

---

Lifetime Income Limited  
Financial Statements  
For the year ended 31 March 2018

# **Lifetime Income Limited**

## Table of Contents

Company Directory	1
Directors' Annual Report	2 - 3
Statement of Profit or Loss and Other Comprehensive Income	4
Statement of Changes in Equity	5
Statement of Financial Position	6
Statement of Cash Flows	7
Notes to the Financial Statements	8 - 22
Auditor's Report	23

## 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 (Ceased 01 July 2017)  
Martin Hawes  
Graeme Robertson Mitchell  
Timothy Paris  
Ralph Earle Stewart  
John Russell Strahl  
Michael John Cullen

Registered Office: Floor 5, 50-64 Customhouse Quay  
Wellington 6011

Website: [www.lifetimeincome.co.nz](http://www.lifetimeincome.co.nz)

Statutory Fund: Lifetime Income Limited - Statutory Fund

Appointed Actuary: Charles Hett, 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 2018.

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

### Principal Activities

Lifetime Income Limited's principle activities 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 \$46,305.

Further fees of \$7,875 were paid in respect of PricewaterhouseCoopers review of the Company's Solvency Return.

### Directors' Disclosures

#### *Directors' holding office during the year*

The following Directors held office during the year:

Diana Crossan	
Rhys Gwilym	(Ceased 01 July 2017)
Martin Hawes	
Graeme Robertson Mitchell	
Timothy Paris	
Ralph Earle Stewart	
John Russell Strahl	
Michael John Cullen	

#### *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

## Lifetime Income Limited

### Directors' Annual Report

#### Donations

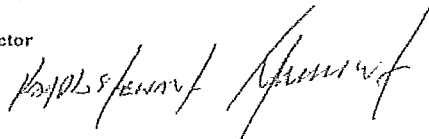
No donations were made by the Company during the year.

#### 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

[DD MMM YYYY]

30 04 2018

Director

Diana Crossan 

Date

[DD MMM YYYY]

30 07 2018

## Lifetime Income Limited

### Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2018

	Note	2018 \$	2017 \$
Premium revenue			
Premium revenue from insurance contracts	1	239,936	66,806
Management fee revenue	1	62,130	-
Other revenue	1	197,308	-
Premium revenue		499,374	66,806
Other revenue			
Investment revenue	7	104,540	108,271
Unrealised investment movements	7	521,654	-
Net other revenue		626,194	108,271
Change in policyholder liabilities	4	(257,567)	174,187
Other expenses	2	(376,099)	(242,792)
Net claims and operating expenses		(633,666)	(68,605)
Profit before tax		491,902	106,472
Income tax expense	9	-	-
Profit after tax		491,902	106,472
Other comprehensive income		-	-
Total comprehensive income attributable to the shareholders of Lifetime Income Limited		491,902	106,472

The notes on pages 8 to 22 are an integral part of these financial statements.

## Lifetime Income Limited

Statement of Changes in Equity  
For the year ended 31 March 2018

	Share capital	Accumulated losses	Total
	\$	\$	\$
Opening Balance as at 1 April 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
Total comprehensive income 2018	-	491,902	491,902
Transactions with owners			
Issue of shares	-	-	-
Dividend paid	-	-	-
Balance 31 March 2018	5,500,000	489,037	5,989,037

The 100 ordinary shares (2017: 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 22 are an integral part of these financial statements.


# Lifetime Income Limited

## Statement of Financial Position

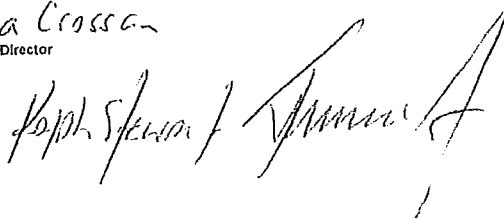
As at 31 March 2018

		2018 \$	2017 \$
	Note		
<b>Assets</b>			
Current assets			
Cash and cash equivalents		6,666,379	5,500,264
Insurance receivables	3	50,777	11,226
Related party receivables	19	367,944	17,500
Taxation		20,380	42,726
Non-current assets			
Intangible assets	11	28,750	-
Financial assets held at fair value through profit or loss	14	29,859,247	-
Related party receivables	19	457	-
<b>Total assets</b>		<b>37,001,934</b>	<b>5,579,716</b>
<b>Liabilities</b>			
Current liabilities			
Accounts payable	10	148,833	66,452
Financial liabilities held at fair value through profit or loss	15	96,004	59,283
Related party payable	10	-	130,637
Non-current liabilities			
Life insurance contract liabilities	4	16,607,029	(173,791)
Life investment contract liabilities	4	13,961,032	-
<b>Total liabilities</b>		<b>31,012,898</b>	<b>82,581</b>
<b>Net assets</b>		<b>5,989,037</b>	<b>5,497,135</b>
<b>Equity</b>			
Contributed equity		5,500,000	5,500,000
Accumulated profits		489,037	(2,865)
<b>Total equity</b>		<b>5,989,037</b>	<b>5,497,135</b>

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

Director  
  
Diana Crossan  
Director

Date  
30.7.18

Director  


Date  
30/07/18.

The notes on pages 8 to 22 are an integral part of these financial statements.



