Lifetime Income Limited
Financial Statements
For the year ended 31 March 2022

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:	251 Ordinary Shares
Directors:	Diana Crossan Martin Hawes Graeme Robertson Mitchell Ralph Earle Stewart John Russell Strahl James Noel Beale
Registered Office:	Floor 5, 50-64 Customhouse Quay Wellington 6011
Website:	www.lifetimeincome.co.nz
Appointed Actuary:	Charles Hett, MA FIA, FNZSA, AIAA
Bankers:	ANZ Bank New Zealand Limited PO Box 540 Wellington 6140
Solicitors:	DLA Piper New Zealand PO Box 2791 Wellington 6140
Auditors:	PricewaterhouseCoopers PO Box 243 Wellington 6140

LIFETIME INCOME LIMITED
Directors' Annual Report

The Directors hereby present their Annual Report including the Financial Statements of the Company for the year ended 31 March 2022.

The shareholder of the Company has exercised their right under section 211 (3) of the Companies Act 1993 and has unanimously agreed that this Annual Report need not comply with any of paragraphs (a) and (e) to (j) of section 211 (1) of the Act.

For and on behalf of the Board of Directors

Director 29 June 2022

Director 29 June 2022

LIFETIME INCOME LIMITED
Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 March 2022

	Note	2022 $	2021 $
Revenue			
Premium revenue from insurance contracts		2,117	1,827,155
Less: outward reinsurance expense		20,201	(397,944)
Net Premium revenue		22,318	1,429,211
Management fee revenue		155,032	140,778
Investment revenue		88,088	214,491
Net Revenue	1	**265,438**	**1,784,480**
Other gains/(losses)			
Losses on financial instruments at fair value	7	(10,042)	(13,756,388)
Total gains/(losses)		**(10,042)**	**(13,756,388)**
Annuity payments to customers		(1,197,970)	(1,316,753)
Change in policyholder liabilities	4	1,263,472	18,822,041
Other expenses	2	75,201	(6,412,327)
Net claims and operating expenses		**140,703**	**11,092,961**
Profit/(Loss) before tax		**396,099**	**(878,947)**
Income tax benefit	9	75,617	2,279,295
Profit after tax		**471,716**	**1,400,348**
Other comprehensive income		-	-
Total comprehensive profit attributable to parent		**471,716**	**1,400,348**

The Notes to the Financial Statements form part of, and are to be read in conjunction with, these Financial Statements.

LIFETIME INCOME LIMITED
Statement of Changes in Equity
For the year ended 31 March 2022

	Note	Share Capital $	(Accumulated Losses) / Retained Earnings $	Total $
Opening Balance as at 31 March 2020		**17,160,000**	**(3,665,163)**	**13,494,837**
Total comprehensive profit/(loss)		-	1,400,348	**1,400,348**
Transactions with owners				
Issue of shares		-	-	-
Balance as at 31 March 2021		**17,160,000**	**(2,264,815)**	**14,895,185**
Total comprehensive profit/(loss)		-	471,716	**471,716**
Transactions with owners				
Repurchase of shares		(3,014,071)	-	**(3,014,071)**
Balance as at 31 March 2022		**14,145,929**	**(1,793,099)**	**12,352,830**

The 251 ordinary shares (2021: 312 paid shares) all rank equally with one vote attached to each fully paid up share. During the period 61 shares were repurchased from the parent entity, Retirement Income Group Limited for consideration of $3,014,071 (2021: no shares repurchased or issued). There is no par value attached to the shares.

The Notes to the Financial Statements form part of, and are to be read in conjunction with, these Financial Statements.

LIFETIME INCOME LIMITED
Statement of Financial Position
As at 31 March 2022

	Note	2022 $	2021 $
Assets			
Current Assets			
Cash and cash equivalents		6,041,815	8,737,758
Term Deposits and savings accounts		5,031,920	7,372,975
Insurance receivables	3	12,789	23,376
Prepayments		93,177	111,676
Related party receivables	14	32,468	42,969
Taxation		-	2,303,798
Financial assets held at fair value through profit or loss	11	19,254,287	21,495,885
Total assets		**30,466,456**	**40,088,437**
Liabilities			
Current liabilities			
Accounts payable	10	280,009	5,088,183
Taxation		21,668	-
Life insurance contract liabilities	4	7,689,000	8,895,784
Life investment contract liabilities	4	10,122,949	11,209,285
Total liabilities		**18,113,626**	**25,193,252**
Net Assets		**12,352,830**	**14,895,185**
Equity			
Contributed equity		14,145,929	17,160,000
Accumulated losses		(1,793,099)	(2,264,815)
Total equity		**12,352,830**	**14,895,185**

These financial statements were authorised for issue for and on behalf of the Directors on 29 June 2022.

Director

Director

The Notes to the Financial Statements form part of, and are to be read in conjunction with, these Financial Statements.

LIFETIME INCOME LIMITED
Statement of Cash Flows
For the year ended 31 March 2022

	2022 $	2021 $
Cash flows from operating activities		
Insurance premiums received	2,117	2,005,128
Management fees received	153,656	139,019
Interest received	278,141	67,262
Inflow from sale of investments	2,594,975	1,011,291
Annuity payments to customers and transfers to Lifetime Income Fund	(1,187,257)	(1,305,369)
Inflow from collateral provided to support futures and swap contracts	-	2,896,236
Investment linked withdrawal payments to customers	(1,354,126)	(368,173)
Compensation payments to policyholders	(3,523,111)	-
Payments to suppliers, reinsurers and employees	(876,275)	(1,013,248)
Tax (paid)/refunded	2,340,497	(2,187,297)
Net cash outflows from/(to) operating activities	**(1,571,383)**	**1,244,849**
Cash flows to investing activities		
Inflow/(Outflow) to investment in Term Deposits and savings accounts	2,172,647	(7,198,591)
Net cash flows to investing activities	**2,172,647**	**(7,198,591)**
Cash flows from financing activities		
Related party payments	(283,136)	(917,837)
Shareholder capital repurchased	(3,014,071)	-
Net cash flows to financing activities	**(3,297,207)**	**(917,837)**
Net decrease in cash and cash equivalents	**(2,695,943)**	**(6,871,579)**
Cash and cash equivalents at beginning of period	8,737,758	15,609,337
Cash and cash equivalents at end of period	**6,041,815**	**8,737,758**
Cash is represented by*:*		
Cash at bank and in hand	**6,041,815**	**8,737,758**
Cash and cash equivalents at end of year	**6,041,815**	**8,737,758**

The Notes to the Financial Statements form part of, and are to be read in conjunction with, these Financial Statements.

