

# **SUPERLIFE UK PENSION TRANSFER SCHEME**

## **FINANCIAL STATEMENTS**

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For the year ended 31 March 2020

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# SuperLife UK pension transfer scheme




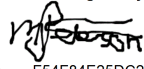
## Statement of Net Assets

as at 31 March 2020

	Note	31 March 2020	31 March 2019
		\$	\$
<b>Assets</b>			
Cash		3,708	469
Investments at fair value through profit or loss	6	53,573,798	48,928,116
Tax receivable	8	17,403	47,653
Other receivables	8	117,735	-
<b>Total assets</b>		<b>53,712,644</b>	<b>48,976,238</b>
<b>Liabilities</b>			
Administration, entry and exit fees payable	10	(3,583)	(33,184)
Other payables	8, 10	(128,194)	(51,686)
<b>Total liabilities</b>		<b>(131,777)</b>	<b>(84,870)</b>
<b>Total net assets available for benefits to members</b>		<b>53,580,867</b>	<b>48,891,368</b>
<b>Liability for benefits</b>		<b>53,580,867</b>	<b>48,891,368</b>

For and on behalf of the Manager, Smartshares Limited, which authorised the issue of the financial statements on 28 September 2020.

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 Director

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 Director

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

## SuperLife UK pension transfer scheme

### Statement of Changes in Net Assets

for the year ended 31 March 2020

	Note	31 March 2020	31 March 2019
		\$	\$
<b>Investment activities</b>			
Net changes in fair value of investments	6	(3,452,119)	2,628,590
Interest income		30	209
<b>Total net investment (loss)/income</b>		<b>(3,452,089)</b>	<b>2,628,799</b>
Scheme expenses	10	(63,214)	(52,089)
<b>Net (loss)/profit before taxation and membership activities</b>		<b>(3,515,303)</b>	<b>2,576,710</b>
Income tax	8	17,226	47,600
<b>Net (loss)/profit before membership activities</b>		<b>(3,498,077)</b>	<b>2,624,310</b>
<b>Membership activities</b>			
Contributions received from and in respect of members		12,657,821	8,175,891
Switches within the Scheme		-	5
		<b>12,657,821</b>	<b>8,175,896</b>
Less: Withdrawal benefits		(4,364,058)	(9,789,434)
		<b>(4,364,058)</b>	<b>(9,789,434)</b>
Administration, entry and exit fees	10	(106,187)	(118,273)
<b>Net membership activities</b>		<b>8,187,576</b>	<b>(1,731,811)</b>
<b>Increase in net assets during the year</b>		<b>4,689,499</b>	<b>892,499</b>
<b>Net assets available for benefits</b>			
Opening balance		48,891,368	47,998,869
Increase in net assets during the year		4,689,499	892,499
<b>Closing balance</b>		<b>53,580,867</b>	<b>48,891,368</b>

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

# SuperLife UK pension transfer scheme



## Statement of Cash Flows

for the year ended 31 March 2020

	Note	31 March 2020	31 March 2019
		\$	\$
<b>Cash flows from operating activities</b>			
Cash was provided from:			
- Sale of investments		15,186,091	9,369,539
- Interest income received		30	209
- Tax refund received		47,613	50,744
		<u>15,233,734</u>	<u>9,420,492</u>
Cash was applied to:			
- Purchase of investments		(23,283,892)	(7,649,544)
- Scheme expenses		(104,578)	(38,022)
		<u>(23,388,470)</u>	<u>(7,687,566)</u>
<b>Net cash flows from operating activities</b>	<b>9</b>	<u><b>(8,154,736)</b></u>	<u><b>1,732,926</b></u>
<b>Cash flows from financing activities</b>			
Cash was provided from:			
- Contributions received from and in respect of members		12,657,821	8,175,896
Cash was applied to:			
- Withdrawal benefits paid		(4,364,058)	(9,789,434)
Administration, entry and exit fees		(135,788)	(119,258)
		<u>8,157,975</u>	<u>(1,732,796)</u>
<b>Net cash flows from financing activities</b>		<u><b>8,157,975</b></u>	<u><b>(1,732,796)</b></u>
<b>Net cash flows from operating and financing activities</b>		<u><b>3,239</b></u>	<u><b>130</b></u>
Cash at beginning of the year		469	339
<b>Cash at end of the year</b>		<u><u><b>3,708</b></u></u>	<u><u><b>469</b></u></u>

