Lifetime Income Limited
Financial Statements
For the year ended 31 March 2016

Lifetime Income Limited

Table of Contents

Lifetime Income Limited
Company Directory

Company Number:	5218721	
NZ Business Number:	9429041239308	
Incorporation Date:	19 May 2014	
Nature of Business:	Life Insurance Provider	
Issued Capital:	100 Ordinary Shares	
Directors:	Diana Crossan	(Appointed 27 November 2014)
	Rhys Gwilym	(Appointed 19 May 2014)
	Martin Hawes	(Appointed 27 November 2014)
	Graeme Robertson Mitchell	(Appointed 27 November 2014)
	Timothy Paris	(Appointed 27 November 2014)
	Ralph Earle Stewart	(Appointed 19 May 2014)
	John Russell Strahl	(Appointed 27 November 2014)
Registered Office:	Level 5, 90 The Terrace Wellington	
Website:	www.lifetimeincome.co.nz	
Statutory Fund:	Lifetime Income Limited - Statutory Fund	
Appointed Actuary:	Murray A. Hilder, FIA, FIAA, FNZSA	
Bankers:	ANZ Bank New Zealand Limited PO Box 540 Wellington 6140	
Solicitors:	DLA Piper New Zealand PO Box 2791 Wellington 6140	
Accountants:	Add Smart Limited PO Box 30 504 Lower Hutt 5040	
Auditors:	PricewaterhouseCoopers PO Box 243 Wellington 6140	

Lifetime Income Limited

Directors' Annual Report

The Directors hereby present their Annual Report including Financial Statements of the Company for the year ended 31 March 2016.

Section 211 of the Companies Act 1993 requires the following disclosures:

Principal Activities

Lifetime Income Limited's principle activites during the year was:
- Selling and Administration of Life Insurance

Auditors

The Company's auditor is PricewaterhouseCoopers. Audit fees payable for the year amount to $12,075.

Fees payable to PricewaterhouseCoopers for other services provided amount to $3,623.

Directors' Disclosures

Directors' holding office during the year
The following Directors held office during the year:

Diana Crossan	(Appointed 27 November 2014)
Rhys Gwilym	(Appointed 19 May 2014)
Martin Hawes	(Appointed 27 November 2014)
Graeme Robertson Mitchell	(Appointed 27 November 2014)
Timothy Paris	(Appointed 27 November 2014)
Ralph Earle Stewart	(Appointed 19 May 2014)
John Russell Strahl	(Appointed 27 November 2014)

Interests Register
No transactions were entered into with the Directors of the Company.

The Board received no notices from Directors requesting the use of Company information received in their capacity as Directors which would not have been otherwise available to them.

Directors' Remuneration
Directors' remuneration and benefits were provided as follows:

Diana Crossan	$Nil
Rhys Gwilym	$Nil
Martin Hawes	$Nil
Graeme Robertson Mitchell	$Nil
Timothy Paris	$Nil
Ralph Earle Stewart	$Nil
John Russell Strahl	$Nil

Donations

No donations were made by the Company during the year.

Employee Remuneration

No employees or former employees of the Company, received any remuneration or benefits during the year.

For and on behalf of the Board of Directors:

Director **Date** 12 September 2016

Director **Date** 12 September 2016

Lifetime Income Limited

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2016

	Note	2016 $	2015 $
Premium revenue			
Premium revenue from insurance contracts	1	394	-
Premium revenue		394	-
Other revenue			
Investment revenue	7	44,322	-
Fee and other revenue		-	-
Net other revenue		44,322	-
Change in policyholder liabilities	4	(396)	-
Other expenses	2	(153,657)	-
Net claims and operating expenses		(154,053)	-
Loss before tax		(109,337)	-
Income tax expense	9	-	-
Loss after tax		**(109,337)**	**-**
Other comprehensive income		**-**	**-**
Total comprehensive loss attributable to the shareholders of Lifetime Income Limited		**(109,337)**	**-**

The notes on pages 8 to 16 are an integral part of these financial statements.