## Lifetime Income Limited

### Statement of Cash Flows

For the year ended 31 March 2018

	2018 \$	2017 \$
<b>Cash flows from operating activities</b>		
Interest received	104,540	77,955
Tax refunded / (paid)	14,346	-
Receipts from customers	525,261	55,974
Annuity payments to customers	(809,882)	-
Payments to suppliers and employees	(293,717)	(216,790)
<b>Net cash inflow / (outflow) from operating activities</b>	<b>(459,452)</b>	<b>(82,861)</b>
<b>Cash flows from investing activities</b>		
Outflow from purchase of property, plant and equipment	-	-
Inflow from sale of intangible assets	-	-
Outflow from purchase of intangible assets	(28,750)	-
Inflow from transfer of policyholder liabilities	1,344,203	-
Inflow from sale of investments	809,882	-
Outflow from purchase of investments	(62,950)	-
<b>Cash (outflow) from Investing activities</b>	<b>2,062,385</b>	<b>-</b>
<b>Cash flows from financing activities</b>		
Related party borrowings/ receipt	337,043	-
Related party repayments/ loan	(818,581)	-
Shareholder Capital Issued/(Repurchased)	-	-
<b>Net cash inflow from financing activities</b>	<b>(481,539)</b>	<b>-</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>1,121,394</b>	<b>(82,861)</b>
Foreign exchange (losses) on cash and cash equivalents denominated in foreign currencies	36,720	59,283
<b>Cash and cash equivalents at beginning of year</b>	<b>5,508,264</b>	<b>5,531,842</b>
<b>Cash and cash equivalents at end of year</b>	<b>6,666,379</b>	<b>5,508,264</b>
<b>Cash is represented by:</b>		
Cash at bank and in hand	6,666,379	5,508,264
<b>Cash and cash equivalents at end of year</b>	<b>6,666,379</b>	<b>5,508,264</b>
<b>Operating activities reconciliation</b>		
Profit after tax	491,902	106,472
<b>Non-cash Items</b>		
Change in policyholder liabilities	257,567	(174,187)
Unrealised losses/(gains) on investments	(521,654)	-
<b>Changes in working capital Items</b>		
Insurance receivables	(39,550)	(10,832)
Investments	(744,446)	-
Accounts payable	82,382	(87,135)
Related Party Loans	-	113,137
Taxation Payable/(Receivable)	14,346	(30,316)
<b>Net cash inflow / (outflow) from operating activities</b>	<b>(459,452)</b>	<b>(82,861)</b>

The notes on pages 8 to 22 are an integral part of these financial statements.

# Lifetime Income Limited

## Notes to the Financial Statements

### For the year ended 31 March 2018

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, 50-64 Customhouse Quay, Wellington, New Zealand.

The Company's principal products and services comprise the selling and administration of Life Insurance and Life Investment products.  
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. On 20 September 2017 this license was modified to remove all restrictions on the Company only providing Variable Annuity Business.

#### 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.

The financial statements are prepared on a going concern basis. This assumes that the Company has the intention and ability to continue operations for the foreseeable future (at least 12 months from the date of authorisation of the financial statements). In reaching this assessment the Directors have considered the ability of the Parent entity to continue to provide support to the Company. As at balance date, the Parent has reaffirmed its support of the Company. This included confirmation that the Parent would provide ongoing financial support to the Company to enable it to meet its obligations as they fall due.

The ability of the Parent to honour this commitment is dependent on its ability to access sufficient funds and maintain required regulatory capital in certain of the Group's subsidiaries. To determine the availability of funding, the Parent has performed a cash flow assessment through to 30 June 2019, and extended to 30 July 2019. The assessment supports the Group's ability to continue to provide support to the Company.

In addition to the assessment, the Group is in the process of raising capital. The Group is seeking a minimum of \$3.5 million. If successful this will further increase the ability of the Group to provide support to the Company.

#### Accounting for Life Insurance Business

The Life Insurance operations of the Company comprise the selling and administration of contracts which are classified as either life insurance contracts or life investment 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 policyholder's 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. Any products that do not meet the definition of a life insurance contract are classified as life investment contracts.

Life investment contracts include investment-linked contracts where the benefit amount is directly linked to the market value of the investments held. The underlying assets are registered in the name of the life insurer. The investment-linked policy owner has no direct access to the specific assets. However, the contractual arrangements are such that the investment-linked policy owner bears the risks and rewards of the investment performance.

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

**Lifetime Income Limited**  
Notes to the Financial Statements  
For the year ended 31 March 2018

**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.

	2018	2017
	\$	\$
Insurance premium revenue		
Life insurance premiums	239,935	66,806

**Accounting for revenue from major business activities**

**Life premium revenue**

Premium revenue is earned on life insurance contracts which the Company provides to the investors in the Lifetime Income Fund. The fee is calculated and invoiced monthly based on the value of the investors protected income base. Unearned premiums are recognised in the Statement of Financial Position within the policyholder liabilities balance.

	2018	2017
	\$	\$
Management Fee revenue		
Administration Fees - Foundation	62,130	-

Administration fees are earned in respect of the administration and management of the life investment contracts held by the Company, which were assumed as part of the transfer of the investment-linked business from Foundation Life (NZ) Limited during the year. Under life investment contracts the Company receives deposits from policyholders which are then invested on behalf of the policyholders. No premiums are recognised as revenue. Fees deducted from policyholders' accounts are accounted for as fee revenue.

During the year the investment-linked business of Foundation Life (NZ) Limited was transferred to the Company. In consideration for assuming the obligation to administer the policies, Foundation Life (NZ) Limited paid the Company \$1,583,101, of which \$1,385,793 was in respect of the costs for the Company to manage the portfolio, a profit margin, and a contribution towards the additional regulatory capital required to be held. The Company has included this amount within the profit margins in policyholder liabilities. It will be recognised in profit or loss as the services are performed. Services are deemed to be performed in accordance with the expected run off of the portfolio over its lifetime. The remaining amount of \$197,308 received from Foundation Life (NZ) Limited, was as a recovery of expenses incurred by the Company on completing the transfer. This amount has been recognised as other revenue in the current year.

	2018	2017
	\$	\$
Other Revenue		
Expense recoveries - Foundation transfer	197,308	-

**2 Other expenses**

Other expenses are also included 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.

	2018	2017
	\$	\$
Marketing, Management and Administration Costs	184,974	129,413
Total policy acquisition costs	184,974	129,413
Investment Management Costs	191,125	113,379
Total maintenance and investment expenses	191,125	113,379
Total other expenses	376,099	242,792

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.

