIPO, as applicable, and the terms set out in their relevant Fund Establishment Deeds. The Manager, in its role as the investment manager, has appointed external investment managers for some of the funds.

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

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

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 Scheme's investment in long term deposits is in-line with its investment strategy designed for investors that want a defensive investment option that provides a return that reflects the New Zealand cash market.

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. 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, long term deposit and receivables.

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

(ii) Recognition, derecognition and measurement

The Scheme recognises financial assets and financial liabilities on the date it becomes a party to the contractual agreement (trade date). Financial assets and financial liabilities held at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed as incurred in the Statement of changes in net assets.

Financial assets are derecognised when the right to receive cash flows from the investments has expired or the Scheme has transferred substantially all of the risks and rewards of ownership.

Subsequent to initial recognition, all financial instruments held at fair value through profit or loss are measured at fair value. Gains or losses arising from changes in the fair value of the financial instruments designated at fair value through profit or loss are presented in the Statement of changes in net assets within realised/unrealised change in fair value of investments in the period 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 investment: the realisable value of the investments as advised by the investment managers based on the underlying market value on the balance date.

Shares in listed companies and holdings of fixed interest securities: the last traded market quotations on the balance date.

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

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

The 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") 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 account receivables or payables, 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 12 respectively.

(c) Long term deposits

Term deposits are presented as cash equivalents if they have a maturity of three months or less from the date of acquisition and are repayable with 24 hours notice with no loss of interest. The term deposits are held with major financial institutions in New Zealand and are bearing fixed interest rates of 4.34% (2018: Nil). These deposits have original maturities of 5 years maturing on 3 October 2023.

(d) 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.

(e) 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)

(f) 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.

(g) Interest income

Interest income includes interest from cash and cash equivalents and long term deposits. Interest from investments at fair value through profit or loss includes interest from fixed income holdings held by the NZ Shares Fund and Ethica. 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.

(h) 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.

(i) Realised/unrealised change in fair value of investment assets

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

(j) Fees and expenses

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

(k) Taxation

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

The Scheme attributes the taxable income of the Scheme to members in accordance with the proportion of their interest in the Scheme. The income attributed to each member is taxed at the members' Prescribed Investor Rate which is capped at 28% (31 March 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 to meet member tax liabilities and contributions representing member tax refunds under the PIE regime.

Upon receipt of a withdrawal request from a member, the Scheme summarises the member's tax liability and pays the amount liable on behalf of the member to the IRD during the month following the month of withdrawal. If the member is in a tax refund position, the Scheme summarises the member's tax refund and claims the refund amount on behalf of the member from the IRD during the month following the month of withdrawal. On an annual basis, the Scheme pays tax on behalf of its existing members to Inland Revenue on the last working day of April in the following financial year.

3 Significant accounting policies (continued)

(l) 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.

(m) 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.

(n) Insurance

Insurance claim proceeds in respect of life and disability insurance, are shown as insurance proceeds received from insurers when the money is received. Payments to the members or beneficiaries are shown as benefit payments when the insurance proceeds are paid to the members or beneficiaries.

(o) Contributions

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

(p) 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.

(q) 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, long term deposits and dividend receivables 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.

3 Significant accounting policies (continued)

(r) 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.

(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.

(s) 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.

(t) 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.

(u) 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

The Scheme is the investment vehicle for SuperLife workplace savings scheme ("SLWS"). Both schemes are related by way of common manager. Total contributions from SLWS was \$68,208,848 (31 March 2018: \$61,629,105). Total withdrawals paid from the Scheme to SLWS is \$60,978,901 (31 March 2018: \$44,843,961).

The Scheme is the investment vehicle for SuperLife KiwiSaver scheme ("SLKS"). Both schemes are related by way of common manager. Total contributions from SLKS is \$80,713,362 (31 March 2018: \$76,666,238). Total withdrawals paid from the Scheme to SLKS is \$8,431,256 (31 March 2018: \$5,290,429).