Lifetime Income Limited

Statement of Changes in Equity
For the year ended 31 March 2016

	Share capital	Accumulated losses	Total
	$	$	$
Opening Balance as at 1 April 2014	-	-	-
Total comprehensive income 2015	-	-	-
Transactions with owners			
Dividend paid	-	-	-
Balance 31 March 2015	-	-	-
Total comprehensive income 2016	-	(109,337)	**(109,337)**
Transactions with owners			
Issue of shares	5,500,000	-	**5,500,000**
Dividend paid	-	-	-
Balance 31 March 2016	5,500,000	(109,337)	5,390,663

The 100 ordinary shares (2015: 100 unpaid shares) all rank equally with one vote attached to each fully paid up share. There is no par value attached to the shares.

The notes on pages 8 to 16 are an integral part of these financial statements.

Lifetime Income Limited

Statement of Financial Position
As at 31 March 2016

	Note	2016 $	2015 $
Assets			
Current assets			
Cash and cash equivalents		5,531,842	-
Insurance receivables	3	394	-
Taxation		12,410	
Total assets		**5,544,646**	**-**
Liabilities			
Current liabilities			
Accounts payable	10	153,587	-
Non-current liabilities			
Policyholder liabilities	4	396	-
Total liabilities		**153,983**	**-**
Net assets		**5,390,663**	**-**
Equity			
Contributed equity		5,500,000	-
Accumulated losses		(109,337)	-
Total equity		**5,390,663**	**-**

These financial statements were authorised for issue on behalf of the board by:

Director		**Date**	12 September 2016
Director	JR Mitchell	**Date**	12 September 2016

The notes on pages 8 to 16 are an integral part of these financial statements.

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Lifetime Income Limited

Statement of Cash Flows

For the year ended 31 March 2016

	2016 $	2015 $
Cash flows from operating activities		
Interest received	31,912	-
Payments to suppliers and employees	(70)	-
Net cash inflow from operating activities	**31,842**	-
Cash flows from financing activities		
Shareholder Capital Issued/(Repurchased)	5,500,000	
Net cash inflow from financing activities	**5,500,000**	-
Net increase in cash and cash equivalents	**5,531,842**	-
Cash and cash equivalents at beginning of year	-	-
Cash and cash equivalents at end of year	**5,531,842**	-
Cash is represented by:		
Cash at bank and in hand	5,531,842	-
Cash and cash equivalents at end of year	**5,531,842**	-

Operating activities reconciliation

Loss after tax	**(109,337)**	-
Non-cash Items		
Change in policyholder liabilities	396	-
Changes in working capital Items		
Receivables	(394)	-
Payables	153,587	-
Taxation Payable/(Receivable)	(12,410)	-
Net cash Inflow from operating activities	31,842	-

The notes on pages 8 to 16 are an integral part of these financial statements.

These are the Financial Statements of Lifetime Income Limited.

The Company is a for-profit entity incorporated and domiciled in New Zealand, it was incorporated on 19 May 2014.
The address of its registered office is Level 5, 90 The Terrace, Wellington, New Zealand.

The Company's principal products and services comprise the selling and administration of Life Insurance.
The Company was granted a licence by the Reserve Bank of New Zealand ("RBNZ") on 4 December 2015 to operate as an Insurer subject to the Insurance (Prudential Supervision) Act 2010 ("IPSA"). As a consequence of being a licensed Insurer, the Company is deemed to be an FMC Reporting Entity under the Financial Markets Conduct Act 2013.

Basis of preparation

The financial statements are for the Company as a separate legal entity and have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). They comply with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS), other New Zealand accounting standards and authoritative notices, as appropriate for for-profit entities. They comply with International Financial Reporting Standards.

These financial statements are prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss.

Unless otherwise stated, all amounts are expressed in New Zealand Dollars, which is the Company's presentation and functional currency.

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies.

Accounting for Life Insurance Business

The Life Insurance operations of the Company comprise the selling and administration of contracts which are classified as life insurance contracts.