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

# SuperLife UK pension transfer scheme

## Notes to the financial statements

### for the year ended 31 March 2020

#### 1 General information

The SuperLife UK pension transfer scheme (the "Scheme") is a managed investment scheme registered in New Zealand under the Financial Markets Conduct Act 2013 (the "FMCA 2013"). The Scheme's registration number is SCH 10767. The Scheme was established for the principal purpose of providing retirement benefits to its members and is currently governed by a Trust Deed dated 18 August 2017 (the "Trust Deed"). The Scheme is a recognised overseas pension scheme that meets certain requirements set by Her Majesty's Revenue and Customs (the department of the United Kingdom Government responsible for the collection of taxes) and facilitates the transfer of UK pension funds to the Scheme from approved UK pension schemes or other recognised overseas pension schemes. The Scheme's principal address of business is 21 Queen Street, Auckland 1010.

Members invest in the Scheme by way of lump sum payments and/or regular savings as they choose. Benefit withdrawals that the member is entitled to is determined by contributions to the Scheme together with investment earnings on these contributions over the period of the membership.

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. Smartshares Limited is the manager of the Scheme (the "Manager"). 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.

#### 2 Basis of preparation

The financial statements of the Scheme have been drawn up in accordance with the Trust Deed and comply with the requirements of the FMCA 2013, New Zealand Generally Accepted Accounting Practice, as defined in the Financial Reporting Act 2013, New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS") and International Financial Reporting Standards ("IFRS"). The accounting policies have been consistently applied throughout the reporting period.

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss. All amounts are in New Zealand Dollars (NZD), rounded to the nearest dollar. The NZD is also the functional currency of the Scheme.

The Manager has assessed the impact of COVID-19 and there were no indicators that the Scheme would not be able to continue as a going concern.

#### 3 Critical accounting estimates and judgements

The preparation of the financial statements requires the use of certain critical accounting estimates that affect the reported amounts and the application of accounting policies. It also requires the Manager to exercise its judgement in the process of applying the accounting policies of the Scheme.

Discussion of the critical accounting estimates and judgements used is included in note 6 on investments at fair value through profit or loss. This includes the Manager's assessment of COVID-19 impacts on estimates and judgements.

#### 4 Classification of assets and liabilities

Assets and liabilities are disclosed in the Statement of Net Assets in an order that reflects their relative liquidity.

##### (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.



## SuperLife UK pension transfer scheme

### Notes to the financial statements

#### for the year ended 31 March 2020

#### 5 Summary of significant accounting policies (continued)

##### (a) Financial instruments (continued)

##### (i) Classification (continued)

Financial assets and liabilities at fair value through profit or loss: These include investments at fair value through profit or loss. The Scheme mainly evaluates the information about these financial assets on a fair value basis together with other related financial information to assess the assets' performance and to make decisions. All investments are measured at fair value through profit or loss.

Financial assets at amortised cost: These include cash and receivables. Receivables do not carry any interest and are short-term in nature.

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

Financial assets and financial liabilities are recognised on the date the Scheme becomes a party to the contractual agreement (trade date).

Financial assets are derecognised when the right to receive cash flows from the financial assets has expired or the Scheme has substantially transferred all of the risks and rewards of ownership. Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expired.

Financial assets and financial liabilities held at fair value through profit or loss are initially recognised at fair value. Subsequent to initial recognition, these 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 'net changes in fair value of investments' in the period in which they arise.

Financial assets at amortised cost are measured at amortised cost, using the effective interest method, less an allowance for impairment based on the expected credit losses (ECL).

Financial liabilities at amortised cost are measured at amortised cost using the effective interest method.

##### (iii) Fair value determination

##### Fair values have been determined as follows:

Unlisted managed investment trusts established under SLI (the "Funds"): the unit price (redemption price per unit) of the Funds as reported by the Manager on the balance date.

The value of investment in the Funds 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 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.