The Scheme is the investment vehicle for the SuperLife UK pension transfer scheme (formerly known as Ascot) ("SLUK"). Both schemes are related by way of common manager. Total contributions from SLUK is \$7,649,549 (31 March 2018: \$12,104,251). Total withdrawals paid from the Scheme to SLUK is \$9,369,539 (31 March 2018: \$7,521,999).

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

4 Related party transactions (continued)

Related party holdings

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

	Year ended 31 March 2019 \$'000	Year ended 31 March 2018 \$'000
Opening balance	1,512,019	1,292,782
Purchases	306,545	375,702
Sales	(104,081)	(244,693)
Realised/unrealised change in fair value of investments	81,495	88,228
Closing balance	<u>1,795,978</u>	<u>1,512,019</u>

The Scheme received cash distributions from Smartshares Limited for the year ended 31 March 2019 of \$28,912,490 (31 March 2018: \$25,859,068). Total remaining as distribution receivable classified as receivables at the end of the year is \$NIL (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 \$96 net of tax p.a. (31 March 2018: \$0 to \$96) (made up of a savings fee, a statement fee and a fee for both of life and disability insurance benefits). The Scheme also pays the Manager a percentage of the Scheme's assets as management fees which are calculated using the percentages disclosed in the Product Disclosure Statement, less the underlying investment and management fees charged by external investment managers and other third parties.

During the year ended 31 March 2019, the Manager charged a flat rate fee at 0.25% (31 March 2018: 0.25%).

	Year ended 31 March 2019 \$'000	Year ended 31 March 2018 \$'000
Management fees - fixed dollars	66	17
Management fees - percentage of assets	<u>5,754</u>	<u>4,703</u>
	<u>5,820</u>	<u>4,720</u>

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

	Year ended 31 March 2019 \$000	Year ended 31 March 2018 \$000
Management fees - fixed dollar	7	-
Management fees - percentage of assets	<u>475</u>	<u>399</u>
	<u>482</u>	<u>399</u>

The estimated management fees - percentage of assets for SLWS which are deducted from the income from investments are \$3,098,457 (31 March 2018: \$2,724,104).

The estimated management fees - percentage of assets for SLKS which are deducted from the income from investments are \$2,195,540 (31 March 2018: \$1,729,601).

The estimated management fees - percentage of assets for SLUK which are deducted from the income from investments are \$131,641 (31 March 2018: \$111,496).

4 Related party transactions (continued)

Investment management fees

The investment management fees paid to the Manager are between 0.10% to 0.50% (31 March 2018: 0.10% to 0.50%) of the relevant Fund's net assets. The investment management fees paid to the Manager for the year ended 31 March 2019 were \$90,136 (31 March 2018: \$391,736). Of this amount, total remaining payable as at 31 March 2019 is \$3,508 (31 March 2018: \$21,346).

The Scheme's investments in the ETFs have investment management fees deducted from within the product. A portion of fees is rebated to the Scheme at an agreed level. Total net investment management fees deducted from within the product for the year ended 31 March 2019 was \$2,578,536 (31 March 2018: \$2,066,730). Total investment management fees rebated to the Scheme for the year ended 31 March 2019 was \$5,458,467 (31 March 2018: \$4,570,798). Total investment management fees rebate remaining receivable as at 31 March 2019 is \$458,909 (31 March 2018 : \$390,318).

The estimated investment management fees for SLWS which are deducted from the return on investments are \$39,568 (31 March 2018: \$198,807).

The estimated investment management fees for SLKS which are deducted from the return on investments are \$35,966 (31 March 2018: \$166,543).

The estimated investment management fees for SLUK which are deducted from the return on investments are \$9,673 (31 March 2018: \$15,847).