Life insurance contracts involve the acceptance of significant insurance risk. Insurance risk is defined as significant if and only if, an insured event could cause an insurer to pay significant benefits in any scenario, excluding scenarios that lack commercial substance. Insurance contracts include those where the insured benefit is payable on the occurrence of a specified event such as a policyholders Lifetime Income Fund balance reaching zero. The insured benefit is not linked to the market value of the investment held by the Company, and the financial risks are substantially borne by the Company.

The subsequent notes are set out in the following main categories:

a Insurance Profit
b Insurance Liabilities
c Investments
d Non Financial Assets and Liabilities & Taxation
e Risk
f Other Information

a Insurance Profit

This note provides information about those individual line items in the financial statements that the Directors consider most relevant in the context of the operations of the entity, including:
- other expenses split between acquisition cost and maintenance cost
- premium revenue still owing at balance date
- specific accounting policies where relevant

1 Premium revenue

Revenue is categorised and recognised using the methods outlined below.

Insurance premium revenue		
Life insurance premiums	394	-

Accounting for revenue from major business activities

Life premium revenue

Premium revenue is earned on life insurance contracts as the services are delivered. Unearned premiums are recognised in the balance sheet within the policyholder liabilities balance.

Premiums are amortised as the related services are provided under the contract.

2 Other expenses

Other expenses are also incurred for the operation of the business in relation to the acquisition and maintenance of life insurance contracts as well as the marketing and fund management costs.

	2016	2015
	$	$
Marketing, Management and Administration Costs	25,740	-
Total policy acquisition costs	**25,740**	-
Policy maintenance costs		
Investment Management Costs	127,917	-
Total maintenance expenses	**127,917**	-
Total other expenses	**153,657**	-

Commission and management expenses are categorised into acquisition, investment management or maintenance costs on the basis of a detailed functional analysis of activities carried out by the Company.

Acquisition costs

Acquisition costs are the fixed and variable costs of accepting, issuing and initially recording policies, including initial commission and similar distribution costs. Acquisition costs do not include general growth and development costs that are not specifically related to acquisition activity.

Where overall product profitability of new business written during the year is expected to support the recovery of acquisition costs incurred in that year, these costs are effectively deferred as an element of life insurance contract liabilities and are amortised over the life of the policies written. Unamortised acquisition costs are a component of life insurance contract liabilities. Amortisation of acquisition costs is recognised in profit or loss as a component of the increase/(decrease) in life insurance contract liabilities at the same time as policy margins are released.

Maintenance and investment management expenses

Maintenance costs are the fixed and variable costs of administering policies subsequent to sale. These include general growth and development costs. Maintenance costs include all operating costs other than acquisition and investment management costs.

Investment management costs are the fixed and variable costs of managing investment funds.

3 Insurance receivables

Insurance receivables relate to amounts due to the Company in the ordinary course of business. The carrying value of insurance receivables approximates the fair value as they are settled within a short period .

Outstanding premiums	394	-
Total insurance receivables (current)	394	-

Insurance receivables past due but not impaired

The Company considers that insurance receivables are past due if no payments have been received when contractually due. At the reporting date the total of the carrying value of past due but not impaired assets held by the Company is $Nil (2015: $Nil).

b Insurance Liabilities

4 Critical Accounting Estimate: policyholder liabilities

Life insurance policy liabilities have been calculated in accordance with the New Zealand Society of Actuaries Professional Standard No 20 - Determination of Life Insurance Policy Liabilities. The approach adopted uses the 'Margin on Services' method, which recognises profits on life insurance policies as services are provided to policyholders. Policy liabilities are calculated as the present value of all future expected guarantee payments, expenses, taxes and profit margins less the present value of future expected insurance premiums. Given the nature of Lifetime Income Limited's guaranteed income liabilities, each of these elements is calculated using a risk neutral simulation approach. Services provided over the life of a contract include the costs of meeting guarantee claims, maintaining policies and managing the assets of Lifetime Income Limited. The value of the Protected Income Base is used as a 'profit carrier' to release profits as services are provided.

