Lifetime Income Limited
Financial Statements
For the year ended 31 March 2017

Lifetime Income Limited
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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 Rhys Gwilym Martin Hawes Graeme Robertson Mitchell Timothy Paris Ralph Earle Stewart John Russell Strahl Michael John Cullen (Appointed 10 February 2017)
Registered Office:	Floor 5, 50-64 Customhouse Quay Wellington 6011
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 2017.

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 $26,444.

Fees payable to PricewaterhouseCoopers for other services provided amount to $6,038.

Directors' Disclosures

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

Diana Crossan	
Rhys Gwilym	
Martin Hawes	
Graeme Robertson Mitchell	
Timothy Paris	
Ralph Earle Stewart	
John Russell Strahl	
Michael John Cullen	(Appointed 10 February 2017)

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
Michael John Cullen	$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**	07 August 2017
Director		**Date**	07 August 2017

Lifetime Income Limited

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2017

	Note	2017 $	2016 $
Premium revenue			
Premium revenue from insurance contracts	1	66,806	394
Premium revenue		66,806	394
Other revenue			
Investment revenue	7	108,271	44,322
Fee and other revenue		-	-
Net other revenue		108,271	44,322
Change in policyholder liabilities	4	174,187	(396)
Other expenses	2	(242,792)	(153,657)
Net claims and operating expenses		(68,605)	(154,053)
Profit / (loss) before tax		106,472	(109,337)
Income tax expense	9	-	-
Profit / (loss) after tax		**106,472**	**(109,337)**
Other comprehensive income		-	-
Total comprehensive profit / (loss) attributable to the shareholders of Lifetime Income Limited		**106,472**	**(109,337)**

The notes on pages 8 to 17 are an integral part of these financial statements.

Lifetime Income Limited

Statement of Changes in Equity
For the year ended 31 March 2017

	Share capital	Accumulated losses	Total
	$	$	$
Opening Balance as at 1 April 2015	-	-	-
Total comprehensive loss 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**
Total comprehensive income 2017	-	106,472	**106,472**
Transactions with owners			
Issue of shares	-	-	-
Dividend paid	-	-	-
Balance 31 March 2017	**5,500,000**	**(2,865)**	**5,497,135**

The 100 ordinary shares (2016: 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 17 are an integral part of these financial statements.

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Lifetime Income Limited

Statement of Financial Position

As at 31 March 2017

	Note	2017 $	2016 $
Assets			
Current assets			
Cash and cash equivalents		5,508,264	5,531,842
Insurance receivables	3	11,226	394
Taxation		42,726	12,410
Total assets		**5,562,216**	**5,544,646**
Liabilities			
Current liabilities			
Accounts payable	10	66,452	103,587
Other payables - related parties	10	113,137	50,000
Financial liabilities held at fair value through profit or loss	13	59,283	-
Non-current liabilities			
Policyholder liabilities	4	(173,791)	396
Total liabilities		**65,081**	**153,983**
Net assets		**5,497,135**	**5,390,663**
Equity			
Contributed equity		5,500,000	5,500,000
Accumulated losses		(2,865)	(109,337)
Total equity		**5,497,135**	**5,390,663**

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

Director | **Date** 07 August 2017

Director | **Date** 07 August 2017

The notes on pages 8 to 17 are an integral part of these financial statements.

Lifetime Income Limited

Statement of Cash Flows

For the year ended 31 March 2017

	2017 $	2016 $
Cash flows from operating activities		
Interest received	77,955	31,912
Receipts from customers	55,974	-
Payments to suppliers and employees	(216,790)	(70)
Net cash inflow / (outflow) from operating activities	**(82,861)**	**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 / (decrease) in cash and cash equivalents	**(82,861)**	**5,531,842**
Foreign exchange (losses) on cash and cash equivalents denominated in foreign currencies	59,283	-
Cash and cash equivalents at beginning of year	**5,531,842**	-
Cash and cash equivalents at end of year	**5,508,264**	**5,531,842**
Cash is represented by:		
Cash at bank and in hand	5,508,264	5,531,842
Cash and cash equivalents at end of year	**5,508,264**	**5,531,842**

Operating activities reconciliation

	2017 $	2016 $
Profit / (Loss) after tax	**106,472**	**(109,337)**
Non-cash Items		
Change in policyholder liabilities	(174,187)	396
Changes In working capital Items		
Receivables	(10,832)	(394)
Payables	(87,135)	14,980
Related Party Loans	113,137	138,607
Taxation Payable/(Receivable)	(30,316)	(12,410)
Net cash inflow / (outflow) from operating activities	**(82,861)**	31,842

The notes on pages 8 to 17 are an integral part of these financial statements.