## Lifetime Income Limited

Notes to the Financial Statements  
For the year ended 31 March 2018

### 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.

	2018	2017
	\$	\$
Outstanding premiums	32,481	11,226
Outstanding Management Fees	18,296	-
<b>Total insurance receivables (current)</b>	<b>50,777</b>	<b>11,226</b>

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 (2017: \$Nil). No assets are considered impaired (2017: \$Nil).

### b Insurance Liabilities

#### 4 Critical Accounting Estimate: policyholder liabilities

The Company's life insurance liabilities are split between life insurance contracts and life investment contracts. Life insurance contracts are accounted for in accordance with the requirements of NZ IFRS 4 Insurance Contracts. Life investment contracts are accounted for in accordance with NZ IAS 18 Revenue and NZ IAS 39 Financial Instruments: Recognition and Measurement.

Life insurance contracts are those contracts that transfer significant insurance risk. Life investment contracts are those contracts with no insurance risk, but which give rise to a financial asset and/or liability under NZ IAS 39.

##### A) Life investment contract liabilities

These contracts are designated at inception as at fair value through profit or loss and subsequently measured at fair value with any change in value being recognised in profit or loss. Fair value is the current value of units plus investment fluctuation reserves subject to a minimum of current surrender value.

The policyholder liability for life investment contracts is valued using the accumulation method, which is determined as the policy account balance including accrued interest to the balance date, plus investment fluctuation reserves subject to a minimum of the current surrender value.

##### B) Life insurance contract 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

Life insurance contract liabilities are reviewed by the Appointed Actuary. The Companies actuarial reports for the year ended 31 March 2017 was prepared by the Appointed Actuary at the time, Murray Hilder BSc(Hons), BCA, FNZSA, FIA and in respect of the year ended 31 March 2018 was prepared by the Appointed Actuary, Charles Hett MA, 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 and life investment contract liabilities.

##### 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 considered by the Appointed Actuary. The key assumptions were:

##### 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.

## Lifetime Income Limited

Notes to the Financial Statements  
For the year ended 31 March 2018

### 4 Critical Accounting Estimate: Policyholder Liabilities continued

#### ii. Risk Free Interest Rates

In respect of variable annuity products, the risk-free interest rates assumed are based on risk free swap rates as at 31 March 2018. Rates are quoted as semi-annual swap rates. Returns can be calibrated against 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.

In respect of annuity products, suitable risk free interest rates are used (2.11% net of tax and expenses) and a set of best estimate mortality assumptions.

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

In the 2017 year the negative policyholder liability was a result of the interest rate being at a high point for the year. The result of this was that the longer duration claims costs were impaired to a greater extent than the shorter duration premium/fee income amounts. The valuation of the life insurance policyholder liability is very sensitive to changes in the interest rate. The table below shows the impact of a change in interest rate on the Variable Annuity policyholder liability.

Changes in variables	Movement	Increase / decrease in policy liabilities
		NZ \$
Discount Rate	Deterioration by 1.75 percent point (net of taxes, fees)	1,977,728
	Increase by 1.75 percent point (net of taxes, fees)	(1,085,087)

#### iii. Correlations

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

#### iv. Expenses

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

Maintenance expenses of 0.55% (2017: 0.55%) of Account Values were included in the valuation.

#### v. Tax Rates and Basis

The tax rate for 2018 is 28% for all classes of business (unchanged from 2017) 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. For annuity business the mortality rates are based on standard tables and these rates are assumed to improve since the effective date of the mortality table.

#### 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 VA life insurance policies in respect of the lifetime income undertaking. There is no surrender value for annuity business and Unit Linked policies pay the account balance less any surrender penalties

#### ix. Reinsurance

There is no reinsurance.

## Lifetime Income Limited

Notes to the Financial Statements  
For the year ended 31 March 2018

### 4 Critical Accounting Estimate: Policyholder Liabilities continued

	2018 \$	2017 \$
Movements in policyholder liabilities		
Net policyholder liabilities at the end of the year	30,768,061	(173,791)
Net policyholder liabilities at the end of the previous year	(173,791)	396
Net change in policyholder liabilities	30,941,852	(174,187)
Net change in policyholder liabilities as above	30,941,852	(174,187)
Assumption of life investment policy liabilities - Foundation	31,494,167	-
Deposits recognised as an increase in life investment policy liabilities	-	-
Withdrawals recognised as a decrease in life investment policy liabilities	(809,882)	-
Net increase / (decrease) in policyholder liabilities as per Statement of Comprehensive Income	257,567	(174,187)
Components of policyholder liabilities		
Life insurance contract liabilities:		
- Value of future profits	106,342	66,869
- Value of future policy claims	19,338,156	653,927
- Value of future charges for acquisition cost	-	-
- Value of future expenses	848,996	335,794
- Value of (balance of) future premiums	(3,485,465)	(1,230,381)
Gross life insurance liabilities at 31 March	16,807,029	(173,791)
Life investment contract liabilities:		
Value of policy liabilities - Accumulation Method		
Future policy benefits	13,961,032	-
Gross life investment liabilities at 31 March	13,961,032	-
Net policyholder liabilities as per Statement of Financial Position	30,768,061	(173,791)
Life insurance contract liabilities Future Net Inflows		
- Under one year	-	-
- Between one and five years	-	-
- Greater than five years	30,768,061	(173,791)
Total	30,768,061	(173,791)

#### Liability adequacy test

At each balance date, liability adequacy tests are performed to ensure the adequacy of the contract liabilities. 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 profit or loss.

### 5 Statutory Fund

As required by the Insurance (Prudential Supervision) Act 2010 (the "Act"), the Company has established the following statutory funds in respect of its life insurance business:

- Lifetime Income Limited Statutory Fund Number 1 - Lifetime Income Fund;
- Lifetime Income Limited Statutory Fund Number 2 - Foundation Annuity and Unit Linked Business;
- Lifetime Income Limited Statutory Fund Number 3 - Simplicity Variable Annuity Product; and
- Lifetime Income Limited Statutory Fund Number 4 - Britannia Variable Annuity Product (effective after 31st March 2018).