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Lifetime Income Limited

Notes to the Financial Statements
For the year ended 31 March 2016

5 Statutory Fund

As required by the Insurance (Prudential Supervision) Act 2010 (the "Act"), the Company has established a statutory fund in respect of its life insurance business - Lifetime Income Limited Statutory Fund Number 1 ("The Fund").

The purpose of a statutory fund is to ensure that the funds received and paid out in respect of life insurance policies are separately identifiable as being part of the statutory fund. The assets of the Fund are only available for the life insurance business. In addition, the assets of the Fund enjoy certain protections under the Act which are designed to ensure that the interests of holders of life insurance policies are given certain priority over the interests of other parties, such as unsecured creditors.

All assets are considered non-linked.

As at 31 March 2016 there are no other restrictions on the use of assets invested for policyholder benefits, nor any restrictions on legal titles to assets.

The Statement of Financial Position and Statement of Profit and Loss and Other Comprehensive Income as split by fund, are broken down as follows:

	2016			2015		
	Statutory Fund	Shareholder Fund	Total	Statutory Fund	Shareholder Fund	Total
	$	$	$	$	$	$
Statement of Financial Position						
Assets						
Cash and cash equivalents	1,005,780	4,526,062	5,531,842	-	-	-
Insurance receivables	394	-	394	-	-	-
Taxation receivable	2,256	10,154	12,410	-	-	-
Less Liabilities						
Accounts payable	145,886	7,701	153,587	-	-	-
Policyholder liabilities	396	-	396	-	-	-
Retained earnings and contributed equity	**862,148**	**4,528,515**	**5,390,663**	-	-	-
Statement of Profit and Loss and Other Comprehensive Income						
Income						
Net premium revenue	394	-	394	-	-	-
Investment revenue	8,059	36,263	44,322	-	-	-
Less Expenses						
Operating expenses	146,305	7,748	154,053	-	-	-
(Loss) / profit before tax	(137,852)	28,515	(109,337)	-	-	-
Less Income tax expense	-	-	-	-	-	-
Profit / (loss) after tax	(137,852)	28,515	(109,337)	-	-	-
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income (expense)	(137,852)	28,515	(109,337)	-	-	-
Statement of Movements in Equity						
Opening Balance	-	-	-	-	-	-
Total comprehensive income/(expense) 2016	(137,852)	28,515	(109,337)	-	-	-
Transactions with owners						
Issue of shares	1,000,000	4,500,000	5,500,000	-	-	-
Closing Balance	**862,148**	**4,528,515**	**5,390,663**	-	-	-

6 Solvency Margin

Solvency requirements

Separate to policy liabilities recognised in the Statement of Financial Position, the Company maintains sufficient capital to meet solvency requirements. These are amounts required to provide protection against the impact of fluctuations and unexpected adverse circumstances on life insurance companies.

The Company maintains a solvency margin for both its statutory & shareholder fund, which is calculated as the difference between actual solvency capital and minimum solvency capital as shown below. The methodology and bases for determining the solvency margin are in accordance with the Solvency Standard for Life Insurance Business 2014 issued by the Reserve Bank of New Zealand. The actual solvency capital exceeds the minimum requirements.

As at 31 March 2015		Statutory Fund	Shareholder Fund	Lifetime Income Limited
		$	$	$
Actual solvency capital	(A)	-	-	-
Minimum solvency capital	(B)	-	-	-
Solvency Margin	**(A) - (B)**	**-**	**-**	**-**
Solvency Ratio	**(A) / (B)**	**N/A**	**N/A**	**N/A**
As at 31 March 2016				
Actual solvency capital	(A)	862,148	4,528,515	5,390,663
Minimum solvency capital	(B)	500,000	4,500,000	5,000,000
Solvency Margin	**(A) - (B)**	**362,148**	**28,515**	**390,663**
Solvency Ratio	**(A) / (B)**	**172%**	**101%**	**108%**

c Investments

This note provides further information about the investments held by the Company, outlining the return received and the categorisations of these assets, including:

- a breakdown of the investment revenue streams
- specific accounting policies where relevant
- disaggregated information for those instruments considered to be most significant in the context of the Company's operations.