## SuperLife UK pension transfer scheme

### Notes to the financial statements

#### for the year ended 31 March 2020

#### 5 Summary of significant accounting policies (continued)

##### (b) Cash

Cash means cash at bank and does not include accounts receivables or payables, or any borrowings subject to a term facility.

##### (c) Translation of foreign currencies

Foreign currency transactions are translated into the functional currency (NZD) using the exchange rates prevailing at the dates of the transactions.

Foreign exchange gains and losses arising from translation are included in the Statement of Changes in Net Assets. Foreign exchange gains and losses relating to financial assets and financial liabilities carried at fair value through profit or loss are presented in the Statement of Changes in Net Assets within 'net changes in fair value of investments'.

##### (d) Interest income

Interest income is recognised as the interest accrues using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

##### (e) Taxation

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

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

##### (f) 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.

##### (g) Liability for benefits

The Manager calculates the liability for benefits as the Scheme's present obligation to pay benefits to members. As withdrawal benefits and transfer of member balances are subject to the provisions of the Trust Deed, the net assets available for benefit to members has been classified as financial liabilities in accordance with NZ IAS 32 Financial Instruments: Presentation.

##### (h) Changes in accounting policies and accounting standards adopted during the year

A number of new standards are effective from 1 April 2019, including NZ IFRS 16 but they do not have a material effect on the Scheme's financial statements. The Scheme consistently applied the accounting policies to all periods presented in these financial statements.

##### (i) Issued but not yet effective accounting standards

There are no new, revised or amended standards that have been issued but are not yet effective as at 31 March 2020 that would have a significant impact on the Scheme's financial statements.





## SuperLife UK pension transfer scheme

### Notes to the financial statements

#### for the year ended 31 March 2020

#### 6 Investment at fair value through profit or loss

Financial instruments measured at fair value are categorised across the following 3 levels based on the degree to which their fair value is observable:

Level 1 - Fair value measurements are derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - Fair value measurements are derived from inputs other than quoted prices included within level 1 that are observable either directly or indirectly;

Level 3 - Fair value measurements are derived from valuation methods that include inputs that are not based on observable market data.

The fair value of the unlisted managed investment trusts are based on their quoted unit price (redemption price), as advised by the Manager. As they are unlisted, they are categorised as level 2 in the hierarchy.

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

	31 March 2020			Total
	Level 1	Level 2	Level 3	
	\$	\$	\$	\$
Financial assets at fair value through profit or loss:				
Unlisted managed investment trusts	-	53,573,798	-	53,573,798
	<u>-</u>	<u>53,573,798</u>	<u>-</u>	<u>53,573,798</u>

There were no transfers between levels during the year ended 31 March 2020.

	31 March 2019			Total
	Level 1	Level 2	Level 3	
	\$	\$	\$	\$
Financial assets at fair value through profit or loss:				
Unlisted managed investment trusts	-	48,928,116	-	48,928,116
	<u>-</u>	<u>48,928,116</u>	<u>-</u>	<u>48,928,116</u>

There were no transfers between levels during the year ended 31 March 2019.

The COVID-19 outbreak which was declared a global pandemic by the World Health Organisation in March 2020 caused widespread uncertainty across global economies and the market impact of this is reflected in the value of the investments disclosed in the financial statements as at 31 March 2020. The value of the investments has shown evidence of recovery following the year ended 31 March 2020.

There was no impact on the categorisation of investments held in accordance with the fair value hierarchy as at 31 March 2020 and this remains as disclosed above.



## SuperLife UK pension transfer scheme

### Notes to the financial statements

#### for the year ended 31 March 2020

#### 6 Investment at fair value through profit or loss (continued)

The movements in the fair value of investments for the year ended 31 March 2020 are as follows:

	Opening Balance \$	Purchases \$	Sales \$	Net change in fair value \$	Total \$
<i>Funds:</i>					
Ethica	2,525,611	159,219	(101,024)	(127,052)	2,456,754
SuperLife Income	1,795,324	1,066,890	(874,244)	21,476	2,009,446
SuperLife Conservative	2,036,189	2,778,887	(838,716)	(76,265)	3,900,095
SuperLife Balanced	5,699,293	1,345,071	(492,949)	(447,765)	6,103,650
SuperLife Growth	4,734,161	4,213,814	(1,833,962)	(1,056,187)	6,057,826
SuperLife High Growth	6,227,765	3,807,360	(1,160,926)	(1,098,300)	7,775,899
NZ Cash Fund	1,588,160	3,969,533	(1,962,478)	24,387	3,619,602
NZ Cash ETF Fund	560,487	13,180	(579,868)	6,201	-
UK Cash Fund	7,716,478	1,371,174	(3,397,392)	333,734	6,023,994
NZ Bonds	1,346,544	499,565	(537,575)	33,468	1,342,002
Overseas Bonds Fund	207,537	116,914	(22,959)	2,921	304,413
Overseas Non-government Bond	274,069	3,803	(11,272)	1,596	268,196
NZ Property Fund	254,786	373,939	(283,233)	(23,947)	321,545
Australian Property Fund	63,671	67,375	(17,838)	(35,094)	78,114
Global Property Fund	1,057,108	98,006	(90,025)	(212,086)	853,003
NZ Shares Fund	1,228,575	132,540	(85,721)	(149,400)	1,125,994
NZ Top 50 Fund	634,683	413,576	(133,820)	(109,587)	804,852
NZ Top 10 Fund	112,492	177,102	(89,465)	3,444	203,573
NZ Dividend Fund	333,666	251,250	(310,091)	(61,788)	213,037
NZ Mid Cap Fund	180,603	38,108	(26,814)	(26,530)	165,367
Australian Shares Fund	745,872	120,772	(200,414)	(126,649)	539,581
Australian Top 20 Fund	95,600	8,460	(2,948)	(14,253)	86,859
Australian Dividend Fund	14,351	29,964	(6,264)	(9,024)	29,027
Australian Financials Fund	91,614	33,496	(75,570)	(5,232)	44,308
Australian Resources Fund	345,901	144,533	(159,473)	(85,066)	245,895
Australian Mid Cap Fund	250,576	59,822	(107,773)	(44,874)	157,751
Overseas Shares (Currency Hedged)	407,560	150,495	(56,779)	(71,093)	430,183
Overseas Shares Fund	2,560,735	191,957	(749,687)	32,186	2,035,191
Asia Pacific Fund	927,456	35,554	(120,868)	(26,797)	815,345
Emerging Markets Fund	1,328,642	116,298	(183,535)	(113,498)	1,147,907
Europe Fund	1,476,455	119,279	(276,262)	(61,559)	1,257,913
Total World Fund	343,666	413,820	(38,191)	1,261	720,556
US 500 Fund	1,461,330	681,974	(149,926)	69,318	2,062,696
US Large Growth Fund	72,650	218,688	(76,235)	1,183	216,286
US Large Value Fund	140,686	58,788	(103,418)	1,969	98,025
US Mid Cap Fund	35,579	1,475	(2,057)	(1,133)	33,864
US Small Cap Fund	52,241	1,211	(26,319)	(2,084)	25,049
	<b>48,928,116</b>	<b>23,283,892</b>	<b>(15,186,091)</b>	<b>(3,452,119)</b>	<b>53,573,798</b>

## SuperLife UK pension transfer scheme

### Notes to the financial statements

#### for the year ended 31 March 2020

#### 6 Investment at fair value through profit or loss (continued)

SLI was previously a single unit trust which was legally segregated into multiple unit trusts on 1 April 2019. The movements in the fair value of investment in SLI for the year ended 31 March 2019 are as follows:

	Opening Balance	Purchases	Sales	Net change in fair value	Total
	\$	\$	\$	\$	\$
SLI	<u>48,019,521</u>	<u>7,649,544</u>	<u>(9,369,539)</u>	<u>2,628,590</u>	<u>48,928,116</u>
	<u>48,019,521</u>	<u>7,649,544</u>	<u>(9,369,539)</u>	<u>2,628,590</u>	<u>48,928,116</u>

#### 7 Risk

The Scheme's activities expose it to a variety of financial risks: market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The financial risk management disclosures have been prepared on the basis of the Scheme's direct investments and not on a full look through basis for investments held indirectly through the Funds.