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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.

	2017	2016
Insurance premium revenue	**$**	**$**
Life insurance premiums	66,806	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.

	2017	2016
	$	$
Marketing, Management and Administration Costs	129,413	25,740
Total policy acquisition costs	**129,413**	**25,740**
Policy maintenance costs		
Investment Management Costs	113,379	127,917
Total maintenance expenses	**113,379**	**127,917**
Total other expenses	**242,792**	**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 .

	2017	2016
	$	$
Outstanding premiums	11,226	394
Total insurance receivables (current)	11,226	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 (2016: $Nil).

b Insurance Liabilities

4 Critical Accounting Estimate: policyholder liabilities

Life Insurance contract liabilities are computed by the Appointed Actuary on the basis of recognised actuarial methods, with due regard to relevant actuarial principles. That methodology takes into account the risks and uncertainties of the particular classes of life insurance business written.

Actuarial Assumptions and Methods

The Companies actuarial reports for the years ended 31 March 2016 and 31 March 2017 were prepared by the Appointed Actuary, Murray HildeBSc(Hons), BCA, FNZSA, FIA. The actuarial reports indicate that the Appointed Actuary is satisfied as to the accuracy, nature and sufficiency of the data upon which the policy liabilities have been determined.

(a) Disclosure of methods

Policyholder Liabilities consist of life insurance contract liabilities (Including unvested policyholder benefits

Life insurance contract liabilities

The value of life insurance contract liabilities is calculated using the Margin on Services (MoS) methodology in accordance with New Zealand Society of Actuaries Professional Standard 20, Determination of Life Insurance Policy Liabilities, (PS20).

Margin on services - Projection method

The "Projection method", recommended under Appendix C of NZ IFRS 4, uses expected cash flows (premiums, investment income, redemptions or benefit payments, taxes, expenses and profits) based on best estimate assumptions, to establish the value of policy liabilities. This includes an allowance for planned profits. Profit margins are released over each reporting period in line with the services that have been provided. To the extent that there is a present value loss in relation to all policies held by the Company, this loss is recognised immediately. 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.

(b) Disclosure of assumptions

Actuarial assumptions about future experience are required for calculating policy liabilities.

The assumptions used were best estimate assumptions signed off by the Appointed Actuary. The key assumptions were:

4 Critical Accounting Estimate: Policyholder Liabilities continued

i. Profit Carriers

Where the policy liability is determined by the projection method, Appendix C of NZ IFRS 4 and actuarial standards require profit to be related to one or more financially measurable indicators of the provision of service (or related income) called "profit carriers".

The value of the Protected Income Base is used as a 'profit carrier' to release profits as services are provided.

ii. Risk Free Interest Rates

The risk-free interest rates assumed are based on risk free swap rates as at 31 March 2017. Rates are quoted as semi-annual swap rates. Returns are able to be confirmed against the economic forecasts and historic results available from the Treasury and Reserve Bank websites. Treasury provides a market based risk free rate until this is unavailable and then a blended basis consistent with long term economic expectations. Implied Volatility - where the Milliman MMRS strategies was used, an assumed target volatility of 8.4% was assumed.

Maturity	Yield
1	2.07%
5	2.92%
10	3.45%
15	3.77%
20	3.98%
25	4.09%
30	4.16%

The valuation of the policyholder liability is very sensitive to changes in the interest rate. As at balance date the negative policyholder liability is a result of the interest rate at 31 March 2017 being at a high point for the year. The result of this is that the longer duration claims costs are impaired to a greater extent than the shorter duration premium/fee income amounts. The table below shows the impact of a change in interest rate on the policyholder liability.