7 Investment revenue

	Note	2016 $	2015 $
Interest income		44,322	-
Total investment revenue		44,322	-
Total investment revenue by contract type:			
Life Insurance Contracts			
Income from:			
Cash		44,322	-
Total Life Insurance Contracts Investment Revenue		44,322	-
Total Investment Revenue		44,322	-

Interest income

Interest income is recognised on a time proportion basis using the effective interest method.

Lifetime Income Limited
Notes to the Financial Statements
For the year ended 31 March 2016

8 Financial Instruments by category

The Company has determined that financial assets are all assets held backing life insurance contracts. Such assets are designated as loans and receivables. All financial liabilities are valued at amortised cost.

The analysis of financial assets and liabilities into their categories is set out in the table below:

	Loans and receivables	Financial liabilities amortised cost	Total
As at 31 March 2016	**$**	**$**	**$**
Cash and cash equivalents	5,531,842	-	5,531,842
Insurance receivables	394	-	394
Trade and other payables	-	(153,587)	(153,587)
Total	**5,532,236**	**(153,587)**	**5,378,649**

d Non-financial Assets and Liabilities & Taxation

This note provides further information about those non-financial assets, liabilities and taxation position that the Directors consider significant for an understanding of the Company's financial position and performance, including:
- income tax expense and deferred tax asset and liability breakdown
- relevant accounting policies
- estimates and judgements made in determining these items
- explanation of the calculation basis for each type of non-financial assets and liabilities
- individually significant items.

9 Taxation

Income tax recognised in profit or loss	**Note**	**2016** **$**	**2015** **$**
Current tax expense		-	-
Deferred tax expense		-	-
Income tax expense		-	-
Profit before tax		(109,337)	-
Income tax expense at 28 percent		(30,614)	-
Permanent differences			
- life Insurance liability permanent differences		111	-
- other tax permanent difference		-	-
Temporary differences		-	-
Tax effect of deferred acquisition costs included in policyholder liabilities		-	-
Tax effect of unrealised investment income		-	-
Tax losses not recognised		30,504	-
Income tax expense		-	-

Accumulated tax losses are recognised in the Statement of Financial Position to the extent that they are expected to be used in the foreseeable future. The Company has a total of $109,000 (2015: $Nil) of unrecognised income tax losses available to be set off against future life taxable income. The realisation of the tax benefit of these losses is dependent on the Company meeting the requirements of the Income Tax Act 2007 on shareholder continuity and generating taxable profits against which to utilise them.

Accounting for taxation in relation to the Company's tax position

Current tax

Current tax is calculated in respect of the taxable profit or loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by balance date. Current tax is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax assets are recognised to the extent that it is probable that profits will be available against which deductible temporary differences or unused tax losses can be utilised.

10 Accounts Payable

	Note	2016 $	2015 $
Sundry creditors and accruals		14,980	-
Related party accruals	16	50,000	-
Amounts due to related parties	16	88,607	-
Total accounts payable (current)		153,587	-

Accounts Payable

Accounts payable are initially recognised at fair value and subsequently measured at amortised cost.

The amount recognised as a related party accrual is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation.

11 Analysis of expense by nature

Fees paid to auditors	- Audit fees	12,075	-
	- Solvency return limited assurance review	3,623	-
Management fees		25,670	-
Professional consultancy fees		112,967	-

e Risk

This section of the notes discusses the Company's exposure to various risk and shows how these could affect the Company's financial position and performance.

12 Financial Risk Management

This note explains the Company's exposure to financial risks and how the risks could affect the Company's future financial performance, current year profit and loss information has been included where relevant to add further context.

Financial risks are generally monitored and controlled by selecting appropriate assets to back life insurance contracts. At present, all assets held to back life insurance contracts are in the form of cash. The assets are regularly monitored by the Board to ensure that there are no material asset and liability mismatching issues and other risks such as liquidity risk and credit risk are maintained within the acceptable limits.