	2022 $	2021 $
Operating activities reconciliation		
Profit after tax	**471,716**	**1,400,348**
Add back non-cash items		
Change in policyholder liabilities	(1,263,472)	(18,822,041)
Unrealised (gains)/losses on financial instruments at fair value	31,687	13,756,388
Amortisation of intangible assets	-	26,833
Interest expense/(income) on collateral provided to support futures and swaps contracts	-	28,207
Changes in working capital items		
Decrease/(increase) in Margin account	-	2,896,236
Decrease/(increase) in Insurance receivables	10,587	176,214
Decrease/(increase) in Related party receivables	10,501	29,658
(Increase)/decrease in Taxation	2,325,466	(4,466,592)
Decrease/(increase) in Prepayments	18,499	61,648
Increase in Term Deposits	168,408	(174,384)
(Increase)/decrease in Financial assets held at fair value through profit or loss	2,209,911	(1,172,444)
Increase/(decrease) in Accounts payable	(4,808,174)	4,771,379
Increase/(decrease) in Life investment contract liabilities	(1,029,648)	1,815,562
Items classified as Financing Activities		
Payments made to related parties	283,136	917,837
Net cash inflow / (outflow) from operating activities	**(1,571,383)**	**1,244,849**

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 provision and administration of Life Insurance and Life Investment products. Lifetime Income Limited is a financial market conduct reporting entity under the Financial Markets Conduct Act 2013 and was a licenced insurer in accordance with the Insurance (Prudential Supervision) Act 2010. On 16 June 2022 the RBNZ approved the cancellation of the Company's life insurance licence.

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.

Unless otherwise stated, all amounts are expressed in New Zealand Dollars, which is the Company's presentation and functional currency. All amounts are rounded to the nearest New Zealand dollar, except for note 6 Solvency Margin, which is rounded to the nearest thousand.

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.

Going Concern

The financial statements have not been prepared on a going concern basis. During the 2021 financial year, the Reserve Bank of New Zealand ('RBNZ') required the Company to increase the minimum solvency margin it must hold for its retirement income products to better withstand severe adverse scenarios that might occur in the future. The Company's Parent entity, Retirement Income Group Limited ("Parent", "Group") was not able to raise the capital required to meet the higher RBNZ regulatory capital reserve requirements and made the decision to close its insurance products. The Company closed to new business in December 2020. All variable annuity policies have been cancelled (2021: two of three) and the RBNZ approved the termination of statutory funds 1, 3 and 4 on 19 January 2022.

The Company has been working through finding alternative options for policyholders. As there are no other variable annuity providers in New Zealand, for these customers the option was to transfer to another fund without a guaranteed income for life or receive the return of their account balance in addition to receiving some compensation. For the customers holding lifetime annuity and life investment contracts, the Company sought approval from the High Court on 12 April 2022 to commute their annuity payments into a single lump sum payment and return the proceeds of their life investment contracts to them. The High Court approved this scheme of arrangement on 14 April 2022 for all lifetime annuity and life investment contracts in force as at 30 April 2022.

These options are intended to lead to the Company ceasing to trade in the foreseeable future.

At 31 March 2022, the following major milestones were still to be met for the proposed closure of the business to proceed:

- Approval of the final payment by the Board of Directors;
- Regulatory approval of the Scheme of Arrangement payments to policyholders and the closure of the statutory funds;
- Regulatory approval to terminate the statutory funds and remove the Company's life insurance licence.

All of these milestones have subsequently been achieved, and on 16 June 2022 the RBNZ approved the cancellation of the Company's life insurance licence. The intention of the Board of Directors is for the Company to cease trading. Given this intention, the Company has not applied the going concern assumption in the preparation of the financial statements. The financial statements have been prepared on a realisation basis.

Going Concern continued

The change in measurement basis and presentation had the following effect on the financial statements:

- Policyholder liabilities have been valued on a realisation basis. Policyholder liabilities represent the amounts expected to be paid to lifetime annuity and life investment policyholders following the commutation of their annuity payments into a single lump sum payment and the proceeds of their life investment contracts.
- Business close down and compensation costs of $92,845 (2021: $4,500,000) have been provided for on the Balance Sheet, representing estimated costs that the Company will incur.

Business close down and compensation costs represents the estimated costs that the Company expects to incur because of the cessation and closure of operations. The final amount of business close-down costs is not expected to materially differ to this recognised provision following the completion of the major milestones noted on the previous page.

Comparatives

No changes have been made to comparative balances.

Accounting for Life Insurance Business

The Life Insurance operations of the Company comprised the selling and administration of contracts which were 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

a. Insurance Profit

1. Revenue

Revenue is categorised and recognised using the methods outlined below.

Net Premium Revenue from insurance contracts	2022 $	2022 $
Life insurance premiums	2,117	1,827,155
Less: outward reinsurance expense	20,201	(397,944)
Net premium revenue	22,318	1,429,211

Premium revenue is earned on life insurance component of the life investment contracts the Company has issued. Premium revenue was earned on life insurance contracts the Company provided to the investors in the Lifetime Income Fund and its wholesale variable annuity customers. Premiums were calculated and invoiced monthly based on the value of the investor's protected income base. Premiums are recognised as revenue over the duration of the insurance policy, i.e. as the insurance service is provided. Unearned premiums are recognised in the Statement of Financial Position within the policyholder liabilities balance. As at 31 March 2022, all variable annuity group policies have been terminated (2021: one variable annuity group policy in force).

Premiums ceded to the reinsurer under the reinsurance contract, including the termination payment, are recorded as Outward reinsurance expense and are recognised when they become due and payable in accordance with the terms and conditions of the reinsurance contract. Following the Company ceasing to provide insurance products the reinsurance arrangement was terminated and a termination fee is payable to the reinsurer.

Management Fee Revenue		
Administration Fees - Foundation	155,032	140,778

Administration fees are earned in respect of the administration and management of the life investment contracts held by the Company. Under life investment contracts the Company receives deposits from policyholders which are then invested on behalf of the policyholders. Fees deducted from policyholders' accounts are accounted for as fee revenue and are recognised in profit or loss as the administration and management services are provided over time.

Investment Revenue		
Interest Income	88,088	214,491

Interest earned on financial assets at amortised cost, including cash and cash equivalents is included as investment revenue in the Statement of Profit or Loss and Other Comprehensive Income on an accruals basis applying the effective interest method.

2. Other expenses

Other expenses are also incurred for the operation of the business in relation to the maintenance of life insurance contracts including administration and investment management costs.

	2022 $	2021 $
Marketing, Management and Administration Costs	586,945	1,309,259
Maintenance and Investment Management Costs	221,898	603,068
Business close down and compensation (release)/costs	(884,044)	4,500,000
Total other expenses	**75,201**	**6,412,327**

Other expenses are categorised into management and administration or maintenance and investment management 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. There are no acquisition costs applied to new business written by the Company.