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 and life investment policies are given certain priority over the interests of other parties, such as unsecured creditors.

As at 31 March 2018 there are no other restrictions on the use of assets invested for the policyholder benefits relating to life insurance contracts, nor any restrictions on legal title to assets. Assets relating to life investment contracts are only held for the benefit of these contracts.

**Lifetime Income Limited**  
Notes to the Financial Statements  
For the year ended 31 March 2018

5 Statutory Fund continued

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

	2018			2017		
	Statutory Fund	Shareholder Fund	Total	Statutory Fund	Shareholder Fund	Total
	\$	\$	\$	\$	\$	\$
<b>Statement of Financial Position</b>						
<b>Assets</b>						
Cash and cash equivalents	6,451,539	214,840	6,666,379	1,577,964	3,930,300	5,508,264
Insurance receivables	32,481	-	32,481	11,226	-	11,226
Management fee receivables	18,296	-	18,296	-	-	-
Other receivables	(7,871)	376,272	368,401	-	17,500	17,500
Taxation receivable	21,438	6,942	28,380	9,160	33,566	42,726
Intangible assets	28,750	-	28,750	-	-	-
Investments	29,859,248	-	29,859,248	-	-	-
<b>Less Liabilities</b>						
Accounts payable	148,833	-	148,833	66,452	-	66,452
Other payables	-	-	-	(27,083)	157,720	130,637
Financial liabilities held at fair value through profit or loss	95,004	-	95,004	59,283	-	59,283
Life insurance contract liabilities	16,807,029	-	16,807,029	-	-	-
Life investment contract liabilities	13,961,032	-	13,961,032	(173,791)	-	(173,791)
<b>Retained earnings and contributed equity</b>	<b>5,390,983</b>	<b>598,054</b>	<b>5,989,037</b>	<b>1,673,489</b>	<b>3,823,646</b>	<b>5,497,135</b>
<b>Statement of Profit or Loss and Other Comprehensive Income</b>						
<b>Income</b>						
Net premium revenue	239,936	-	239,936	66,806	-	66,806
Management fee revenue	62,130	-	62,130	-	-	-
Other revenue	197,308	-	197,308	-	-	-
Investment revenue	46,967	57,573	104,540	24,655	83,616	108,271
Unrealised investment revenue	521,654	-	521,654	-	-	-
<b>Less Expenses</b>						
Operating expenses	605,174	28,492	633,666	49,752	18,853	68,605
(Loss) / profit before tax	462,821	29,081	491,902	41,709	64,763	106,472
<b>Less Income tax expense</b>	-	-	-	-	-	-
<b>Profit / (loss) after tax</b>	<b>462,821</b>	<b>29,081</b>	<b>491,902</b>	<b>41,709</b>	<b>64,763</b>	<b>106,472</b>
<b>Other comprehensive income</b>	-	-	-	-	-	-
<b>Total comprehensive income / (expense)</b>	<b>462,821</b>	<b>29,081</b>	<b>491,902</b>	<b>41,709</b>	<b>64,763</b>	<b>106,472</b>
<b>Statement of Movements in Equity</b>						
Opening Share Capital	1,769,632	3,730,368	5,500,000	1,000,000	4,500,000	5,500,000
Equity transfer	3,254,672	(3,254,672)	-	769,632	(769,632)	-
Issue of shares	-	-	-	-	-	-
Closing Share Capital	5,024,304	475,696	5,500,000	1,769,632	3,730,368	5,500,000
Opening Retained Earnings	(96,143)	93,278	(2,865)	(137,852)	28,515	(109,337)
Total comprehensive income/(expense)	462,821	29,081	491,902	41,709	64,763	106,472
Closing Retained Earnings	366,678	122,359	489,037	(96,143)	93,278	(2,865)
<b>Total Equity</b>	<b>5,390,983</b>	<b>598,054</b>	<b>5,989,037</b>	<b>1,673,489</b>	<b>3,823,646</b>	<b>5,497,135</b>

**Lifetime Income Limited**  
Notes to the Financial Statements  
For the year ended 31 March 2018

**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 and Solvency Standard for Variable Annuity Business 2015, both issued by the Reserve Bank of New Zealand. The actual solvency capital exceeds the minimum requirements.

		Statutory Funds	Shareholder Fund	FCA Adjustment	Lifetime Income Limited
As at 31 March 2017		\$	\$		\$
Actual solvency capital	(A)	1,673,000	3,824,000		5,497,000
Minimum solvency capital	(B)	1,283,000	20,000	3,697,000	5,000,000
<b>Solvency Margin</b>	<b>(A) - (B)</b>	<b>390,000</b>	<b>3,804,000</b>		<b>497,000</b>
<b>Solvency Ratio</b>	<b>(A) / (B)</b>	<b>130%</b>	<b>19120%</b>		<b>110%</b>
As at 31 March 2018					
Actual solvency capital	(A)	5,944,000	16,000		5,960,000
Minimum solvency capital	(B)	5,744,000	131,000		5,875,000
<b>Solvency Margin</b>	<b>(A) - (B)</b>	<b>200,000</b>	<b>(115,000)</b>		<b>85,000</b>
<b>Solvency Ratio</b>	<b>(A) / (B)</b>	<b>103%</b>	<b>12%</b>		<b>101%</b>

The FCA adjustment is the amount over and above the minimum solvency required under the required Reserve Bank of New Zealand standards which the Company is required to maintain in accordance with its license issued by the Reserve Bank of New Zealand.