Financial risk management objectives

The Company has engaged the services of Milliman Pty Ltd to monitor and manage the financial risks relating to the operations of the Company through adoption of the Milliman Managed Risk Strategy (MMRS).

Risk Management Policies and Procedures

The financial condition and operating results of the Company are affected by a number of key financial and non-financial risks. Financial risks include interest rate risk, currency risk, credit risk, market risk, financial risk and liquidity risk. The non-financial risks are insurance risk, compliance risk, and operational risk.

(a) Risk management objectives and policies for mitigating risk

The Company's objective is to satisfactorily manage the risks in line with the Company's Risk Policy, the relevant details of which are included below.

(b) Strategy for Managing Risk

Risk strategy

At this stage in the Company's life cycle it adopts a conservative strategy to managing risk, holding all financial assets in the sum of cash and cash equivalents. As the Company grows, it will adopt the Milliman Managed Risk Strategy.

The Milliman Managed Risk Strategy (MMRS) has two primary components being:
- Volatility Management Strategy - this is designed to cap the volatility of returns within the unit fund.
- Capital Management Strategy - this aims to limit the potential for downside losses by replicating a put-option strategy to reduce the potential for capital drawdowns in falling and sustained down markets.

Allocation of capital

The Company is required to hold a certain level of assets (capital) in order to prudently meet its liabilities to policyholders, fulfil its new business plans and meet regulatory capital requirements. Capital is held partly in the Statutory Fund based on management's assessment of the risk that each line of business is exposed to, and its views on the profitability of the products that are sold, on the regulatory capital requirements and its own views about a suitable margin above the regulatory requirement. At no stage during the year was the Company in breach of the minimum solvency capital requirements. Refer note 6 for disclosures on the Company's solvency requirements and margins.

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(c) Methods to monitor and assess risk exposures

Exposure to risk
In an effort to protect and enhance shareholder value, the Company actively manages its exposure to risks so that it can react in a timely manner to changes in financial markets, insurance cycles, and economic and political environments.

Management reporting
The Company reports monthly financial and operations results to its Board. This information is combined with the detail of any changes in MMRS to provide a central view of the Company's risk performance.

(d) Methods to limit or transfer risk exposures
Reinsurance
The Company's reinsurance activities and needs are monitored and directed by Milliman Pty Ltd. Where required and applicable, reinsurance programmes will be put in place (no contracts effective for the 2016 year) to mitigate the impact on the Company's exposure to risk and to ensure the achievement of an appropriate choice of type of reinsurance and retention levels.

Milliman MMRS Hedging
Through the use of MMRS, there are limits on the maximum loss exposure that the Company is subject to for downside losses through the use of put-options. Given the Company is in its early stages, no hedging is currently in place.

(e) Concentration of insurance risk
Insurance risks associated with human life events
The Company aims to maintain an appropriate solvency margin in excess of the minimum requirement for any given in force business mix. The Company determines insurance risk concentrations based on the levels of sum assured, as well as age and sex profiling of the policyholders.

Liquidity risk
Liquidity risk is the risk that the Company will not be able to meet its cash outflows as they fall due, because of lack of liquid assets or access to funding on acceptable terms.

To mitigate liquidity risk, the Company maintains sufficient liquid assets to ensure that the Company can meet its obligations and other cash outflows on a timely basis. The Company reports monthly to its Board regarding their cash balances.

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who have built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding management requirements.

The carrying amount of financial assets and liabilities recorded in the financial statements represents their respective fair values unless otherwise noted, determined in accordance with the accounting policies of the Company. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of related party lending.

Quantitive liquidity risk
The table below summarises the Company's financial liabilities into relevant maturity groups based on the remaining period at the balance date to the contractual maturity date. The amounts disclosed are contractual undiscounted cash outflows that include interest payments and exclude the impact of netting agreements.