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.

Business close down and compensation costs

Business close down and compensation costs represents the estimated costs that the Company expects to incur because of the cessation and closure of operations, including a component for compensation payments to variable annuity policyholders. At 31 March 2021 there was significant uncertainty around how much would be payable and how long it would take to complete the closure of the Company. As a result, there were a range of outcomes that could eventuate based on differing views of the amount of compensation payable to policyholders. A provision of $4,500,000 was recognised in other expenses in the year ended 31 March 2021, being the Company's best estimate of the costs to be incurred.

In September 2021, the methodology and assumptions to be applied for compensation payment was approved by the RBNZ, with final RBNZ approved payments made to policyholders in December 2021 totalling $3,523,111. A further $884,044 has been released from this provision to offset business close down and compensation costs that were expected and have been incurred during the year. At 31 March 2022, a provision of $92,845 remains on the balance sheet for costs that are expected to be incurred within the next 12 months to complete the Company's close down.

The release of the business close down and compensation provision in the 31 March 2022 year reflects the release of provision relating to actual expenses during the year, that are recognised in their relevant expense lines and an over provision of the compensation payment in the previous year. The 2021 provision was based on management's best estimate of the amount required to settle the obligation. Once the basis of calculation of compensation to variable annuity policyholders was agreed and close down costs incurred, the actual payment was lower than the amount previously provided.

2. Other expenses continued

Analysis of expenses by nature

	2022 $	2021 $
Bank fees	877	1,010
Fees paid to auditors		
- Audit fees	23,460	98,780
- Solvency return reasonable assurance	8,211	9,267
- Audit fees relating to the prior year	-	58,065
- Compensation payment agreed upon procedures	25,806	-
Management and Administration costs	360,151	1,037,492
Business close down and compensation payments/(release)	(884,044)	4,500,000
Professional consultancy fees	224,191	646,919
Legal	166,147	33,961
Amortisation	-	26,833

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.

	2022 $	2021 $
Outstanding premiums	-	11,963
Outstanding Management Fees	12,789	11,413
Total Insurance receivables	**12,789**	**23,376**

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 (2021: $Nil). No assets are considered impaired (2021: $Nil).

b. Insurance Liabilities

4. Critical Accounting Estimate: policyholder liabilities

The Company's policy liabilities are split between life insurance contracts and life investment contracts.

The financial reporting methodology used to determine the value of life insurance contracts and life investment contracts as at 31 March 2022 is realisation basis accounting (2021: realisation basis accounting).

Policyholder liabilities have been calculated using statistical modelling and mathematical methods. For the years ended 31 March 2022 and 2021, policyholder liabilities represent the amounts expected to be paid to lifetime annuity and life investment policyholders following the commutation of their annuity payments into a single lump sum payment and the proceeds of their life investment contracts.

At 31 March 2022, there are no obligations remaining to variable annuity contracts previously issued by the Company. At 31 March 2021, no policyholder liabilities were recognised for variable annuity contracts at that date. A separate provision for compensation payments to variable annuity policyholders was recognised in those financial statements, with this liability included within the Accounts Payable balance (see note 2 and 11).

The effective date of the policy liabilities and solvency calculation is 31 March 2022. The Appointed Actuary, Charles Hett MA, FNZSA, FIA has calculated policy liabilities for the Company. The Actuary is satisfied as to the accuracy of the data from which policy liabilities have been determined.

4. Critical Accounting Estimate: policyholder liabilities continued

As previously noted, the intention of the Board of Directors is for the Company to cease trading. Plans are now underway to return the assets held with the statutory funds to policyholders and the shareholder. The policy liabilities reflect an assessment of the realisation value at 31 March 2022 and 31 March 2021.

Policyholder liabilities are split between life insurance contracts and life investment contracts. They represent the amounts expected to be paid to lifetime annuity and life investment policyholders following the commutation of their annuity payments into a single lump sum payment and the proceeds of their life investment contracts.

Life insurance contracts policyholder liabilities have been calculated based on the present value of the policyholders' regular annuity payment plus an additional component for cancellation of the contract. This value cautiously reflects the remaining lifetime of the annuitant given their age (on the basis of a published statistical mortality table) and a 1% per annum discount rate representing a low-risk asset investment return that such policyholders could decide to hold. Life investment contract policyholder liabilities reflects the full value of the explicit policy funds held by the Company plus an additional component in respect of any attaching levels of life cover for cancellation of the contract. The method adopted to determine these amounts for policyholders does not depend upon market interest rates and is therefore not sensitive to interest rate changes.

	2022	2021
Movements in policyholder liabilities	**$**	**$**
Net policyholder liabilities at the end of the year	17,811,949	20,105,069
Net policyholder liabilities at the end of the previous year	20,105,069	37,111,548
Net change in policyholder liabilities	**(2,293,120)**	**(17,006,479)**
Net change in policyholder liabilities as above	**(2,293,120)**	**(17,006,479**
Increase/(Withdrawals) recognised in life investment contract liabilities	(1,029,648)	1,815,562
Net decrease in policyholder liabilities as per Statement of Profit or Loss and Other Comprehensive Income	**(1,263,472)**	**(18,822,041)**
Value of policy liabilities - Accumulation Method		
Life insurance contract liabilities	7,689,000	8,895,784
Life investment contract liabilities	10,122,949	11,209,285
Gross life insurance and investment contract liabilities at 31 March	**17,811,949**	**20,105,069**
Policyholder liabilities as per Statement of Financial Position	**17,811,949**	**20,105,069**
Value of policy benefits subject to capital guarantees included in policy liabilities		
Current termination values	117,875	115,243
Total	**117,875**	**115,243**

5. Statutory Funds

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.
- Lifetime Income Limited Statutory Fund Number 4 - Britannia Variable Annuity Product.

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.

On 19 January 2022, the RBNZ approved the termination of Statutory Funds 1, 3 and 4.