**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 Other revenue**

<i>Investment Revenue</i>	2018 \$	2017 \$
Interest income	104,540	108,271
<b>Total Investment revenue</b>	<b>104,540</b>	<b>108,271</b>

Total investment revenue by contract type:

<b>Life Insurance Contracts</b>		
Income from:		
Cash	104,540	108,271
<b>Total Life Insurance Contracts Investment Revenue</b>	<b>104,540</b>	<b>108,271</b>
<b>Total Investment Revenue</b>	<b>104,540</b>	<b>108,271</b>

*Interest income*

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

<i>Unrealised Investment Movements</i>	2018 \$	2017 \$
Unrealised investment movements	521,654	-
<b>Total unrealised investment movement</b>	<b>521,654</b>	<b>-</b>

Investment movements recognised in the Statement of Profit or Loss and Other Comprehensive Income represent the unrealised movement in the value of the financial assets held in respect of the transfer of the business from Foundation Life (NZ) Limited during the year (refer note 14).



## Lifetime Income Limited

Notes to the Financial Statements  
For the year ended 31 March 2018

### 8 Financial Instruments by category

The Company has determined that financial assets are all assets held backing life insurance and life investment contracts. Such assets are designated as loans and receivables or at fair value through profit or loss. 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 at amortised cost	Total
	\$	\$	\$
As at 31 March 2018			
Cash and cash equivalents	6,666,379	-	6,666,379
Insurance receivables	50,777	-	50,777
Related party receivables	367,944	-	367,944
Related party payables	-	-	-
Financial assets held at fair value through profit or loss	29,859,247	-	29,859,247
Trade and other payables	-	(148,833)	(148,833)
Total	36,944,347	(148,833)	36,795,514

	Loans and receivables	Financial liabilities at amortised cost	Total
	\$	\$	\$
As at 31 March 2017			
Cash and cash equivalents	5,508,264	-	5,508,264
Insurance receivables	11,226	-	11,226
Related party receivables	17,500	-	17,500
Related party payables	-	(130,637)	(130,637)
Financial assets held at fair value through profit or loss	-	-	-
Trade and other payables	-	(66,452)	(66,452)
Total	5,536,991	(197,089)	5,339,901

### 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	2018 \$	2017 \$
Current tax expense		-	-
Deferred tax expense		-	-
Income tax expense		-	-
Profit before tax		491,902	106,472
Prima facie income tax (credit)/expense at 28 percent		137,733	29,812
Permanent differences			
- life insurance liability permanent differences		72,119	(48,772)
- 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		(49,575)	-
Tax losses not recognised		-	18,950
Group tax loss offset		(160,277)	-
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 \$nil (2017: \$177,052) of unrecognised income tax losses available to be set off against future life taxable income. In respect of the current year taxable income of the Company, it is planned that this will be satisfied by way of a loss offset with a group company.

	Note	2018 \$	2017 \$
Imputation credits available for use in subsequent periods		28,380	42,726

**Lifetime Income Limited**  
Notes to the Financial Statements  
For the year ended 31 March 2018

**9 Taxation continued**

*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.

	Note	2018 \$	2017 \$
<b>10 Accounts Payable / Other Payables</b>			
Sundry creditors and accruals		148,833	66,452
Related party payables	19	-	130,637
<b>Total accounts payable (current) / other payables</b>		<b>148,833</b>	<b>197,089</b>

**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 Intangible assets**

	Cost			Accumulated Depreciation			Net book Value	
	Opening \$	Movement \$	Closing \$	Opening \$	Movement \$	Closing \$	Opening \$	Closing \$
2018	-	28,750	28,750	-	-	-	-	28,750
2017	-	-	-	-	-	-	-	-

Intangible assets with a limited useful life are amortised using the straight-line method over the following periods:

Software - Inhouse registry system	2.5 years SL
------------------------------------	--------------

		Note	2018 \$	2017 \$
<b>12 Analysis of expense by nature</b>				
Fees paid to auditors	- Audit fees		46,305	26,444
	- Solvency return limited assurance review		7,875	6,038
Management fees		19	48,000	62,539
Foreign exchange future losses			36,720	59,283
Professional consultancy fees			164,038	88,007

**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.

**13 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 or 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.

## Lifetime Income Limited

### Notes to the Financial Statements

For the year ended 31 March 2018

#### 13 Financial Risk Management continued

##### *(b) Strategy for Managing Risk*

###### **Risk strategy**

At this stage in the Company's life cycle it adopts a conservative strategy to managing risk in respect of investments relating to life insurance contracts, holding all financial assets in the sum of cash and cash equivalents. As the Company grows, it will adopt the Milliman Managed Risk Strategy, which is expected to be in the 2019 year. In respect of life investment contracts, the Company utilises fixed interest and unlisted equity investments.

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 2017 or 2018 years) 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 gender 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.

## Lifetime Income Limited

### Notes to the Financial Statements

For the year ended 31 March 2018

#### 13 Financial Risk Management continued

##### Quantitative 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.

2018	< 1 Month \$	<12 Months \$	> 12 Months \$	Total \$
Financial Liabilities				
Payables	146,524	-	-	146,524
Financial liabilities held at fair value through profit or loss	-	96,004	-	96,004
Life insurance contract liabilities	-	-	16,807,029	16,807,029
Life investment contract liabilities	-	-	13,961,032	13,961,032
<b>Total</b>	<b>146,524</b>	<b>96,004</b>	<b>30,768,061</b>	<b>31,010,588</b>
2017	< 1 Month \$	<12 Months \$	> 12 Months \$	Total \$
Financial Liabilities				
Payables	68,452	-	-	68,452
Related party payables	130,637	-	-	130,637
Financial liabilities held at fair value through profit or loss	-	59,283	-	59,283
<b>Total</b>	<b>197,089</b>	<b>59,283</b>	<b>-</b>	<b>256,372</b>

##### 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 \$66,000 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 mitigating 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.

Concentration of credit risk exists when the Company enters into contracts or financial instruments with a number of counterparties that are engaged in similar business activities or exposed to similar economic factors that may affect their ability to meet contractual obligations. Lifetime Income Limited manages concentration of credit risk by credit rating, industry type and individual counterparty.