Other related party transactions

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

Transactions with the company are listed as follows:

	Year ended 31 March 2019 \$000	Year ended 31 March 2018 \$000
Loan facility drawdown	-	500
Realised/unrealised (loss)/gain in fair value of investments	866	(7,753)
Coupons/dividends received	191	374

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

5 Audit fees, custodial fees and supervisor fees

(a) Audit fees

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

	Year ended 31 March 2019 \$000	Year ended 31 March 2018 \$000
Controls assurance engagement	18	18
Financial statements audit	27	27
Member registry compliance assurance	1	1
	<u>46</u>	<u>46</u>

5 Audit fees, custodial fees and supervisor fees (continued)

(b) Custodial fees

Custodial fees for the year ended 31 March are as follows:

	Year ended 31 March 2019 \$000	Year ended 31 March 2018 \$000
BNP Paribas Fund Services Australasia Pty Ltd	49	40
Public Trust (acting through its nominee company, SuperLife Nominees Limited)	45	67
	<u>94</u>	<u>107</u>

(c) Supervisor Fees

Supervisor fees for the year ended 31 March are as follows:

	Year ended 31 March 2019 \$000	Year ended 31 March 2018 \$000
Public Trust acting as the supervisor of the Scheme	388	378
	<u>388</u>	<u>378</u>

6 Contingent liabilities and capital commitments

There are no material contingent liabilities, collateral or capital commitments as at 31 March 2019 (31 March 2018: \$NIL).

7 Investments

The Scheme invests in funds managed by the 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 and ETF Funds are listed in Note 7 (a) below. The Diversified Funds are SuperLife Income, SuperLife Conservative, SuperLife Balanced, SuperLife Growth and SuperLife High Growth. The Diversified Funds invested in one or more Sector Funds in the proportions decided by the investment manager. These proportions may have changed from time to time at the discretion of the investment manager depending on its view of the current investment markets. The Diversified Funds started to invest directly into ETFs and Vanguard products just before the year end. There is also an investment option available that combines individual funds. This option is SuperLifeAge Steps which automatically sets the proportion of investments in income and growth assets based on 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.

A new fund, SuperLife Balanced (Australian dollars), was established during the year. It is a separate fund investing in an Australian Shares ETF.

Investment in the UK Cash Fund is disclosed as Cash and cash equivalents - foreign currency accounts in the Statement of net assets as it meets the definition of cash and cash equivalents.

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

7 Investments (continued)
(a) Investments by Fund

	31 March 2019	31 March 2018
	\$000	\$000
Ethica	49,606	36,428
NZ Cash	159,114	182,301
NZ Bonds	139,213	256,443
Overseas Bonds	58,798	143,533
Overseas Non-government Bonds	55,111	140,093
Property	49,692	111,130
NZ Shares	108,686	200,713
Australian Shares	50,202	139,684
Overseas Shares (Currency Hedged)	126,880	342,411
Overseas Shares	110,020	183,709
Emerging Markets	30,176	74,861
Gemino	-	5,027
NZ Cash ETF	2,439	1,312
NZ Bond ETF	-	2,970
Global Bond ETF	-	1,450
NZ Dividend ETF	5,701	3,036
NZ 50 Portfolio ETF	57,637	38,907
NZ Top 10 ETF	3,440	1,209
NZ Mid Cap ETF	8,140	4,168
NZ Property ETF	6,116	1,033
Australian Top 20 ETF	3,061	1,660
Australian Dividend ETF	1,104	972
Australian Financials ETF	920	594
Australian Property ETF	1,473	976
Australian Resources ETF	7,711	5,160
Australian Mid Cap ETF	22,566	20,703
Total World ETF	8,979	4,703
US 500 ETF	19,773	11,439
Europe ETF	6,393	5,887
Asia Pacific ETF	4,669	3,671
US Large Growth ETF	7,232	3,250
US Large Value ETF	2,315	994
US Mid Cap ETF	2,103	1,224
US Small Cap ETF	3,716	1,967
Emerging Markets ETF	-	4,058
SuperLife Balanced (Australian Dollar)	803	-
SuperLife Balanced	360,479	-
SuperLife Conservative	53,724	-
SuperLife Growth	49,163	-
SuperLife Income	171,950	-
SuperLife High Growth	436,432	-
Total investments	2,185,537	1,937,676

Notes to the financial statements
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7 Investments (continued)

(b) Investments by geographical location

	31 March 2019	31 March 2018
	\$000	\$000
New Zealand	792,624	769,868
United States of America	594,531	505,745
Australia	252,011	191,123
Europe	143,785	145,437
Japan	102,927	84,439
United Kingdom	80,020	68,265
Canada	20,574	18,841
China	8,702	3,880
India	11,942	8,412
Korea	8,376	56
Taiwan	12,543	10,290
South Africa	7,021	5,933
Brazil	6,856	5,870
Rest of the world	143,625	119,517
Total investments	2,185,537	1,937,676