Changes in variables	Movement	Increase / decrease in policy liabilities
		NZ $
Discount Rate	Deterioration by 1.75 percent point (net of taxes, fees)	592,343
	Increase by 1.75 percent point (net of taxes, fees)	(286,827)

iii. Correlations

A correlation of 0 was assumed between equity and bond assets.

iv. Expenses

Expenses assumptions were developed in accordance with the business plan (corresponding fee income was as per the product specifications).

Maintenance expenses of 0.55% of Account Values were included in the valuation.

v. Tax Rates and Basis

The tax rate for 2017 Is 28% for all classes of business (unchanged from 2016) and this has been assumed for future years. There is no utilisation of tax losses assumed in the valuation of policyholder liabilities.

vi. Mortality

Scaled New Zealand Life Tables 2010-2012 non-maori male and female rates extrapolated from age 105 to age 115 were adopted. A further improvement was assumed each projection year.

vii. Lapse Rates

Base lapse rate of 6% was assumed for all policy durations.

A dynamic lapse multiplier was assumed scaling all baseline rates depending on the simulated moneyness of the guarantee defined to be equal to the account value / guarantee base. This has the effect of bringing into the lapse assumption an adjustment for behavioural variation depending on the possible investment outcomes over the projection period.

viii. Surrender value

There are no surrender values applying to any LIL policies in respect of the life time income undertaking.

Ix. Reinsurance

There is no reinsurance.

4 Critical Accounting Estimate; Policyholder Liabilities continued

	2017 $	2016 $
Movements In policyholder liabilities		
Net policyholder liabilities at the end of the year	(173,791)	396
Net policyholder liabilities at the end of the previous yea	396	-
Net change In policyholder liabilities	(174,187)	396
Net change In policyholder liabilities as above	(174,187)	396
Deposits recognised as an Increase in life investment policy liabilities	-	-
Withdrawals recognised as a decrease In life investment policy liabilities	-	-
Net (decrease) in policyholder liabilities as per Statement of Comprehensive Income	(174,187)	396
Components of policyholder liabilities		
Life insurance contract liabilities		
- Value of future profits	66,869	1,080
- Value of future policy claims	653,927	13,795
- Value of future charges for acquisition cost	-	-
- Value of future expenses	335,794	5,237
- Value of (balance of) future premiums	(1,230,381)	(19,716)
	(173,791)	396
Net policyholder liabilities as per Statement of Financial Position	(173,791)	396
Life Insurance contract liabilities Future Net Inflows		
- Under one year	-	-
- Between one and five years	-	-
- Greater than five years	(173,791)	396
Total	(173,791)	396

Liability adequacy test

At each balance date, liability adequacy tests are performed to ensure the adequacy of the contract liabities. In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from assets backing such liabilities, are used liabilities are grouped Into related product group and each group is tested against the best estimate of future cash flows. If the liability of the related product group is less than the best estimate, the liability is increased with the expense being booked directly through the Statement of Comprehensive Income.

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 2017 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:

	2017			2016		
	Statutory Fund	Shareholder Fund	Total	Statutory Fund	Shareholder Fund	Total
	$	$	$	$	$	$
Statement of Financial Position						
Assets						
Cash and cash equivalents	1,577,965	3,930,300	5,508,265	1,005,780	4,526,062	5,531,842
Insurance receivables	11,226	-	11,226	394	-	394
Taxation receivable	9,160	33,566	42,726	2,256	10,154	12,410
Less Liabilities						
Accounts payable	66,452	-	66,452	145,886	7,701	153,587
Other payables	(27,083)	140,221	113,138	-	-	-
Financial liabilities held at fair value through profit or loss	59,283	-	59,283	-	-	-
Policyholder liabilities	(173,791)	-	(173,791)	396	-	396
Retained earnings and contributed equity	**1,673,490**	**3,823,645**	**5,497,135**	**862,148**	**4,528,515**	**5,390,663**
Statement of Profit and Loss and Other Comprehensive Income						
Income						
Net premium revenue	66,806	-	66,806	394	-	394
Investment revenue	24,655	83,616	108,271	8,059	36,263	44,322
Less Expenses						
Operating expenses	49,752	18,853	68,605	146,305	7,748	154,053
(Loss) / profit before tax	41,709	64,763	106,472	(137,852)	28,515	(109,337)
Less Income tax expense	-	-	-	-	-	-
Profit / (loss) after tax	41,709	64,763	106,472	(137,852)	28,515	(109,337)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income / (expense)	41,709	64,763	106,472	(137,852)	28,515	(109,337)
Statement of Movements in Equity						
Opening Share Capital	**1,000,000**	**4,500,000**	**5,500,000**	-	-	-
Equity transfer	769,632	(769,632)	-	-	-	-
Issue of shares	-	-	-	1,000,000	4,500,000	5,500,000
Closing Share Capital	**1,769,632**	**3,730,368**	**5,500,000**	**1,000,000**	**4,500,000**	**5,500,000**
Opening Retained Earnings	**(137,852)**	**28,515**	**(109,337)**	-	-	-
Total comprehensive income/(expense)	41,709	64,763	106,472	(137,852)	28,515	(109,337)
Closing Retained Earnings	**(96,143)**	**93,278**	**(2,865)**	**(137,852)**	**28,515**	**(109,337)**
Total Equity	**1,673,489**	**3,823,646**	**5,497,135**	**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 2016		**Statutory Fund**	**Shareholder Fund**	**FCA Adjustment**	**Lifetime Income Limited**
		$	$		$
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%**
As at 31 March 2017					
Actual solvency capital	(A)	1,673,489	3,823,646		5,497,135
Minimum solvency capital	(B)	1,282,971	19,525	3,697,504	5,000,000
Solvency Margin	**(A) - (B)**	**390,518**	**3,804,121**		**497,135**
Solvency Ratio	**(A) / (B)**	**130%**	**19583%**		**110%**

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

	2017 $	2016 $
Interest income	108,271	44,322
Total investment revenue	108,271	44,322

Total investment revenue by contract type:

	2017 $	2016 $
Life Insurance Contracts		
Income from:		
Cash	108,271	44,322
Total Life Insurance Contracts Investment Revenue	108,271	44,322
Total Investment Revenue	108,271	44,322

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

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 2017	**$**	**$**	**$**
Cash and cash equivalents	5,508,264	-	5,508,264
Insurance receivables	11,226	-	11,226
Trade and other payables	-	(66,452)	(66,452)
Total	**5,519,490**	**(66,452)**	**5,453,038**

	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 and 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	2017 $	2016 $
Current tax expense		-	-
Deferred tax expense		-	-
Income tax expense		-	-
Profit/(Loss) before tax		106,472	(109,337)
Prima facie income tax expense/(credit) at 28 percent		29,812	(30,614)
Permanent differences			
- life Insurance liability permanent differences		(48,772)	111
- other tax permanent differences		-	-
Temporary differences		-	-
Tax effect of deferred acquisition costs included in policyholder liabilities		-	-
Tax effect of unrealised investment income		-	-
Tax losses recognised			-
Tax losses not recognised		18,960	30,504
Group tax loss offset			
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 $176,656 (2016: $108,941) of unrecognised income tax losses available to be set off against future life taxable income. The realisation of the tax benefi 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 / Other Payables

	Note	2017 $	2016 $
Sundry creditors and accruals		66,452	14,980
Amounts due to related parties	17	-	88,607
		66,452	103,587
Related party payables	17	113,137	50,000
Total accounts payable (current) / other payables		179,589	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

		Note	2017 $	2016 $
Fees paid to auditors	- Audit fees		26,444	12,075
	- Solvency return limited assurance review		6,038	3,623
Management fees		17	62,539	25,670
Foreign exchange future losses			59,283	-
Professional consultancy fees			88,007	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 insuranc 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.

(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.

(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.

2017	< 1 Month $	> 1 Month $	Total $
Financial Liabilities			
Payables	66,452	-	66,452
Related party payables	113,137	-	113,137
Insurance liabilities	-	-	-
Total	179,589	-	179,589

2016	< 1 Month $	> 1 Month $	Total $
Financial Liabilities			
Payables	153,587	-	153,587
Related party payables	-	-	-
Insurance liabilities	-	-	-
Total	153,587	-	153,587

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 2017 there was no significant credit risk exposure to one single unrelated entity (2016: $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.