##### (i) Concentration of credit risk

The significant concentrations of credit risk are outlined by industry type below.

	Carrying Value	
	2018	2017
	\$	\$
Related party receivables	368,401	-
Banks	7,484,153	5,508,264
New Zealand government	15,910,217	-
Financial institutions	13,131,256	-
Other receivables	50,777	11,226
	<b>36,944,804</b>	<b>5,519,490</b>

##### (ii) Maximum exposure to credit risk

The Company's maximum exposure to credit risk without taking account of any collateral or any other credit enhancements, is as follows:

	Carrying Value	
	2018	2017
	\$	\$
Cash and cash equivalents	6,666,379	5,508,264
Related party receivables	368,401	-
Outstanding premiums and trade receivables	50,777	11,226
Financial assets at fair value through profit or loss	29,859,247	-
	<b>36,944,804</b>	<b>5,519,490</b>

**Lifetime Income Limited**  
Notes to the Financial Statements  
For the year ended 31 March 2018

**13 Financial Risk Management continued**

*(iii) Credit quality of financial assets that are neither past due nor impaired*

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if applicable) or to historical information about counterparty default rates:

	Carrying Value 2018 \$	2017 \$
Credit exposure by credit rating		
AAA	1,309,292	-
AA	8,745,449	-
A	301,172	-
AA+	7,006,727	-
AA-	288,647	-
A+	33,198	-
A-	186,039	-
BBB+	1,263,288	-
BBB	448,966	-
Cash	7,342,504	-
Sub Inv Grade	80,313	-
Total counterparties with external credit rating by Standard and Poor's	27,005,596	-
Group 1	-	-
Group 1A	-	-
Group 2	-	-
Group 3	9,520,030	-
Total counterparties with no external credit rating	9,520,030	-
Total financial assets neither past due nor impaired with credit exposure	36,525,626	-
Group 1: trade debtors outstanding for less than 6 months or secured		
Group 1A: related party receivable		
Group 2: trade debtors (more than 6 months) with some defaults in the past		
Group 3: unrated investments		

Amounts held as cash and cash equivalents are held with New Zealand banking institutions with credit ratings A-AAA.

Related parties do not have credit ratings but are classed as Group 1A.

*(f) Fair values of financial assets and liabilities*

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Refer below. The carrying amounts of all financial assets and liabilities reasonably approximate the fair values.

The following methods and assumptions were used by the Company in estimating the fair values of financial instruments.

*(i) Cash and cash equivalents*

The carrying amount of cash and cash equivalents reasonably approximates its fair value.

*(ii) Financial assets at fair value through profit or loss and held for trading*

The fair value of financial assets at fair value through profit or loss is determined by reference to their quoted price at the reporting date.

Financial instruments that are measured in the Statement of Financial Position at fair value (excluding short term amounts held at a reasonable approximation of fair value), are categorised by the following fair value measurement hierarchy levels:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3 - Inputs for that asset or liability that are not based on observable market data (i.e. as unobservable inputs)

The following tables present the Company's assets and liabilities categorised by fair value measurement hierarchy levels.

	Total	Level 1	Level 2	Level 3
<b>As at 31 March 2018</b>				
<b>Assets</b>				
Derivative financial assets	505,676	505,676	-	-
Investment in equity securities	13,121,102	-	11,832,734	1,288,368
Investments in fixed interest securities	15,404,541	15,404,541	-	-
Cash	827,928	827,928	-	-
<b>Total financial assets</b>	<b>29,859,247</b>	<b>16,738,145</b>	<b>11,832,734</b>	<b>1,288,368</b>
<b>Liabilities</b>				
Derivative financial liabilities	-	-	(96,004)	-
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>(96,004)</b>	<b>-</b>
<b>As at 31 March 2017</b>				
<b>Assets</b>				
Derivative financial assets	-	-	-	-
Investment in equity securities	-	-	-	-
Investments in fixed interest securities	-	-	-	-
Cash	-	-	-	-
<b>Total financial assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Liabilities</b>				
Derivative financial liabilities	-	-	(59,283)	-
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>(59,283)</b>	<b>-</b>

**Lifetime Income Limited**  
Notes to the Financial Statements  
For the year ended 31 March 2018

**13 Financial Risk Management continued**

There was no movement between financial instrument assets or liabilities classified as level 1, level 2 or level 3, of the fair value hierarchy during the year ended 31 March 2018 (2017: Nil).

**(a) Financial instruments in Level 1:**

The fair value of financial instruments traded in active markets is based on quoted market prices at the Balance Sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1.

**(b) Financial instruments in Level 2:**

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for remaining financial instruments.

**(c) Financial instruments in Level 3:**

The Company invests into a fund that holds investments within property assets. The fair value of these assets are based on market values at balance date, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction. For all investment properties that are measured at fair value, the current use of the properties is their highest and best use. As the investment properties are not traded in an active market using valuation techniques and significant inputs not based on observable market data, the investments are categorised as level 3 of the fair value hierarchy. The fund uses external independent valuers (CBRE, Colliers, JOL, and BOP) to value the individual property assets within the fund. The valuers use a number of inputs in the valuations. These are different for each property and range between:

Initial yield - 4.11% to 11.82%  
Market capitalisation - 5.63% to 9%  
Lease terms - 0.5 years to 9.67 years  
Occupancy - 67% to 100%.

The Company's exposure to movements in the value of these assets relates to movement in the unit price of the underlying fund. As such it is not possible to calculate the Company's sensitivity to the above individual inputs.

**14 Financial assets at fair value through profit or loss**

	2018 \$	2017 \$
Financial Assets held for trading		
Fixed Interest	15,910,217	-
Cash	817,774	-
Unlisted Funds/Trusts	13,131,256	-
<b>Total financial assets held for trading</b>	<b>29,859,247</b>	<b>-</b>
<b>Total financial assets at fair value through profit or loss</b>	<b>29,859,247</b>	<b>-</b>

The fair value of the Company's financial assets that are measured at fair value is determined based on available market prices or using appropriate valuation methods if these are not traded in an active market.