(c) Investment holdings of 5% or more

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

	31 March 2019	31 March 2019	31 March 2018	31 March 2018
	\$000	%	\$000	%
Energy Mad Limited	-	-	-	71%
Energy Mad Limited Convertible Note 13.5%	-	-	-	100%
Energy Mad Limited Loan Facility 14.0%	-	-	-	100%
Energy Mad Limited Loan Facility 15.75%	-	-	-	100%
Energy Mad Limited Loan Facility 20.0%	-	-	-	100%
Wellington Drive Technologies Limited	16,248	27%	13,272	32%
Wellington Drive Technologies Limited Loan Facility 14.75%	-	-	2,110	100%
Mercer Group Limited	-	-	1,388	6%
Pacific Edge Limited	-	-	9,498	5%
Methven Limited	-	-	4,405	6%

As at 31 March 2019, the Scheme no longer had holdings in Energy Mad Limited.

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

	31 March 2019	31 March 2019	31 March 2018	31 March 2018
	\$000	%	\$000	%
Europe ETF	152,497	8%	132,185	7%
US 500 ETF	182,279	10%	147,956	7%
NZ Cash ETF	83,147	5%	115,093	6%
Asia Pacific ETF	100,844	6%	58,140	4%
NZ Bond ETF	266,902	15%	199,527	10%
NZ Top 50 ETF	273,755	15%	176,143	9%
Emerging Markets ETF	103,881	6%	-	0%
Global Bond ETF	177,857	10%	144,983	7%

8 Financial risk and management objectives and policies

(a) Introduction

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

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

(b) Risk management structure

The Scheme's investment manager is responsible for identifying and controlling risks as described in the SIPO. The external investment managers are responsible for identifying and controlling risks relevant to their mandates. The Supervisor oversees the investment manager and the management of the risk in the portfolios invested by the Scheme.

(c) Risk measurement and reporting system

The risks are measured by assessing the impact of reasonable assumed changes in the relevant risk variables on investment returns and net asset values. Information about these risk exposures at the balance date, is disclosed in the respective risk categories below.

(d) Risk management

The Scheme has investment guidelines that set out its overall strategies which are described in the SIPO of the Scheme, which is available online.

(e) Market risk

Market risk is the risk of loss arising from exposure to interest rate risk, currency risk and equity price risk.

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

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

(i) Interest rate risk

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

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

8 Financial risk and management objectives and policies (continued)

(e) Market risk (continued)

(i) Interest rate risk (continued)

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

	31 March 2019 \$000	31 March 2018 \$000
Direct exposure to interest rate risk		
Fixed interest holdings	20,000	9,633
Floating interest holdings	50,540	45,706
Indirect exposure to interest rate risk		
Fixed interest holdings	433,886	728,100
	<u>504,426</u>	<u>783,439</u>

A 1% increase/decrease in the interest rate would have a total adverse/favourable impact on the fair value of the Scheme's net assets as follows:

	31 March 2019 \$000	31 March 2018 \$000
Direct exposure to interest rate risk		
Fixed interest holdings	1,000	271
Floating interest holdings	505	457
Indirect exposure to interest rate risk		
Fixed interest holdings	13,828	26,549
Floating interest holdings	-	-
	<u>15,333</u>	<u>27,277</u>

(ii) Currency risk

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

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

Direct and indirect exposure to currency risk

	31 March 2019 \$000	31 March 2018 \$000
United States of America (USD)	-	10,677
Australia (AUD)	-	3,393
Europe (EUR)	-	1,465
Japan (JPY)	-	1,965
United Kingdom (GBP)	11,665	12,434
Canada (CAD)	-	66
Others	-	2,874
Indirect exposure to currency risk (refer next page for detailed breakdown)	1,392,913	1,146,369
Total foreign currency exposure	<u>1,404,578</u>	<u>1,179,243</u>
Total foreign currency hedging	<u>(1,074,485)</u>	<u>(819,326)</u>
Net foreign currency exposure	<u>330,093</u>	<u>359,917</u>