13 Financial liabilities at fair value through profit or loss

	2017 $	2016 $
Financial Liabilities held for trading		
Foreign exchange futures	59,283	-
Total financial liabilities held for trading	59,283	-
Total financial liabilities at fair value through profit or loss	59,283	-

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.

14 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.

15 Contingent liability

The Company had no material contingent liabilities at balance date(2016: Nil).

16 Capital commitments

The Company had no material capital commitments at balance date(2016: Nil).

17 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	2017 $	2016 $
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 Compan pays for these services by way of a management fee to Retirement Income Group Limited.

b) Transactions with other related companies		2017 $	2016 $
Retirement Income Group Limited	Management fees	62,539	138,607

c) Related party balances outstanding		2017 $	2016 $
Receivables			
Lifetime Asset Management Limited	Related Party Loan	17,500	-
Payables and accruals			
Retirement Income Group Limited	Management fees	-	138,607
Retirement Income Group Limited	Related Party Loan	130,637	-

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

18 Changes to comparatives

There have been no changes to comparative balances.

19 New standards adopted by the Company

No new standards, amendments and interpretations effective for the financial year beginning on 1 April 2016 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.

20 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:

IFRS 17: Insurance Contracts

In May 2017, the International Accounting Standards Board (IASB) issued IFRS 17, 'Insurance Contracts'. Whereas the current standard, IFRS 4, allows insurers to use their local GAAP, IFRS 17 defines clear and consistent rules that will significantly increase the comparability of financial statements. Under IFRS 17, the general model requires entities to measure an insurance contract at initial recognition at the total of the fulfilment cash flows (comprising the estimated future cash flows, an adjustment to reflect the time value of money and an explicit risk adjustment for non-financial risk) and the contractual service margin. The fulfilment cash flows are remeasured on a current basis each reporting period. The unearned profit (contractual service margin) is recognised over the coverage period. The new standard is applicable for annual periods beginning on or after 1 January 2021. Early application is permitted for entities that apply IFRS 9, 'Financial Instruments', and IFRS 15, 'Revenue from Contracts with Customers', at or before the date of initial application of IFRS 17. The standard can be applied retrospectively in accordance with IAS 8, but it also contains a 'modified retrospective approach' and a 'fair value approach' for transition depending on the availability of data. The Company intends to adopt IFRS 17 on its effective date and has yet to assess its full impact.

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 effectivenes 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.

21 Subsequent notes

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

pwc

Independent auditor's report

To the shareholders of Lifetime Income Limited

The financial statements comprise:

- the statement of financial position as at 31 March 2017;
- the statement of profit and loss and other comprehensive income for the year then ended;
- the statement of changes in equity 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 financial statements of Lifetime Income Limited (the Company), present fairly, in all material respects, the financial position of the Company as at 31 March 2017, its financial performance 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 Company 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.

Other than in our capacity as auditor and provider of other assurance services related to the Company's Solvency Return we have no relationship with, or interests in, the Company.

Information other than the financial statements and auditor's report

The Directors are 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 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, 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. We have nothing to report in this regard.

Responsibilities of the Directors for the financial statements

The Directors are responsible, on behalf of the Company, for the preparation and fair presentation of the financial statements in accordance with NZ IFRS and IFRS, and for such internal control as the Directors determine 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 Directors are responsible for assessing the Company'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 Directors either intend to liquidate the Company or to cease operations, or have 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/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-6/

This description forms part of our auditor's report.

Who we report to

This report is made solely to the Company's shareholders, 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 Company and the Company's shareholders, 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 Kevin Brown.

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants
7 August 2017

Wellington

Hilder Consulting Limited
Consulting Actuaries

Auckland
July 2017

Private and Confidential

Ralph Stewart
Managing Director
Lifetime Income Limited
P.O. Box 10811
WELLINGTON

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 2017; and

(g) No condition has been imposed under Section 21(2) (c) as at 31 March 2017.

Yours sincerely

Murray Hilder

Appendix A

Reliances and Limitations

This report is provided to Lifetime Income Ltd ("Lifetime Income") as at 31 March 2017 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.