As at 31 March 2022 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 titles to assets. Assets relating to life investment contracts are only held for the benefit of these contracts. The Statement of Financial Position and Statement of Profit or Loss and Other Comprehensive Income as split by fund, are broken down as follows:

	Statutory Fund 1	Statutory Fund 2	Statutory Fund 3	Statutory Fund 4	Shareholder Fund	Total
Statement of Financial Position as at 31 March 2022						
Assets						
Cash and cash equivalents	-	4,735,558	-	-	1,306,257	6,041,815
Term Deposits and savings accounts	-	5,031,920	-	-	-	5,031,920
Insurance receivables	-	12,789	-	-	-	12,789
Prepayments	-	93,177	-	-	-	93,177
Related party receivables	-	-	-	-	32,468	32,468
Financial assets at fair value through profit or loss	-	19,254,287	-	-	-	19,254,287
Interfund balances	-	-	-	-	118,742	118,742
Less Liabilities						
Accounts payable	-	202,699	-	-	77,311	280,010
Taxation	-	21,668	-	-	-	21,668
Interfund balances	-	118,742	-	-	-	118,742
Life insurance contract liabilities	-	7,689,000	-	-	-	7,689,000
Life investment contract liabilities	-	10,122,949	-	-	-	10,122,949
Total Equity	**-**	**10,972,674**	**-**	**-**	**1,380,156**	**12,352,830**

5. Statutory Funds continued

	Statutory Fund 1	Statutory Fund 2	Statutory Fund 3	Statutory Fund 4	Shareholder Fund	Total
Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 March 2022						
Income						
Net premium revenue	20,201	2,117	-	-	-	22,318
Management fee and Other revenue	-	155,032	-	-	-	155,032
Investment revenue	49,781	25,591	3,844	4,758	4,114	88,088
Gains/(Losses) on financial instruments at fair value	36,466	(31,686)	-	-	(14,822)	(10,042)
Less Expenses						
Payments and withdrawals to annuity holders	-	1,197,970	-	-	-	1,197,970
Change in policyholder liabilities	-	(1,263,472)	-	-	-	(1,263,472)
Operating expenses	(436,036)	193,878	14,484	50,839	101,534	(75,201)
Profit/(loss) before tax	**542,484**	**22,678**	**(10,640)**	**(46,081)**	**(112,342)**	**396,099**
Less Income tax expense/(benefit)	-	-	-		(75,617)	(75,617)
Profit/(loss) after tax	**542,484**	**22,678**	**(10,640)**	**(46,081)**	**(36,725)**	**471,716**
Other comprehensive income	-	-	-		-	-
Total comprehensive income/(expense)	**542,484**	**22,678**	**(10,640)**	**(46,081)**	**(36,725)**	**471,716**
Statement of Movements in Equity						
Opening Share Capital	**12,938,929**	**500,198**	**1,559,682**	**1,758,291**	**402,901**	**17,160,000**
Equity transfer	(12,938,929)	9,500,000	(1,559,682)	(1,758,291)	6,756,902	-
Issue of shares	-	-	-	-	(3,014,071)	(3,014,071)
Closing Share Capital	**-**	**10,000,198**	**-**	**-**	**4,145,731**	**14,145,929**
Opening Accumulated losses	**(2,079,725)**	**949,798**	**(450,506)**	**(397,358)**	**(287,024)**	**(2,264,815)**
Equity transfer	1,537,241	-	461,146	443,439	(2,441,826)	-
Total comprehensive income/(expense)	542,484	22,678	(10,640)	(46,081)	(36,725)	471,716
Closing Retained Earnings	**-**	**972,476**	**-**	**-**	**(2,765,575)**	**(1,793,099)**
Total Equity	**-**	**10,972,674**	**-**	**-**	**1,380,156**	**12,352,830**
Statement of Financial Position as at 31 March 2021						
Assets						
Cash and cash equivalents	7,431,333	215,368	334,702	520,407	235,948	8,737,758
Term Deposits	5,555,165	-	851,755	966,055	-	7,372,975
Insurance receivables	-	11,413	-	11,963	-	23,376
Prepayments	-	111,676	-	-	-	111,676
Related party receivables	-	-	-	-	44,119	44,119
Taxation receivable	2,211,663	84,940	298	62	6,835	2,303,798
Financial assets at fair value through profit or loss	-	21,495,885	-	-	-	21,495,885
Interfund balances	-	-	-	-	109,362	109,362
Less Liabilities						
Accounts payable	4,289,372	318,425	70,000	129,999	280,387	5,088,183
Related party payables	-	1,150	-	-	-	1,150
Interfund balances	49,585	44,642	7,580	7,555	-	109,362
Life insurance contract liabilities	-	8,895,784	-	-	-	8,895,784
Life investment contract liabilities	-	11,209,285	-	-	-	11,209,285
Total Equity	**10,859,204**	**1,449,996**	**1,109,175**	**1,360,933**	**115,877**	**14,895,185**

5. Statutory Funds continued

	Statutory Fund 1	Statutory Fund 2	Statutory Fund 3	Statutory Fund 4	Shareholder Fund	Total
Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 March 2021						
Income						
Net premium revenue	1,251,693	2,723	65,563	109,232	-	1,429,211
Management fee revenue	-	140,778	-	-	-	140,778
Investment revenue	147,973	12,867	24,998	28,470	183	214,491
Gains/(Losses) on financial instruments at fair value	(13,427,312)	70,924	(295,000)	(105,000)	-	(13,756,388)
Less Expenses						
Payments and withdrawals to annuity holders	-	1,316,753	-	-	-	1,316,753
Change in policyholder liabilities	(14,757,000)	(2,836,041)	(515,000)	(714,000)	-	(18,822,041)
Operating expenses	5,453,048	444,962	220,270	283,678	10,369	6,412,327
Profit/(loss) before tax	**(2,723,694)**	**1,301,618**	**90,291**	**463,024**	**(10,186)**	**(878,947)**
Less Income tax expense	(2,279,295)	-	-	-	-	(2,279,295)
Profit/(loss) after tax	**(444,399)**	**1,301,618**	**90,291**	**463,024**	**(10,186)**	**1,400,348**
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income/(expense)	**(444,399)**	**1,301,618**	**90,291**	**463,024**	**(10,186)**	**1,400,348**
Statement of Movements in Equity						
Opening Share Capital	**12,938,929**	**500,198**	**1,559,681**	**1,758,291**	**402,901**	**17,160,000**
Issue of shares	-	-	-	-	-	-
Closing Share Capital	**12,938,929**	**500,198**	**1,559,681**	**1,758,291**	**402,901**	**17,160,000**
Opening Retained Earnings	**(3,125,326)**	**808,180**	**(440,797)**	**(610,382)**	**(296,838)**	**(3,665,163)**
Equity transfer	1,490,000	(1,160,000)	(100,000)	(250,000)	20,000	-
Total comprehensive income/(expense)	(444,399)	1,301,618	90,291	463,024	(10,186)	1,400,348
Closing Retained Earnings	**(2,079,725)**	**949,798**	**(450,506)**	**(397,358)**	**(287,024)**	**(2,264,815)**
Total Equity	**10,859,204**	**1,449,996**	**1,109,175**	**1,360,933**	**115,877**	**14,895,185**

6. Solvency Margin

Solvency requirements

In April 2020, the Company identified a material issue in how the solvency position had been calculated and sought clarification from the RBNZ. The RBNZ has provided directions on the capital methodology to apply in August 2020. The corrected method requires the Company to hold more capital.