2016	< 1 Month $	> 1 Month $	Total $
Financial Liabilities			
Payables	153,587	-	153,587
Total	153,587	-	153,587

2015	< 1 Month $	> 1 Month $	Total $
Financial Liabilities			
Payables	-	-	-
Total	-	-	-

Interest rate risk
Interest rate risk is the risk that the value of the Company's assets and liabilities will fluctuate due to changes in market interest rates. The Company is exposed to interest rate risk through its cash holdings. The Company manages its exposure through holding cash in liquid form. Given the risk levels and claims profile the Board believe it is adequately managed.

If interest rates had been 1% higher/lower during the year the loss for the year would have been approximately $18,000 lower/higher.

Credit risk exposure

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only contracting with creditworthy counterparties, as a means of multiplying the risk of financial loss from defaults. Credit exposure in respect of the Company's cash deposit balances is limited to banks with minimum A credit ratings. The Company's exposure and the credit of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

As at 31 March 2016 there was no significant credit risk exposure to one single unrelated entity (2015: $Nil) . With respect to credit risk arising from the other financial assets of the Company, which comprise cash and cash equivalents and insurance receivables, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. There are no significant concentrations of credit risk within the Company.

f Other Information

This section provides information about items that are not recognised in the financial statements but could potentially have significant impact on the Company's financial position and performance but are not included as they do not satisfy the recognition criteria.

13 Operating commitments

The Company utilises the premises in Wellington of its parent, Retirement Income Group Limited for which it is charged a management fee.

In addition, the Company does not lease any operating equipment under cancellable operating lease agreements.

14 Contingent liability

The Company had no material contingent liabilities at balance date (2015: Nil).

15 Capital commitments

The Company had no material capital commitments at balance date (2015: Nil).

16 Related party information

The Company is a wholly owned subsidiary of Retirement Income Group Limited and has the following related entities:

Entity	Activity
Lifetime Asset Management Limited	Fund Management

		Note	2016 $	2015 $
a) Key management personnel compensation				
Salaries and other short term benefits			-	-
Post employment benefits			-	-
Employee share options & restricted stock expense			-	-
Termination benefits			-	-
Directors fees			-	-

The Company does not incur any of the expenses listed above directly, as these are incurred and paid for directly by Retirement Income Group Limited. The Company pays for these services by way of a management fee to Retirement Income Group Limited.

		2016	2015
b) Transactions with other related companies			
Retirement Income Group Limited	Management fees	138,607	-
c) Related party balances outstanding			
Payables and accruals			
Retirement Income Group Limited	Management fees	138,607	-

All related party balances are non-interest bearing and repayable on demand.

17 Changes to comparatives

There have been no changes to comparative balances.

18 New standards adopted by the Company

No new standards, amendments and interpretations effective for the financial year beginning on 1 April 2015 have had a material impact on these financials statements.

Other standards, amendments and interpretations which are effective for the financial year beginning on 1 April 2016 are not material to the Company.

19 New Standards not yet adopted

The following relevant new standards, amendments or interpretations to existing standards are not yet effective and have not been early adopted by the Company:

NZ IFRS 15: Revenue from contracts with customers

NZ IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces NZ IAS 18 'Revenue' and NZ IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Company intends to adopt NZ IFRS 15 on its effective date and is currently assessing its full impact. This standard is not expected to significantly impact the Company.

NZ IFRS 9: Financial Instruments

NZ IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of NZ IFRS 9 was issued in September 2014. It replaces the guidance in NZ IAS 39 that relates to the classification and measurement of financial instruments. NZ IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in NZ IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. NZ IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under NZ IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Company intends to adopt NZ IFRS 9 on its effective date and has yet to assess its full impact.

There are no other standards not yet effective that are expected to be relevant to the Company's operations.