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)

Direct and indirect exposure to currency risk (continued)

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

	31 March 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)	-	-	(971)	1,186
Australia (AUD)	-	-	(308)	377
Europe (EUR)	-	-	(133)	163
Japan (JPY)	-	-	(179)	218
United Kingdom (GBP)	(1,060)	1,296	(1,130)	1,381
Canada (CAD)	-	-	(6)	7
Others	-	-	(261)	320
	<u>(1,060)</u>	<u>1,296</u>	<u>(2,988)</u>	<u>3,652</u>

Indirect exposure to currency risk

	31 March 2019	31 March 2018
	\$000	\$000
United States of America (USD)	594,531	495,068
Australia (AUD)	252,011	187,731
Europe (EUR)	143,785	143,972
Japan (JPY)	102,927	82,473
United Kingdom (GBP)	80,020	67,268
Canada (CAD)	20,574	18,775
China (YUAN)	8,702	3,880
India (INR)	11,942	8,412
Brazil (BRL)	6,856	5,870
South Korea (WON)	8,376	56
Taiwan (TWD)	12,543	10,290
South Africa (RAND)	7,021	5,933
Others	143,625	116,641
Total foreign currency exposure	<u>1,392,913</u>	<u>1,146,369</u>
United States of America (USD)	(482,713)	(354,351)
Australia (AUD)	(124,982)	(152,441)
Europe (EUR)	(126,950)	(117,169)
Japan (JPY)	(89,652)	(62,509)
United Kingdom (GBP)	(70,590)	(52,644)
Canada (CAD)	(20,208)	(18,384)
China (YUAN)	(7,299)	(13)
India (INR)	(8,494)	(102)
Brazil (BRL)	(4,844)	(506)
South Korea (WON)	(8,223)	(55)
Taiwan (TWD)	(8,848)	(134)
South Africa (RAND)	(5,078)	(90)
Others	(116,604)	(60,928)
Total foreign currency hedging	<u>(1,074,485)</u>	<u>(819,326)</u>
Net foreign currency exposure	<u>318,428</u>	<u>327,043</u>

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 as follows:

	31 March 2019 + 10% change in \$000	31 March 2019 - 10% change in \$000	31 March 2018 + 10% change in \$000	31 March 2018 - 10% change in \$000
United States of America (USD)	(10,165)	12,424	(12,793)	15,635
Australia (AUD)	(11,548)	14,114	(3,208)	3,921
Europe (EUR)	(1,530)	1,870	(2,437)	2,978
Japan (JPY)	(1,207)	1,475	(1,815)	2,218
United Kingdom (GBP)	(857)	1,048	(1,329)	1,625
Canada (CAD)	(33)	41	(35)	43
China (YUAN)	(128)	156	(352)	430
India (INR)	(313)	383	(755)	923
Brazil (BRL)	(183)	224	(488)	596
South Korea (WON)	(14)	17	-	-
Taiwan (TWD)	(336)	411	(923)	1,128
South Africa (RAND)	(177)	216	(531)	649
Others	(2,457)	3,002	(5,065)	6,190
	<u>(28,948)</u>	<u>35,381</u>	<u>(29,731)</u>	<u>36,336</u>

The above analysis reflects the indirect currency risks arising from the Scheme's underlying investment in managed funds and ETFs. Some of the indirect currency risks are hedged by the investment manager and may be hedged within the product the Scheme is invested in. The Scheme's currency risk in respect of these investments are in Australian dollar, Swiss franc, Euro, Pound sterling, Japanese yen and United States dollar. The Scheme has in place hedging contracts with Nikko Asset Management to partly cover these exposures. Total investments covered by the hedging contracts are \$1,074,485,270 (31 March 2018: \$819,326,312). Refer to Note 14: Derivatives.