The RBNZ also issued amended licence conditions that required the Company to further increase its regulatory capital. Effective from 31 December 2020, the variable annuity statutory funds, statutory funds 1, 3 and 4, are required to maintain a minimum solvency margin of respectively $4,500,000, $250,000 and $250,000, with this increasing to $9,000,000, $500,000 and $500,000 on 30 June 2021.

The Company’s Parent entity has not been able to raise enough capital to meet the higher RBNZ regulatory capital reserve requirements and has therefore made the decision to close its insurance products. The Company closed to new business in December 2020. As the Company is now in run-off, the RBNZ has issued further amended licence conditions requiring the Company to further increase its regulatory capital. Effective 30 June 2021, statutory fund 2 was required to maintain a minimum solvency margin of $10,000,000.

6. Solvency Margin continued

On 19 January 2022, the RBNZ approved the termination of statutory funds 1, 3 and 4 and approved the termination of statutory fund 2 on 16 June 2022. The RBNZ also cancelled the Company's life insurance licence on 16 June 2022. Further details about the proposed closure of the business are disclosed on pages 9 and 10 of these financial statements.

Separate to policy liabilities recognised in the Statement of Financial Position, the Company maintains 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 solvency margins for its statutory and shareholder funds, which are 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 incorporating amendments to November 2018), issued by the Reserve Bank of New Zealand and as clarified by the August 2020 RBNZ directions.

The actual solvency capital below is inclusive of the provision for business close down and compensation costs (note 2). The minimum solvency capital calculations for statutory funds 2 and 4 (in 2021 year) reflects a realisation basis and includes allowances for insurance and asset risks. As a result of the cancellation of the insurance contracts for statutory funds 1 and 3 at 31 March 2021, the minimum solvency capital calculation for these statutory funds only allows for asset risks.

As at 31 March 2022		**Statutory Fund 1 $000**	**Statutory Fund 2 $000**	**Statutory Fund 3 $000**	**Statutory Fund 4 $000**	**Shareholder Fund $000**	**Company $000**
Equity		-	10,973	-	-	1,380	12,353
Deductions from Capital		-	-	-	-	(30)	(30)
Actual solvency capital	(A)	-	10,973	-	-	1,350	12,323
Minimum solvency capital	(B)	-	223	-	-	18	5,000
Solvency Margin	**(A)-(B)**	**-**	**10,750**	**-**	**-**	**1,332**	**7,323**
RBNZ minimum solvency margin		-	10,000	-	-		-
Margin in excess of minimum requirement		-	**750**	**-**	**-**	**-**	**7,323**
Solvency Ratio	**(A)/(B)**	**-**	**4921%**	**-**	**-**	**7585%**	**246%**

The Company is required to hold $5,000,000 minimum solvency capital at the company level. The RBNZ minimum solvency margin requirements are specific to the respective individual statutory funds.

As at 31 March 2021		**Statutory Fund 1 $000**	**Statutory Fund 2 $000**	**Statutory Fund 3 $000**	**Statutory Fund 4 $000**	**Shareholder Fund $000**	**Company $000**
Equity		10,859	1,450	1,109	1,361	116	14,895
Deductions from Capital		-	-	-	-	(30)	(30))
Actual solvency capital	(A)	10,859	1,450	1,109	1,361	86	14,865
Minimum solvency capital	(B)	253	1,321	33	2,335	2	5,000
Solvency Margin	**(A)-(B)**	**10,606**	**129**	**1,076**	**(974)**	**84**	**9,865**
RBNZ minimum solvency margin		4,500	-	250	250	-	-
Margin in excess of minimum requirement		6,**106**	**129**	**826**	**(1,224)**	**84**	**9,865**
Solvency Ratio	**(A)/(B)**	**4292%**	**110%**	**3361%**	**58%**	**4300%**	**297%**

c. Investments

This section 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 gains/(losses)

Investment Movements

	2022	2021
	$	$
Realised gains/(losses) on items denominated in foreign currencies	21,645	(1,260,114)
Realised gains/(losses) on foreign exchange futures and interest rate derivatives	-	(12,567,198)
Unrealised gains/(losses) on fair value through profit or loss investments	(31,687)	70,924
Total losses on financial instruments at fair value	**(10,042)**	**(13,756,388)**

As part of the close down of the Company's operations in the year ended 31 March 2021, the Company settled its outstanding derivative positions. This resulted in a loss being recognised in profit or loss.

8. Financial Instruments by Category

Classification

The basis of classification of the Company's financial instruments depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are measured at fair value through profit or loss.

Financial assets are recognised initially at fair value. After initial recognition, financial assets are measured at fair value or amortised cost, determined based on both (a) the Company's business model for managing the financial assets; and (b) the contractual cash flow characteristics of the financial asset.

The Company has determined that financial assets held meet the solely payments of principal and interest criterion and are in a held-to-collect business model backing life insurance and life investment contracts. Such assets are designated as either amortised cost or at fair value through profit of loss. All financial liabilities are valued at amortised cost.

Regular purchases and sales of financial assets are recognised into their categories on the trade data, the data on which the company commits to purchase or sell the asset.

Financial instruments have been valued on a realisation basis. This represents the amount that the Company expects to receive by selling the assets in an orderly disposal.

8. Financial Instruments by Category continued

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

As at 31 March 2022

	Amortised Cost	Fair value through profit or loss	Total
	$	$	$
Financial Assets			
Cash and cash equivalents	6,041,815	-	6,041,815
Term Deposits and savings accounts	5,031,920		5,031,920
Insurance receivables	12,789	-	12,789
Related party receivables	32,468	-	32,468
Financial assets held at fair value through profit or loss	-	19,254,287	19,254,287
Financial Liabilities			
Trade and other payables	(280,009)	-	(280,009)
Life investment contract liabilities	-	(10,122,949)	(10,122,949)
Total	**10,838,983**	**9,131,338**	**19,970,321**
As at 31 March 2021	**$**	**$**	**$**
Financial Assets			
Cash and cash equivalents	8,737,758	-	8,737,758
Margin account	7,372,975	-	7,372,975
Insurance receivables	23,376	-	23,376
Related party receivables	42,969	-	42,969
Financial assets held at fair value through profit or loss		21,495,885	21,495,885
Financial Liabilities			
Trade and other payables	(5,088,183)	-	(5,088,183)
Life investment contract liabilities	-	(11,209,285)	(11,209,285)
Total	**11,088,895**	**10,286,600**	**21,375,495**

Impairment

The expected credit loss model requires an entity to account for expected credit losses ('ECLs') and changes in those ECLs at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is not necessary for a credit event to have occurred before credit losses are recognised. The impairment model applies to the Company in relation to financial assets classified at amortised cost, being the Company's related party receivables.