##### (a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risks: currency risk, interest rate risk and other price risk.

All of the Scheme's investments are in the Funds which are unitised products. Therefore, the Scheme's exposures to market risk are indirect.

##### *Currency risk*

The Scheme is indirectly exposed to currency risk in that future currency movements will affect the valuations of the Funds which invest in foreign currency denominated investments.

##### *Interest rate risk*

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Scheme is indirectly exposed to interest rate risk in that future interest rate movements will indirectly affect the valuation of the Funds which invests in cash and fixed interest investments.

The Scheme also holds cash which has exposure to interest rate risk. However, a change in interest rate would not have a material impact on the value of the Scheme's net assets.

##### *Other price risk*

Other price risk is the risk that the value of the Scheme's investments will increase/decrease due to a change in the unit price of the Funds.

A 10% annual increase or decrease in prices is considered to be a reasonably likely percentage change based on the historical performance of the underlying investments and represents the exposure to other price risk for the year ended 31 March 2020.

The table below shows the impact on the Statement of Net Assets and the Statement of Changes in Net Assets, due to a 10% change in unit price, with all other variables held constant:

## SuperLife UK pension transfer scheme

### Notes to the financial statements

#### for the year ended 31 March 2020

#### 7 Risk (continued)

##### (a) Market risk (continued)

###### *Other price risk (continued)*

	31 March 2020	31 March 2019
	\$	\$
Impact of 10% change in unit price +/-)	5,357,380	4,892,812

##### (b) Credit risk

The Scheme is exposed to the potential risk of financial loss resulting from the failure of counterparties to fully honour the terms of conditions of a contract with the Scheme. Financial instruments that subject the Scheme to credit risk consist primarily of cash and investments in the Funds. The maximum exposure to credit risk of the Scheme's financial assets as at 31 March 2020 and 31 March 2019 is equal to their respective carrying amounts.

##### (c) 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 Scheme to realise its underlying investments on a timely basis.

The Scheme continues to maintain appropriate levels of liquidity and meet its normal withdrawal obligations in the rapidly changing COVID-19 environment.

#### 8 Taxation

	31 March 2020	31 March 2019
	\$	\$
Net (loss)/profit before taxation	(3,515,303)	2,458,437
Adjustments:		
Non-deductible fees	1,662	160
Tax paid loss/(income)	3,452,119	(2,628,590)
Taxable loss	<u>(61,522)</u>	<u>(169,993)</u>
Tax charge at the standard tax rate of 28%	<u>(17,226)</u>	<u>(47,600)</u>
<b>Income tax benefit</b>	<u><u>(17,226)</u></u>	<u><u>(47,600)</u></u>
Taxation receivable		
Opening balance brought forward	47,653	50,739
Current tax benefit for the year	17,226	47,600
Tax refund received	(47,613)	(50,744)
Withholding tax paid	137	58
<b>Taxation receivable</b>	<u><u>17,403</u></u>	<u><u>47,653</u></u>

The administration, entry and exit fees were incorrectly treated as deductible expenses in the calculation of the income tax benefit in prior years. As a result, \$117,735 relating to the under payment of income tax for the period from 1 April 2015 to 31 March 2019 is due to the Inland Revenue Department and this has been included in other payables in the Statements of Net Assets. Additionally, a receivable of \$117,735 has been included in other receivables in the Statement of Net Assets as the Manager will reimburse the Scheme for the underpayment of income tax. There is no impact on the net assets available for benefits to members and the comparative information has not been restated as the error is deemed to be immaterial.