(iii) Equity price risk

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

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

8 Financial risk and management objectives and policies (continued)

(e) Market risk (continued)

(iii) Equity price risk (continued)

Direct exposure to equity price risk

	31 March 2019	Impact given 10% increase in equity price	Impact given 10% decrease in equity price
	\$000	\$000	\$000
New Zealand Shares	63,477	6,348	(6,348)
	<u>63,477</u>	<u>6,348</u>	<u>(6,348)</u>

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

Indirect exposure to equity price risk

	31 March 2019	Impact given 10% increase in equity price	Impact given 10% decrease in equity price
	\$000	\$000	\$000
Property	136,573	13,657	(13,657)
New Zealand Shares	251,535	25,154	(25,154)
Australian Shares	164,857	16,486	(16,486)
Overseas Shares (Currency Hedged)	391,270	39,127	(39,127)
Overseas Shares	280,900	28,090	(28,090)
Emerging Markets	96,788	9,679	(9,679)
	<u>1,321,923</u>	<u>132,193</u>	<u>(132,193)</u>

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

8 Financial risk and management objectives and policies (continued)

(f) Liquidity risk

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

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

(g) Credit risk

The maximum credit risk of the Scheme is the carrying value of the financial assets. The Manager considers the credit risk to be associated with the items described in the table below. While the investments managed by the respective investment managers represent a concentration of credit risk, they are comprised of significantly diversified portfolios and the investment are held by a number of counter-parties 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	800,137	737,734
Derivative instruments	12,233	568
Cash and cash equivalents	24,718	32,361
Cash and cash equivalents - foreign currency accounts	11,665	11,436
Long term deposit	20,000	-
Dividend receivables	1,924	1,340
	<u>870,677</u>	<u>783,439</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.

Notes to the financial statements
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8 Financial risk and management objectives and policies (continued)

(g) Credit risk (continued)

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

	31 March 2019	31 March 2018
	%	%
Direct exposure to credit risk		
AAA	-	-
AA	7	6
A	4	-
BBB	-	-
Unrated	3	1
Indirect exposure to credit risk		
AAA	9	15
AA	32	37
A	28	19
BBB	16	21
Unrated	1	1
	<u>100</u>	<u>100</u>

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.

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	2,185,537	-	-	2,185,537
Derivative instruments	12,233	-	-	12,233
Cash and cash equivalents	-	24,718	-	24,718
Cash and cash equivalents - foreign currency accounts	-	11,665	-	11,665
Long term deposit	-	20,000	-	20,000
Dividend receivables	-	1,924	-	1,924
PIE tax receivable	-	49	-	49
Total assets	<u>2,197,770</u>	<u>58,356</u>	<u>-</u>	<u>2,256,126</u>
Liabilities				
Payables	-	-	(928)	(928)
Liability for benefits	-	-	(2,255,198)	(2,255,198)
Total liabilities	<u>-</u>	<u>-</u>	<u>(2,256,126)</u>	<u>(2,256,126)</u>

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

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

(b) Fair value of financial instruments

Financial assets and liabilities in the Scheme are recorded at fair values in the Statement of net assets, with changes in fair values recorded as realised/unrealised changes in fair value of investments in the Statement of changes in net assets.

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

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

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

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

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

There were no transfers between level 1, level 2 and level 3 during the year (31 March 2018: \$NIL).

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

9 Financial instruments (continued)

(b) Fair value of financial instruments (continued)

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

The Scheme's level 2 derivatives are held with the Scheme's external investment managers. The valuation of these derivatives is based on market derived inputs.

The Scheme's level 3 investments are unquoted investments held by the Scheme and reviewed on a quarterly basis by the Scheme's oversight committee which reports to the Supervisor on a monthly basis. The committee considers the appropriateness of the valuation process used to value these investments. The Scheme initially values these investments using the entry price. The Scheme will consider other liquidity, credit and market risk factors, and adjust the valuation as deemed necessary.