The Company has applied the standard's simplified approach and has calculated ECLs for related party receivables that are exposed to credit losses based on a lifetime of expected credit losses. To measure the ECLs and related party receivables that are exposed to credit losses have been grouped based on shared credit risk characteristics and the days past due. Based on the Company's assessment no impairment provisions have been recognised.

d. Non-financial Assets and Liabilities and Taxation

This section 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	**2022**	**2021**
	$	**$**
Current tax benefit	(75,617)	(2,279,295)
Deferred tax expense	-	-
Income tax benefit	**(75,617)**	**(2,279,295)**
Profit/(Loss) before tax	396,099	(878,947)
Income tax expense/(credit) at 28%	110,908	(246,105)
Prior year adjustment – reversal of prior period tax expense	(75,617)	(2,354,917)
Permanent differences		
- Life insurance premiums permanent differences	(6,249)	(511,603)
- Life Insurance liability permanent differences	(16,448)	(4,901,481)
- Non-deductible expenses	1,032,992	9,509
- Timing differences	(1,234,003)	-
Current year tax losses carried back into prior year	-	2,885,836
Tax losses not recognised	112,800	2,839,466
Income tax (benefit)/expense	**(75,617)**	**(2,279,295)**
Imputation credits available for use in subsequent periods	-	6,769

The Company had a tax expense for the year ended 31 March 2020. In a response to Covid-19, Parliament enacted as a temporary measure the ability of companies to carry tax losses backwards. This temporary measure assists taxpayers that have tax losses in either the 2020 or 2021 tax years and allows them to carry those losses back to an earlier year to seek an immediate refund of taxes paid in the earlier tax year. The Company elected to carry back tax losses from the 31 March 2021 year to offset the tax expense in the 31 March 2020 year. In the tax calculation for the year ended 31 March 2021, the tax expense for the year ended 31 March 2020 has been reversed as current year tax losses have been utilised to settle that obligation.

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. Due to the change in the basis of preparation to a non-going concern basis, all deferred tax is classified as current tax.

10. Accounts Payable / Other Payables

	Note	**2022**	**2021**
		$	**$**
Sundry creditors and accruals		44,473	430,391
Related party payables		-	15,101
Unit linked maturities holding		142,691	142,691
Provision for business close down and compensation costs	2	92,845	4,500,000
Total accounts payable / other payables		**280,009**	**5,088,183**

Accounts and other payables have been recorded on a realisation basis. This is calculated as the amount of cash or cash equivalents required to settle the obligation.

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.

11. Financial Risk Management

This section 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 either in the form of cash or other selected assets. 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. During 2020, the Company established an Asset Liability Committee ("ALCO") to advise both the Audit and Risk Committee and the Board. ALCO meets monthly or when required.

Following the Company's decision to close its insurance products, the Company has been working through finding alternative options for policyholders. As there are no other variable annuity providers in New Zealand, for these customers the option was another fund without a guaranteed income for life or the return of their account balance in addition to receiving some compensation.

For the customers holding lifetime annuity and life investment contracts, the Company sought approval from the High Court on 12 April 2022 to commute their annuity payments into a single lump sum payment and return the proceeds of their life investment contracts to them. The High Court approved this scheme of arrangement on 14 April 2022 and the Company is in the process of executing this arrangement. These processes are intended to lead to the Company ceasing to trade in the foreseeable future. This results in additional risk to the Company.

The material risk from the implementation of this plan is the risk of loss resulting from damage to the Company's reputation that could arise if policyholders indicate material objections with the plan. This is managed by the Board of Directors and is additional to the 'business as usual' risks detailed on the following pages.

Financial risk management objectives
The Company engaged the services of Milliman Pty Ltd to monitor and manage many of the financial risks relating to the operations of the Company through adoption of a Dynamic Hedge Strategy and also the Milliman Managed Risk Strategy ('MMRS') within the Lifetime Income Fund. Following the Company's decision to close its insurance products, dynamic hedging ceased in February 2021 and all open hedge contracts were closed out. At 31 March 2022 and 2021 there were no open hedging contracts.

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, financing 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.

11. Financial Risk Management continued

(b) Strategy for Managing Risk

Risk strategy

The Company adopted a Milliman Dynamic Hedge Strategy to maintain stability with the movement of variable annuity liabilities. Following the Company's decision to close its variable annuity products, dynamic hedging ceased in February 2021 and all open hedge contracts were closed out. At 31 March 2022 and 2021 there were no open hedging contracts.

In addition, the Company adopted a Milliman Managed Risk Strategy ('MMRS') for the Lifetime Income Fund. On 29 March 2021, investors in the Lifetime Income Fund were notified that the fund would be wound up on 3 May 2021 and provided them with the opportunity to transfer their investment to Lifetime Retirement Income Fund. MMRS ceased in May 2021.

In respect of life investment contracts, the Company utilises fixed interest and unlisted equity investments.

The Milliman Dynamic Hedge Strategy provided protection against capital market changes to underlying equity markets and bond yield curves.

The MMRS has two primary components being:
- Volatility Management Strategy - this is designed to cap the volatility of returns within the Company.
- 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 mainly held in Statutory Fund's 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. 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.

(d) Methods to limit or transfer risk exposures

Reinsurance

The Company had no reinsurance until 31 March 2020 when a new 85% quota share longevity swap was agreed with Hannover Rück Se in Germany. The Company cancelled its reinsurance arrangements effective 31 December 2020.

Dynamic Hedging

Through the use of dynamic hedging, there were benefits to the impact on the Company performance from capital market movements.

MMRS Hedging

Through the use of MMRS, there were limits on the maximum loss exposure that the Company is subject to for downside losses through the use of derivatives.

11. Financial Risk Management continued

(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.

Financing and Liquidity risk

Financing and 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 financing and 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 financing and 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.

Financial assets and liabilities have been valued on a realisation basis. This represents the amount that the Company expects to receive by selling the assets in an orderly disposal.

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.