The carrying amounts of all financial assets reasonably approximate their fair values.

The following methods and assumptions were used by the Company in estimating the fair values of financial assets.

- (i) Cash and cash equivalents - the carrying value of cash and cash equivalents is their face value which reasonably approximates its fair value
- (ii) Fixed interest investments - these are valued at the quoted bid price for the instrument as at balance date
- (iii) Unlisted funds/trusts - these are recorded at amounts based on valuations using rates of interest equivalent to the yields obtainable on comparable traded investments/ or where discount rates are based on the transactional evidence of similar non-traded assets at balance date.

**Transfer of Investment Businesses**

In November 2017 all of Foundation Life (NZ) Limited's annuity and investment-linked business transferred to Lifetime Income Limited in a transaction that involved almost 1,000 investors. Both the investments and the corresponding policyholder liabilities were recorded at their fair value on the transfer date. The cash consideration received by the Company on assuming the future liabilities totalled \$1,583,101. In addition the Company received \$16,191,173 other financial assets and assumed policyholder liabilities of \$16,191,173.

Lifetime Income Limited entered into an agreement with Fidelity Life to transfer their unit linked investment business in December 2017. The transaction requires Reserve Bank approval which is pending. The transfer will see policy holder liabilities, assets and accumulated reserves of approximately \$145m transferred to Lifetime Income Limited. The transaction represents the interests of 4,800 policy holders and is on schedule to complete on the 30th September 2018.

## Lifetime Income Limited

Notes to the Financial Statements  
For the year ended 31 March 2018

### 15 Financial liabilities at fair value through profit or loss

	2018 \$	2017 \$
Financial Liabilities held for trading		
Foreign exchange futures	98,004	59,283
<b>Total financial liabilities at fair value through profit or loss</b>	<b>98,004</b>	<b>59,283</b>

Fair value is the amount for which a liability could be settled, between knowledgeable, willing parties in an arm's length transaction.

The carrying amounts of all financial liabilities reasonably approximate their fair values.

The following methods and assumptions were used by the Company in estimating the fair values of financial liabilities.

(i) Derivative financial liabilities - The fair value of derivative financial liabilities is determined by reference to the rates available from publicly quoted sources.

### 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.

### 16 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.

### 17 Contingent liability

The Company had no material contingent liabilities at balance date (2017: Nil).

### 18 Capital commitments

The Company had no material capital commitments at balance date (2017: Nil).

### 19 Related party information

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

Entity	Activity	Note	2018 \$	2017 \$
Lifetime Asset Management Limited	Fund Management			
<b>a) Key management personnel compensation</b>				
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.				
<b>b) Transactions with other related companies</b>				
			2018 \$	2017 \$
Retirement Income Group Limited	Management fees		48,000	62,539
<b>c) Related party balances outstanding</b>				
			2018 \$	2017 \$
<b>Receivables</b>				
Lifetime Asset Management Limited	Related Party Loan		457	17,500
Stewart Capital Holdings Limited	Related Party Loan		130,000	-
Retirement Income Group Limited	Related Party Loan		237,944	(130,637)

### Payables and accruals

All related party loans are non-interest bearing and repayable on demand. Stewart Capital Holdings Limited is the ultimate holding company of the Retirement Income Limited Group of companies. Ralph Stewart is the majority shareholder of Stewart Capital Holdings Limited. In October 2017, the Company advanced an amount of \$450,000 to Stewart Capital Holdings Limited on interest free terms, with full repayment being required by the proposed capital raise by Retirement Income Group Limited, expected to take place in July 2018; as at balance date, \$320,000 of this loan had been repaid.

### 20 Changes to comparatives

There have been no changes to comparative balances.

## Lifetime Income Limited

### Notes to the Financial Statements

For the year ended 31 March 2018

**21 New standards adopted by the Company**

No new standards, amendments and interpretations effective for the financial year beginning on 1 April 2017 have had a material impact on these financial statements.

Other standards, amendments and interpretations which are effective for the financial year beginning on 1 April 2017 are not material to the Company.

**22 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 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. The Company has yet to document its assessment of the impact of the standard. However, based on the nature of the Company's financial assets and liabilities and the Company's business model, measurement changes are not expected. Changes to financial statement disclosures will be required.

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

**23 Subsequent notes**

The Company's parent, Retirement Income Group Limited is currently seeking additional capital, with a proposed closing date of 31 July 2018. The capital raise is expected to provide further capital of between \$3.5m and \$4.5m, which is proposed to be used to provide both working capital for the group to assist in further growth and also statutory capital required in Lifetime Income Limited as required under its Reserve Bank of New Zealand license.





## **Independent auditor's report**

To the shareholders of Lifetime Income Limited

The financial statements comprise:

- the statement of financial position as at 31 March 2018;
- the statement of profit or 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 2018, 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. The provision of these other services has not impaired our independence as auditor of 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.

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:

A handwritten signature in black ink that reads "PricewaterhouseCoopers".

Chartered Accountants  
30 July 2018

Wellington



# Life Management Limited

Charles Hett - Consulting Actuary

Wellington  
23<sup>rd</sup> July 2018

## Private and Confidential

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

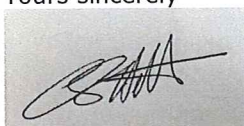
Dear Ralph

### **Appointed Actuary – Report Required under Section 78 of the Act Review of actuarial information for Lifetime Income Limited as at 31 March 2018**

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

- (a) This report is prepared by Charles Hett, Lifetime Income Limited (LIL) appointed actuary. I operate as an independent consultant to LIL and have no financial interests in LIL; and
- (b) I have reviewed the actuarial information contained in, or used in the preparation of, the 31<sup>st</sup> March 2018 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) There were no restrictions or limitations placed on my work or on my report, I obtained all the information I required. The scope and limitations of the review are attached as an appendix to this report; and
- (d) 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
- (e) No condition has been imposed under Section 21(2) (b) or (c) as at 31 March 2018.
- (f) In my opinion and from an actuarial perspective LIL has maintained a solvency margin as at 31 March 2018 that complies with the relevant solvency standards issued by the Reserve Bank of New Zealand. This has been maintained at both an overall company level and for the various separate statutory funds.