## SuperLife UK pension transfer scheme

### Notes to the financial statements

#### for the year ended 31 March 2020

#### 9 Reconciliation of net (loss)/profit before membership activities for the year to net cash flows from operating activities

	31 March 2020	31 March 2019
	\$	\$
Net (loss)/profit before membership activities	(3,498,077)	2,624,310
Add/(less) non-cash items:		
Net changes in fair value of investments	3,452,119	(2,628,590)
Add/(less) movements in other working capital items:		
(Increase)/decrease in investments	(8,097,801)	1,719,995
(Decrease)/increase in other payables	76,508	14,125
(Increase)/decrease in taxation receivable	30,250	3,086
(Increase)/decrease in other receivables	(117,735)	-
<b>Net cash flows from operating activities</b>	<b>(8,154,736)</b>	<b>1,732,926</b>

#### 10 Related party transactions

##### Manager's fees

The Manager is entitled to receive an administration fee of \$60 per annum from each member. The Manager also receives an entry fee of 1% of the amount transferred or \$500 (whichever is greater) and an exit fee for 1% of the amount transferred or \$500 (whichever is greater).

Scheme expenses disclosed in the Statement of Changes in Net Assets includes fund charges at the investment level and a further 0.11% per annum of net assets to cover audit fees, regulatory and compliance cost and other expenses of the Scheme. The fund charges at the investment level, which is the standard charge applicable to all unit holders of the Funds, are not paid directly by the Scheme to the Manager but the returns credited to the Scheme are net of these fees. Of the total Scheme expenses, the Manager receives any remaining amounts due after all fees and costs of the Scheme are paid. In the event that fees and costs of the Scheme exceeds the regular fund charges, this shortfall will be covered by the Manager.

The total amount of Manager's fees are as follows:

	31 March 2020	31 March 2019
	\$	\$
Manager's fee - administration fee	23,213	24,952
Manager's fee - entry and exit fees	82,974	93,321
	<u>106,187</u>	<u>118,273</u>
Manager's fee - percentage of net assets	25,372	16,799
Total Manager's fee	<u>131,559</u>	<u>135,072</u>

Of the total Manager's fees disclosed above, \$5,801 remains as payable as at 31 March 2020 (2019: \$49,773).

#### 11 Fees paid to the Auditor

	31 March 2020	31 March 2019
	\$	\$
Financial statements audit	8,625	5,750
Investor registry compliance assurance	1,150	1,236
	<u>9,775</u>	<u>6,986</u>



## SuperLife UK pension transfer scheme

### Notes to the financial statements

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#### for the year ended 31 March 2020

**12 Commitments and contingencies**

There are no material contingent liabilities, collateral or capital commitments as at 31 March 2020 (2019: \$Nil).

**13 Subsequent events**

There have been no further material events after the reporting date that require adjustments to or disclosures in the financial statements.





# Independent Auditor's Report

To the members of the SuperLife UK Pension Transfer Scheme.

## Report on the audit of the financial statements

### Opinion

In our opinion, the accompanying financial statements of the SuperLife UK Pension Transfer Scheme (the "scheme") on pages 1 to 12:

- i. present fairly in all material respects the Scheme's financial position as at 31 March 2020 and its financial performance and cash flows for the year ended on that date; and
- ii. comply with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

We have audited the accompanying financial statements which comprise:

- the statement of net assets as at 31 March 2020;
- the statements of changes in net assets, and the statement of cash flows for the year then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.



### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ('ISAs (NZ)'). 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 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 and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

Our firm has also provided other services to the scheme in relation to member registry compliance assurance. The provision of these other services has not impaired our independence as auditor of the scheme. Subject to certain restrictions, partners and employees of our firm may also deal with the scheme on normal terms within the ordinary course of trading activities of the business of the scheme. These matters have not impaired our independence as auditor of the scheme. The firm has no other relationship with, or interest in, the scheme.



### Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole. The materiality for the financial statements as a whole was set with reference to a benchmark of the scheme's total assets. We chose the benchmark because, in our view, this is a key measure of the scheme's performance.



## Key audit matter

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements in the current period. We summarise below the matter and our key audit procedures to address the matter in order that the members as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the financial statements as a whole and we do not express discrete opinions on separate elements of the financial statements

### COVID 19

The Covid-19 pandemic has created additional risks, particularly with the valuation of investments, liquidity and going concern. Some investments may have become more difficult to value, as they either experience significant events, or become less liquid and actively traded. Additional disclosures may be required to ensure there is adequate disclosure of changes to fair value levels for securities, liquidity risks, market risks and subsequent events where there are material withdrawals, other material impacts on liquidity and changes to the value of the scheme. The underlying audit risk has increased which impacted the extent and nature of audit evidence that we had to gather.