2022	**<1 Month**	**1-3 Months**	**3-12 Months**	**>12 Months**	**Total**
Financial Liabilities	**$**	**$**	**$**	**$**	**$**
Payables	55,802	224,207	-	-	280,009
Life insurance contract liabilities	92,694	7,596,306	-	-	7,689,000
Life investment contract liabilities	-	10,122,949	-	-	10,122,949
Total	**148,496**	**17,943,462**	**-**	**-**	**18,091,958**

2021	**<1 Month**	**1-3 Months**	**3-12 Months**	**>12 Months**	**Total**
Financial Liabilities	**$**	**$**	**$**	**$**	$
Payables	501,847	271,486	4,314,850	-	5,088,183
Life investment contract liabilities	-	-	11,209,285	-	11,209,285
Life insurance contract liabilities	103,407	206,813	8,585,564	-	8,895,784
Total	**605,254**	**478,299**	**24,109,699**	**-**	**25,193,252**

11. Financial Risk Management continued

(f) Market risk

Market risk is the risk of change in the fair value of financial instruments from fluctuations in the foreign exchange rates (currency risk), market interest rates (interest rate risk) and market prices (price risk), whether such change in price is caused by factors specific to an individual financial instrument or its issuer or factors affecting all financial instruments traded in a market. Milliman provided foreign exchange hedging for all overseas currency denominated assets. In February 2021, all open hedge contracts were closed and all cash held in the dynamic margin account held with Goldman Sachs was returned to the Company. Market risk management was also undertaken by Milliman through their dynamic hedging programme and through the MMRS for Lifetime Income Fund.

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 liabilities and its assets including cash holdings. The Company manages its exposure through holding cash in liquid form or in short-term deposits. The variable annuity asset and liability risk managed by Milliman used a dynamic hedge strategy. 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 $110,737 (2021: $161,000) lower/higher. The impact of changes in interest rates on the fair value of the Company’s investments has been assessed as part of price risk.

Currency risk

Currency risk is the risk of loss resulting from changes to exchange rates when applied to assets and liabilities or future transactions denominated in a currency that is not in the Company’s base currency. Milliman provided foreign exchange hedging for all overseas currency denominated assets. In February 2021, all overseas currency denominated assets were liquidated.

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 and short-term 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	
	2022	**2021**
	$	**$**
Related party receivables	32,468	42,969
Banks	11,276,119	16,719,799
New Zealand government	-	585,819
Local government bonds	-	4,337,574
Financial institutions	19,051,903	15,963,426
Other receivables	12,789	23,376
	30,373,279	**37,672,963**

11. Financial Risk Management continued

(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	
	2022	**2021**
	$	**$**
Cash and cash equivalents	6,041,815	8,737,758
Term Deposits and savings accounts	5,031,920	7,372,975
Related party receivables	32,468	42,969
Outstanding premiums and trade receivables	12,789	23,376
Financial assets at fair value through profit or loss	19,254,287	21,495,885
	30,373,279	**37,672,963**

(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	
Credit exposure by credit rating	**2022**	**2022**
	$	**$**
AAA	-	3,990,156
AA+	-	5,602,282
AA	-	426,473
AA-	6,244,199	16,719,800
A	-	199,395
A-	9,298,364	-
BBB	5,031,920	-
Total counterparties with external credit rating by Standard and Poor's	**20,574,483**	**26,938,106**
Group 1: trade debtors outstanding for less than 6 months or secured	12,789	23,376
Group 1A: related party receivable	32,468	42,969
Group 2: trade debtors (more than 6 months) with some defaults in the past	-	-
Group 3: unrated investments	9,753,539	10,668,512
Total counterparties with no external credit rating	**9,798,796**	**10,734,857**
Total financial assets neither past due nor impaired with credit exposure	**30,373,279**	**37,672,963**

Price risk

Price risk is the risk that movements in market prices of the Company's investments adversely impacts its ability to meet its insurance obligations. The Company manages this risk through matching the maturity / term of the investments to its underlying exposures.

If prices had been 5% higher/lower during the year the loss for the year would have been approximately $494,647 (2021: $1,065,000) lower/higher.

(g) Compliance and Operations risk

Compliance and operations risk is monitored at a Retirement Income Group Limited ("Group") level on a monthly basis by management through a formal committee structure and reporting to the Board at each of their meetings. Management uses an objective methodology to evaluate the likelihood and potential impact of each risk to help the Group understand its inherent risk exposure. "Inherent risk" is the risk that exists in the absence of any controls or mitigation strategies. At the outset gaining a preliminary understanding of inherent risk helps the Group develop an early view on its strategy for risk mitigation and steps required to accept or mitigate the risk.

11. Financial Risk Management continued

(h) 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 for details of valuation methods used for each category of financial assets and liabilities.

Financial assets and liabilities have been valued on a realisation basis. This represents the amount that the Company expects to receive by selling the assets in an orderly disposal. 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
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.

Credit exposure by type	**2022**	**2021**
	$	**$**
Fixed Interest	-	10,434,514
Cash equivalents held as part of an investment portfolio	202,384	193,463
Unlisted Funds/Trusts	19,051,903	10,867,908
Total financial assets at fair value through profit or loss	**19,254,287**	**21,495,885**

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

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.

As at 31 March 2022

	Total	**Level 1**	**Level 2**	**Level 3**
Financial Assets	**$**	**$**	**$**	
Investment in unlisted funds/trusts	19,051,903	-	19,051,903	-
Cash	202,384	202,384	-	-
Total financial assets	**19,254,287**	**202,384**	**19,051,903**	**-**

Life investment contract liabilities at 31 March 2022 and 2021 have been valued on a realisation basis, representing the amount the Company expects to pay-out when these liabilities are settled. These liabilities were previously measured at fair value.

11. Financial Risk Management continued

As at 31 March 2021

	Total	Level 1	Level 2	Level 3
Financial Assets	**$**	**$**		
Investment in unlisted funds/trusts	10,867,908	-	10,867,908	-
Investments in fixed interest securities	10,434,514	-	10,434,514	-
Cash	193,463	193,463	-	-
Total financial assets	**21,495,885**	**193,463**	**21,302,422**	**-**

(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.

(iii) Financial assets and liabilities subject to offsetting, enforceable master netting arrangements and similar agreements
Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

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.

12. 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.

13. Contingent liabilities and capital commitments

The Company had no material contingent liabilities or capital commitments at balance date (2021: Nil).

14. Related party information

The Company is a wholly owned subsidiary of Retirement Income Group Limited (ultimate controlling entity) and has transactions with the following:

Entity	Activity
Lifetime Asset Management Limited	Fund Management
Stewart Capital Holdings Limited	Investment holding entity
Stewart Capital Limited	Investment holding entity

a) Key management personnel compensation

The Company does not incur any key management personnel expenses directly as these are incurred and paid for directly by Retirement Income Group. Key management personnel expenses include salaries and other short-term benefits, post-employment benefits, employee share options, termination benefits and Directors Fees. The Company pays for these services by way of a management fee to Retirement Income Group Limited.

b) Transactions with other related entities

		2022 $	2021 $
Transactions during the year:			
Retirement Income Group Limited	Management fees/reimbursement expenses	293,637	947,495
Retirement Income Group Limited	Receipt of receivables/(payment owing)	(296,105)	(1,025,330)
Lifetime Asset Management Limited	Reimbursement of expenses	-	179,993
Receivables			
Stewart Capital Holdings Limited	Related party loan	30,000	30,000
Retirement Income Group Limited	Related party receivable	2,468	12,969
Payables			
Lifetime Asset Management Limited	Related party payable	-	15,101

All related party loans are non-interest bearing and repayable on demand. 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. As at balance date, $420,000 of this loan had been repaid.