20 Subsequent notes

There are no material transactions subsequent to balance date that require disclosure.

pwc

Independent Auditors' Report

to the shareholders of Lifetime Income Limited

Report on the Financial Statements

We have audited the financial statements of Lifetime Income Limited (the "Company") on pages 4 to 16, which comprise the Statement of Financial Position as at 31 March 2016, the Statement of Profit or Loss and Other Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, and the notes to the financial statements that include a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation of these financial statements in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate and for such internal controls as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand) and International Standards on Auditing. These standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider the internal controls relevant to the Company's preparation of financial statements that give a true and fair view of the matters to which they relate, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

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

We are independent of the Company. Other than in our capacity as auditors and providers of other related assurance services we have no relationship with, or interests in, the Company.

pwc

Independent Auditors' Report

Lifetime Income Limited

Opinion

In our opinion, the financial statements on pages 4 to 16:

(i) comply with generally accepted accounting practice in New Zealand;

(ii) comply with International Financial Reporting Standards; and

(iii) give a true and fair view of the financial position of the Company as at 31 March 2016, and its financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

We also report in accordance with Sections 16(1)(d) and 16(1)(e) of the Financial Reporting Act 1993. In relation to our audit of the financial statements for the year ended 31 March 2016:

(i) we have obtained all the information and explanations that we have required; and

(ii) in our opinion, proper accounting records have been kept by the Company as far as appears from an examination of those records.

Restriction on Use of our Report

This report is made solely to the Company's shareholders, as a body. Our audit work has been undertaken so that we might state to the Company's shareholders those matters which we are required to state to them in an auditors' 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 Company and the Company's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

PricewaterhouseCoopers

Chartered Accountants
12 September 2016

Wellington

Hilder Consulting Limited
Consulting Actuaries

Auckland
12 September 2016

Private and Confidential

Ralph Stewart
Managing Director
Lifetime Income Limited
P.O. Box 10760
WELLINGTON 6143

Dear Ralph

Appointed Actuary – Report Required under Section 78 of the Act

Section 78 of the Act specifies those matters that must be addressed, namely;

(a) I am the appointed actuary of Lifetime Income Ltd; and

(b) I have reviewed the actuarial information contained in, or used in the preparation of, the financial statements of Lifetime Income Ltd. The review has been carried out in accordance with the applicable solvency standard. For the avoidance of doubt, actuarial information means:

1) information relating to Lifetime Income's calculations of premiums, claims, reserves, insurance rates, and technical provisions; and
2) information relating to assessments of the probability of uncertain future events occurring and the financial implications for the insurer if those events do occur; and
3) information specified in an applicable solvency standard as being actuarial information for the purposes of this section; and

(c) The scope and limitations of the review are attached to this report as Appendix A; and

(d) I have obtained all information and explanations that I required; and

(e) In my opinion and from an actuarial perspective:

1) The actuarial information contained in the financial statements has been appropriately included in those statements; and
2) The actuarial information used in the preparation of the financial statements has been used appropriately; and

P.O. Box 33 028, Takapuna, Auckland
Mobile: (021) 661-010 Email: murrayhilder@xtra.co.nz

(f) No condition has been imposed under Section 21(2) (b) as at 31 March 2016; and

(g) No condition has been imposed under Section 21(2) (c) as at 31 March 2016.

Yours sincerely

Murray Hilder

Appendix A

Reliances and Limitations

This report is provided to Lifetime Income Ltd ("Lifetime Income") as at 31 March 2016 for the purpose of Section 78 of the Insurance Prudential Supervision Act 2010.

The report should not be used for any purpose other than that stated above. This report should not be reproduced or supplied to any other party other than the Auditors and the Reserve Bank of New Zealand without first obtaining my written consent. I accept no responsibility for any reliance that may be placed on the report, should it be used for any purpose other than that set out above, and in any event will accept no liability in respect of its contents to any party other than Lifetime Income.

The processes and calculations made to produce the results in this report are based on representations and information supplied to me by Lifetime Income. In the course of carrying out my work I performed some data validation checks but have not carried out anything in the nature of an audit. Accordingly, I express no opinion on the total reliability, accuracy or completeness of the information provided to me and upon which I have relied. I have no reason to believe that the information provided to me is inaccurate or misleading.

This report should be read in its entirety. Individual sections of this report could be misleading if considered in isolation from each other.

For the purposes of professional regulation my primary professional regulator is the New Zealand Society of Actuaries.