Yours sincerely



Charles Hett MA FNZSA, FIA  
Appointed Actuary – Lifetime Income Limited

## **Appendix**

### **Reliances and Limitations**

This report is provided to Lifetime Income Limited ("LIL") as at 31 March 2018 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 LIL.

The processes and calculations made to produce the results in this report are based on representations and information supplied to me by LIL. 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.



## ***Independent Assurance Report***

To the Board of Directors of Lifetime Income Limited

### ***Assurance Report as required by the Reserve Bank of New Zealand - Solvency Standard for Life Insurance Business and Solvency Standard for Variable Annuity Business***

We were engaged to report in the form of an independent limited assurance conclusion, on the Annual Solvency Return as at 31 March 2018 for Lifetime Income Limited (the "Company"), excluding the Projected Solvency Position and any related forward looking comments as might be required by Section 24 ("the Projected Solvency Position") of the Insurance (Prudential Supervision) Act 2010 ("the Act") in accordance with Solvency Standard for Life Insurance Business published by the Reserve Bank of New Zealand ("the RBNZ") in December 2014 and the Solvency Standard for Variable Annuity Business issued by the RBNZ in April 2015 (hereon in referred to as the "Solvency Standards").

Unless otherwise indicated, we do not express an opinion on any individual aspects of the Solvency Return including whether the Solvency Margin is correctly stated for the purpose of Section 21(2)(b) of the Act or whether the Company is solvent.

#### ***Directors' Responsibilities***

The Directors of the Company are responsible on behalf of the Company for ensuring the preparation of an Annual Solvency Return that is free from material misstatement in accordance with the Solvency Standards and for the information contained therein. This responsibility includes ensuring the design, implementation and maintenance of internal control relevant to the preparation of the Annual Solvency Return that is free from material misstatement, whether due to fraud or error.

In addition, the Directors are responsible on behalf of the Company for preventing and detecting fraud and for identifying and ensuring that the Company complies with laws and regulations applicable to its activities. The Directors are responsible for ensuring that management and staff involved with the preparation of the Annual Solvency Return are properly trained, systems are properly updated and that any changes in reporting are applied consistently across the business.

#### ***Our Independence and Quality Control***

We have complied with the independence and other ethical requirements of Professional and Ethical Standard 1 (Revised) issued by the New Zealand Auditing and Assurance Standards Board, which is founded on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Professional and Ethical Standard 3 (Amended) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.





### ***Our Responsibilities***

Our responsibility is to express a limited assurance conclusion on the Company's compliance with the Solvency Standards, in all material respects. We have conducted our engagement in accordance with International Standard on Assurance Engagements (New Zealand) 3000 Assurance Engagements other than Audits or Reviews of Historical Financial Information and Standard on Assurance Engagements 3100 Compliance Engagements issued in New Zealand.

These standards require that we comply with the professional and ethical standards issued in New Zealand, and plan and perform our engagement to obtain limited assurance about whether anything has come to our attention to indicate that the Annual Solvency Return as at 31 March 2016 excluding the parts therein pertaining to the Projected Solvency Position has not been prepared, in all material respects, in accordance with the Solvency Standards.

The procedures selected depend on our understanding of the Annual Solvency Return and other engagement circumstances, and our consideration of areas where material misstatements are likely to arise.

Our procedures included making enquiries of Company personnel, and applying analytical and other review procedures and inspecting the narrative content in the Annual Solvency Return for consistency with our understanding of the entity and comparing the content of the Annual Solvency Return against the RBNZ's Solvency Standards for any material omissions.

As part of this engagement, we have not performed any procedures by way of audit, review or verification of the underlying records or other sources from which the Annual Solvency Return was extracted. We are independent of the Company. Other than in our capacity as auditors we have no relationship with, or interests in, the Company.

### ***Inherent Limitations***

Due to the inherent limitations of any evidence gathering procedures and limitations in the Company's systems and processes that support the compilation of the Annual Solvency Return, it is possible that fraud, error or non-compliance may occur and not be detected.

Evidence gathering procedures for a limited assurance engagement are substantially less in scope than a reasonable assurance engagement and therefore less assurance is obtained than in a reasonable assurance engagement. Consequently we may not have become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly we do not express a reasonable assurance conclusion.

### ***Criteria***

In performing our engagement the criteria against which we assessed the preparation of the Annual Solvency Return was in accordance with the requirements of the Solvency Standards.

We performed procedures to enable us to conclude whether anything has come to our attention that causes us to believe that, at the date of completing our assurance engagement, the Annual Solvency Return as at 31 March 2018 excluding the parts therein pertaining to the Projected Solvency Position was not prepared, in all material respects, in accordance with the applicable Solvency Standards' requirements.



### **Conclusion**

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report.

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

Based on the evidence obtained, from the procedures we have performed, described in this report, nothing has come to our attention that causes us to believe that the Annual Solvency Return as at 31 March 2018 of the Company, excluding the Projected Solvency Position, has not been prepared, in all material respects, in accordance with the Solvency Standards.

### **Restriction on Distribution and Use of our Report**

This report is addressed to the Directors, as a body, in order to meet the Reserve Bank of New Zealand's solvency reporting requirements of the Company. We do not accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Under the terms of our engagement with the Company this report may be disclosed on a confidential basis to the Reserve Bank of New Zealand. In accordance with our agreed terms of engagement with the Company this report should not be distributed to any other parties.

A handwritten signature in cursive script that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers  
30 July 2018

Wellington