15. New standards adopted by the Company or not yet adopted

The Company's financial statements are prepared on a realisation basis for the reasons outlined in the basis of preparation and going concern sections on page 9. As a result, standards, amendments and interpretations to existing standards that came into effect in 2022 or were available for early adoption are not applicable / relevant to the Company. Further, the NZ IFRS currently on issue and not yet effective are not expected to have any impact on the Company.

16. Subsequent events

On 16 June 2022, the RBNZ approved the termination of statutory fund 2 and the cancellation of the Company's life insurance licence.

Life Management Limited
Charles Hett - Consulting Actuary

Wellington
16th June 2022

The Directors
Lifetime Income Limited
P.O. Box 10811
WELLINGTON

Dear Directors,

Appointed Actuary Report Required under Section 78 of the Insurance Prudential Supervision Act 2010 ("IPSA')
Review of *actuarial information* for Lifetime Income Limited as at 31 March 2022

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 31st March 2022 financial statements of LIL. I am mindful there have continued to be significant changes in the nature of the business all of which have been discussed with the Reserve Bank of New Zealand ("RBNZ"). The court has now made orders approving a scheme of arrangement regarding SF2 policies.

The LIL financial statements for 2022 have been prepared on a realisation accounting approach (as were those for 2021). The review has been carried out in accordance with the applicable solvency standards as amended by subsequent RBNZ, IPSA Section 143 direction. 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.

(e) There are a number of conditions imposed under IPSA effective as at 31 March 2022.

The three VA statutory funds (SF1, SF3 and SF4) are closed as at 31 March 2022. The RBNZ on 19 February 2021, the RBNZ issued a change to LIL license conditions in respect of SF2 with a minimum solvency margin of $10m to apply from 30 June 2021.

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Mobile: (021) 616-040 Email: lifemanagement@xtra.co.nz

(f) LIL did not maintain a minimum solvency margin in SF4 as at 31 March 2021 and for the period up to termination of the SF4 policy. In addition, LIL did not meet the minimum solvency margin in SF2 from 30 June 2021 until the RBNZ authorised transfer of assets from the closed VA statutory funds. Lifetime informed RBNZ on 24 June 2021 of the SF2 solvency position effective from 30 June 2021.

These issues have all been discussed with RBNZ.

(g) The IPSA insurance license for LIL was cancelled effective 16 June 2022.

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 2021 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 view 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 auditor's report

To the shareholder of Lifetime Income Limited

Our opinion

In our opinion, the accompanying financial statements of Lifetime Income Limited (the Company), present fairly, in all material respects, the financial position of the Company as at 31 March 2022, 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).

What we have audited

The financial statements comprise:

- the statement of financial position as at 31 March 2022;
- 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.

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.

Independence

We are independent of the Company in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the *International Code of Ethics for Professional Accountants (including International Independence Standards)* issued by the International Ethics Standards Board for Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our firm carries out other services over the Company's solvency return and agreed upon procedures in relation to compensation payments made to variable annuity policyholders. In addition, certain partners and employees of our firm may deal with the Company on normal terms within the ordinary course of trading activities of the Company. The provision of these other services and relationships has not impaired our independence as auditor of the Company.

Emphasis of Matter – basis of preparation

We draw attention to the Going Concern disclosure within the notes to the financial statements. These disclosures detail that the financial statements of the Company have been prepared on a realisation basis. During the prior year the Company closed to new business. Subject to the achievement of certain milestones, the Directors intend to cease operations. As a result, the Directors have determined that the use of the going concern basis of preparation is not appropriate.

Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Description of the key audit matter	How our audit addressed the key audit matter
Valuation and existence of financial assets at fair value through profit or loss (FVTPL) As at 31 March 2022, the Company held financial assets at FVTPL of $19,254,287. Refer to note 11 to the financial statements for disclosures of financial assets held at FVTPL. This was an area of focus for our audit as it represents the majority of the net assets of the Company. **Valuation** The financial assets are invested in unlisted unit priced funds. Fair value of these assets is determined using valuation techniques. The unit price of the fund is an observable (indirect) input into the valuation of the financial assets. As a result, these financial assets are categorised as level 2 in the fair value hierarchy. The Company invests into unlisted investment funds. The fair value is based on the redemption price established by the respective investment fund manager. In assessing the fair value, the Company uses information including fund administrators' accounting controls reports, and the financial statements of the underlying funds. **Existence** Holdings of financial assets are held by the Custodian on behalf of the Company.	We assessed the processes employed by Directors, including the engagement of the Manager of the underlying funds the Company invests in. Specifically, we assessed the processes related to the recording and valuation of financial assets at FVTPL including the relevant processes and controls operated by third-party service organisations. The third-party service organisations include the Administrator and Custodian. Our assessment of the business processes included: ● Updating our understanding of the business processes over classification, recognition and measurement of financial assets held at FVTPL. ● Obtaining the internal control reports over custody and investment accounting provided by the Administrator and the Custodian for the year ended 31 March 2022. We evaluated the sufficiency and appropriateness of the evidence provided by the controls reports over the design and operating effectiveness of the internal control environments operated by the Administrator and the Custodian. **Valuation** For investments in unlisted investment funds, we agreed the redemption price at 31 March 2022, to the confirmation provided by the investment fund manager. We evaluated whether the redemption price represents fair value by comparing the valuation of the investment to the latest financial statements of the unlisted investment funds. **Existence** We obtained confirmation from the Custodian of the holdings of all financial assets held by the Company as at 31 March 2022.

Our audit approach

Overview

Materiality	Overall materiality: $242,000, which represents 1% of financial assets at fair value through profit or loss and term deposits and savings accounts ('total investments'). We chose total investments as the basis for our materiality benchmark. The Company is closing its operations. Investment balances will be realised and used to settle liabilities with the residual amount being distributed to the shareholder. Total investments, in our view, is therefore the measure of most significance to the shareholder and users of the financial statements.
Key audit matters	As reported above, we have one key audit matter, being: ● Valuation and existence of financial assets at fair value through profit or loss.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which the Company operates.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance about whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out above. These, together with qualitative considerations, helped us to determine the scope of our audit, the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears 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/assurance-standards/auditors-responsibilities/audit-report-2/
This description forms part of our auditor's report.

Who we report to

This report is made solely to the Company's shareholder. 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 shareholder, 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 Wellington

30 June 2022