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

	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
Financial assets at fair value through profit or loss:				
Investments				
Cash	83,147	78,406	-	161,553
NZ Bonds	266,902	-	-	266,902
Overseas Bonds	177,857	13,172	-	191,029
Overseas Non-government Bonds	-	174,605	-	174,605
Property	70,877	62,159	-	133,036
New Zealand Shares	302,162	21,485	-	323,647
Australian Shares	137,308	2,099	-	139,407
Overseas Shares (Currency Hedged)	285,259	14,287	-	299,546
Overseas Shares	387,167	4,764	-	391,931
Emerging Markets	103,881	-	-	103,881
Total investments	1,814,560	370,977	-	2,185,537
Derivatives	-	12,233	-	12,233

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

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

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 the end of the financial years.

(d) Financial instruments in level 3

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

	Year ended 31 March 2019	Year ended 31 March 2018
	\$000	\$000
Opening balance	2,110	6,211
Purchase	-	500
Sale	(2,110)	-
Realised/unrealised change in fair value of investments	-	(4,601)
	<u>-</u>	<u>2,110</u>

10 Capital management

The Scheme's capital is represented by the net assets available for benefits held by the Scheme on behalf of its members and is reflected in the Statement of net assets under liability for benefits. In accordance with the accounting policies and the risk management policies in Note 8, the Scheme endeavours to invest the contributions received in appropriate investments whilst maintaining sufficient liquidity to meet any withdrawal requests and all other present and future obligations.

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

11 Interest income

	Year ended 31 March 2019	Year ended 31 March 2018
	\$000	\$000
Cash and cash equivalents	409	604
Investments	477	647
Others	445	124
Total interest income	<u>1,331</u>	<u>1,375</u>

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

	Year ended 31 March 2019	Year ended 31 March 2018
	\$000	\$000
Increase in net assets during the year	272,733	230,654
Add/(less) non cash items:		
Realised/unrealised change in fair value of investments	(106,789)	(34,166)
Offmarket transfer of investments	5,834	(1,096)
Unrealised exchange losses/ (gains)	163	(929)
Add/(less) movements in other working capital items:		
(Increase) in investments	(166,670)	(192,761)
(Increase)/decrease in unsettled sales/purchases of investments	(237)	1,116
(Increase)/decrease in receivables	(584)	5,307
(Decrease)/increase in derivative instruments payable	(11,665)	(9,603)
Increase/(decrease) in payables	238	(933)
(Decrease)/increase in PIE tax payables	(275)	114
Net cash flows used in operating and financing activities	<u>(7,252)</u>	<u>(2,297)</u>

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

	Year ended 31 March 2019	Year ended 31 March 2018
	\$000	\$000
Ethica	2,620	309
NZ Cash	47	38
NZ Bonds	2,541	3,035
Overseas Bonds	2,424	1,558
Overseas Non-government Bonds	(3,184)	(6,676)
Property	15,093	(5,846)
NZ Shares	22,497	1,542
Australian Shares	7,423	(6,779)
Overseas Shares (Currency Hedged)	25,193	21,363
Overseas Shares	13,706	12,883
Emerging Markets	(1,730)	8,924
Gemino	(661)	(1,922)
UK Income	-	(10)
UK Shares/Property	-	20
NZ Cash ETF	(4)	(3)
NZ Bond ETF	46	15
Global Bond ETF	42	4
NZ Dividend ETF	654	(117)
NZ 50 Portfolio ETF	6,699	3,441
NZ Top 10 ETF	336	58
NZ Mid Cap ETF	806	187
NZ Property ETF	629	13
Australian Top 20 ETF	43	(154)
Australian Dividend ETF	1	(110)
Australian Financials ETF	(74)	(116)
Australian Property ETF	187	(71)
Australian Resources ETF	950	198
Australian Mid Cap ETF	(306)	1,189
Total World ETF	266	42
US 500 ETF	1,787	481
Europe ETF	(100)	93
Asia Pacific ETF	(164)	157
US Large Growth ETF	391	82
US Large Value ETF	131	(6)
US Mid Cap ETF	106	27
US Small Cap ETF	166	107
SuperLife Balanced (Australian Dollar)	43	-
SuperLife Balanced	2,970	-
SuperLife Conservative	447	-
SuperLife Growth	370	-
SuperLife Income	1,258	-
SuperLife High Growth	3,352	-
Emerging Markets ETF	(212)	210
Total realised/unrealised change in fair value of investments	106,789	34,166

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

14 Derivatives

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

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

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

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

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

15 Offsetting and amounts subject to master netting arrangements

The Scheme's forward currency contracts are held with one external investment manager. The Scheme was subject to one master netting arrangement with one of its derivative counterparties.