#### The key audit matter

#### How the matter was addressed in our audit

##### Valuation and existence of investments

Refer to Note 6 of the scheme's financial statements. The scheme's portfolio of investments makes up majority of total assets. These investments comprise of investments in other funds/schemes.

We do not consider these investments to be at high risk of significant misstatement, or be subject to a significant level of judgement. However, due to their materiality in the context of the financial statements as a whole, they are considered to be the area which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our audit.

Our audit procedures included:

- documenting and understanding the processes in place to record investment transactions and to value the portfolio. This included evaluating the control environment in place at the manager by obtaining and reading a report issued by an independent auditor on the design and operation of those controls throughout the period;
- agreeing the valuation of the investments to the redemption value per unit as reported by the manager;
- agreeing investment holdings to confirmations received from the registrar/manager;
- consideration of the fair value hierarchy level assigned to each investment; and
- consideration of the adequacy of the impact of the COVID-19 additional disclosures

We did not identify any material differences in relation to the valuation and existence of investments.

##### Calculation of manager's fees

Refer to Note 10 in the financial statements.

Under the terms of the Trust Deed, and in line with the Product

Our audit procedures included:

- documenting and understanding the process in place to calculate and capture manager's fees as well as the processes to generate underlying information such as daily net asset valuations. This





## The key audit matter

## How the matter was addressed in our audit

Disclosure Statement, Smartshares (the “manager”) is entitled to receive a manager fee. These fees consist of an administration fee of \$60 per annum for each member; an entry fee of 1% of the amount transferred or \$500 (whichever is greater) and an exit fee for 1% of the amount transferred or \$500 (whichever is greater); and reimbursement of scheme expenses, calculated as a percentage of the net asset value of the scheme.

As the manager calculates and pays the fee on behalf of the scheme to itself, there is an inherent risk that the manager could manipulate the calculation to boost its own earnings from its administrative duties.

Due to the inherent risk of fraud as the manager could override controls we identified the calculation of manager’s fees as an area which had a significant effect on our overall audit strategy and allocation of resources in planning and completing our audit.

included evaluating the control environment in place at the manager by obtaining and reading the service organisation reports issued on the design and operation of those controls throughout the period;

- determining the operating effectiveness of the control at the service organisation around the calculation of the administration fees;
- assessing the calculation of the administration fees using the average number of members and fee charged as agreed to the Product Disclosure Statement;
- assessing the calculation of the entry and exit fees by selecting a sample of members and ensuring the fee charged agrees to the fee in the Product Disclosure Statement; and
- assessing the calculation of the manager’s fee based on percentage of net assets using a sample of daily net asset valuations and agreeing the percentage of the net asset value to the Product Disclosure Statement.

We did not identify any material differences in relation to the calculation of manager’s fees.

## Other information

The manager, on behalf of the scheme, is responsible for the other information included in the entity’s Annual Report. Other information includes the details and changes to the scheme and other information. Our opinion on the financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements 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 materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Use of this independent auditor’s report

This independent auditor’s report is made solely to the members as a body. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in the independent 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 members as a body for our audit work, this independent auditor's report, or any of the opinions we have formed.



## Responsibilities of the manager for the financial statements

The manager, on behalf of the scheme, are responsible for:

- the preparation and fair presentation of the financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards;
- implementing necessary internal control to enable the preparation of a set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.



## Auditor's responsibilities for the audit of the financial statements

Our objective is:

- 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 independent 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 will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They 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 these financial statements is located at the External Reporting Board (XRB) website at:

<http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-2/>

This description forms part of our independent auditor's report.

The engagement partner on the audit resulting in this independent auditor's report is Graeme Edwards.

For and on behalf of

KPMG  
Auckland

28 September 2020


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	Level 1, 11 Cable Street
	Wellington, Wellington Central 6011
	tw.bennett@nzx.com
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Mark Peterson  
  
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<b>Envelope Summary Events</b>	<b>Status</b>	<b>Timestamps</b>
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<b>Payment Events</b>	<b>Status</b>	<b>Timestamps</b>
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