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

	31 March 2019	31 March 2018
	\$000	\$000
Gross amounts of recognised financial assets set-off in the Statement of net assets	12,396	4,723
Gross amounts of recognised financial liabilities set-off in the Statement of net assets	<u>(163)</u>	<u>(4,155)</u>
Net amounts of financial assets presented in the Statement of net assets	12,233	568
Amounts of financial assets presented in the Statement of net assets not subject to master netting arrangements	-	-
Amounts of financial liabilities presented in the Statement of net assets not subject to master netting arrangements	-	-
Net amount of derivatives in the Statement of net assets	<u><u>12,233</u></u>	<u><u>568</u></u>

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

16 Subsequent events

The Funds of the Scheme were segregated into separate funds on 1 April 2019. The Scheme was previously a single unit trust which was legally segregated into multiple unit trusts, one per fund. Each unit trust will report separate financial statements and a consolidated set of financial statements will not be produced for the Scheme. The segregation has no impact on this set of financial statements.

There have been no other 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 Invest (“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.

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 \$22,551,980, 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 BNP Paribas Fund Services Australasia Pty Limited and Public Trust Limited (the Custodians) to act as the Custodians 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 Custodians.

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="277 577 758 645">Refer to Note 7 in the Scheme’s financial statements:</p> <p data-bbox="277 667 774 801">As at 31 March 2019, the Scheme has investments at fair value through profit or loss of \$2,185,537,000 (31 March 2018: \$1,937,676,000).</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="277 947 805 1115">The Scheme invests in listed funds traded in active markets that are categorised as level 1 in the fair value hierarchy. The fair values of listed funds are based on quoted market prices at 29 March 2019, the last trading day.</p> <p data-bbox="277 1137 805 1462">The fair value of the investments that are not traded in an active market are determined using valuation techniques. The valuation technique depends on the underlying investments and includes assumptions based on market conditions existing at balance date. Investments with inputs to the valuation that are observable either directly or indirectly are categorised as level 2 in the fair value hierarchy.</p> <p data-bbox="277 1485 790 1874">The Scheme’s level 2 investments include unlisted funds invested in cash, overseas bonds, overseas non-government bonds, property, New Zealand shares, Australian shares, overseas shares (currency hedged) and overseas shares. The fair value is based on the redemption price established by the respective unlisted investment funds’ administrators. In assessing the fair value, the Manager uses information provided by the unlisted investment funds’ administrators.</p>	<p data-bbox="837 577 1460 768">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 and the Custodian. Our assessment of the business processes included:</p> <ul data-bbox="885 790 1460 1104" 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 1137 981 1171">Valuation</p> <p data-bbox="837 1193 1460 1328">For all level 1 investments where quoted market prices in an active market were available, we agreed the market price as at 29 March 2019 to independent third party pricing sources.</p> <p data-bbox="837 1339 1460 1529">For level 2 investments we agreed the redemption price at 31 March 2019, to the confirmation provided by the unlisted investment funds’ administrators. We evaluated the redemption price represents fair value by evaluating against recent transaction prices.</p> <p data-bbox="837 1541 981 1574">Existence</p> <p data-bbox="837 1597 1436 1720">We obtained confirmations from either the Custodian or the appropriate third parties in relation to the holdings of all investments held by the Scheme as at balance date.</p> <p data-bbox="837 1731 1372 1798">From the procedures performed, we have no matters to report.</p>



Key audit matter	How our audit addressed the key audit matter
A record of all investments is held by the Custodian or the appropriate third parties on behalf of the Scheme.	

Information other than the financial statements and auditor's report

Smartshares Limited (the Manager) is responsible for the annual report.

Our opinion on the financial statements does not cover the other information included in the annual report and we do not and will not express any form of assurance conclusion on 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:

PricewaterhouseCoopers

Chartered Accountants
18 July 2019

Auckland