

lifetime

RETIREMENT INCOME



Lifetime Income Fund Annual Report

For the accounting period ended 31 December 2016

28 April 2017

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1. Details of the Scheme

Name of the scheme: Lifetime Income Fund (Scheme)

Type of scheme: Managed Investment Scheme

Name of manager: Lifetime Asset Management Limited

Name of supervisor: Public Trust

Product Disclosure Document: The current Product Disclosure Document (**PDS**) is dated 13 May 2016 and is open for applications.

Fund Updates: The latest fund update for the Scheme was made available on 28 April 2017 and is for the quarter ended 31 March 2017.

Financial statements and auditor's report: The Scheme's latest financial statements and accompanying auditor's report were for the accounting period 20 November 2015 to 31 December 2016 (Accounting Period). They were lodged with the Registrar on 28 April 2017.

The Auditor's Report did not refer to any fundamental uncertainty and nor was it qualified or modified in any respect.

2. Information on contributions and Scheme participants

The Scheme was launched at the beginning of the Accounting Period on 20 November 2015, with the first investment placed on 22 January 2016.

At launch, the Scheme offered one investment fund with two investment portfolios: A Balanced Portfolio and a Cash Portfolio. The investment fund was unchanged and there remains only one investment fund at the end of the Accounting Period.

The number of units on issue for each portfolio in the investment fund were:

Lifetime Income Fund	Number of Units on issue	
	20/11/2015	31/12/2016
Balanced Portfolio	0	7,317,347
Cash Portfolio	0	285,778

3. Changes relating to the Scheme

The Scheme transitioned to the regime under the Financial Markets Conduct Act 2013 (FMCA) with an effective date of 13 May 2016.

Changes to the Trust Deed

On 12 May 2016 the Trust Deed was amended by the Supervisor and the Manager as a consequence of the passage of the FMCA and the repeal of the Unit Trusts Act 1960. This enabled the Scheme to transition to the regime under the FMCA.

Changes to terms of the offer of the funds

There were no material changes to the terms of offer during the Accounting Period.

Changes to the Statement of Investment Policy and Objectives (SIPO)

There were no material changes to the Scheme's SIPO during the Accounting Period.

Related party transactions

There were no material changes to the nature or scale of the related party transactions during the Accounting Period. All related party transactions during the Accounting Period were conducted on arm's length terms.

4. Other information for particular types of managed funds

The unit prices for the Scheme's two portfolios at the start and end of the Accounting Period were:

Lifetime Income Fund	Unit price		
	20/11/2015 (Start of the Accounting Period)	22/01/2016 (for the first investment)	31/12/2016 (End of Accounting Period)
Balanced Portfolio	0	1.0	1.0611
Cash Portfolio	0	1.0	1.0174

5. Changes to persons involved in the Scheme

Manager:

Five new directors commenced their term as board members on 30 November 2015:

- Diana Crossan, Martin Hawes, Graeme Mitchell, Timothy Paris and John Strahl.

Diana Crossan was also elected as Chair of the Board on 30 November 2015.

There were no other changes to the Manager, Lifetime Asset Management Limited, or its key personnel during the Accounting Period.

Dr Michael Cullen commenced as a board member on 10 February 2017.

Supervisor:

Public Trust was the Supervisor of the Scheme throughout the Accounting Period.

Changes to the Board of the Supervisor:
The following changed to the Supervisor, Public Trust, and its board members during the Accounting Period:

- Susan Mary Anna McCormack's term as a Board Member ended on 30 April 2016
- Diana Marie Puketapu and Dilkhush (Dinu) Harry retired as a Board Members of Public Trust on 31 October 2016
- Three new board members commenced their term as board members effective 1 November 2016: Dianne Victoria McAteer, Bevan Edward Killick and Graham Arthur Naylor.

Investment Manager:

There were no changes to the Investment Manager, Milliman Pty Limited, or their key personnel during the Accounting Period.

Administration manager:

There were no changes to the Administration Manager, MMC Limited during the Accounting Period.

Securities registrar, custodian and auditor:

There were no changes to the securities registrar (MMC Limited), custodian (Public Trust), or auditor (PriceWaterhouseCoopers) during the Accounting Period.

6. How to find further information

Further information and copies of documentation relating to the Scheme is available on the Offer Register and the Scheme Register found at business.govt.nz/disclose by searching "Lifetime Income Fund".

This includes, general information about the Scheme and entities involved with the Scheme, material information not contained in the PDS, the Scheme's group insurance policy and valuation and pricing methodology.

A copy of information on a register can also be requested from the Registrar of Financial Service Providers.

The following information can also be obtained from the Manager, free of charge:

Information	How to obtain
Latest unit price	The latest unit price is available by contacting the Manager.
Fund information relevant to investors	An Investor can request their personal information by contacting the Manager.
Product Disclosure Document (PDS)	The PDS is publicly available from lifetimeincome.co.nz , the Offer Register or by requesting it from the Manager.
Fund Updates	The fund updates for the Scheme are publicly available from lifetimeincome.co.nz and on the Offer Register.
Statement of Investment Policy and Objectives (SIPO)	The SIPO is publicly available on the Scheme register.

Trust Deed	The Trust Deed governing the Scheme, dated 12 May 2016, is publicly available on the Scheme Register.
Financial Statements	The financial statements for the Scheme are publicly available on the Scheme Register.

7. Contact details and complaints

Manager: Lifetime Asset Management Limited

Address: Level 3, 120 Featherston Street, Wellington Central, Wellington 6011

Phone: 0800 254 338

Email: retire@lifetimeincome.co.nz

Supervisor: Public Trust

Address: Ground floor, 100 Molesworth Street, Thorndon, Wellington 6011

Phone: 0800 371 471

Email: CTS.Enquiry@publictrust.co.nz

Securities Registrar: MMC Limited

Address: Level 13, 23 Customs Street East, Auckland Central, Auckland 1010

Phone: 09 309 8926

How to enquire or complain:

If you have an enquiry or complaint, please contact the Chief Executive. We can be contacted at:

Lifetime Asset Management Limited
Level 3, 120 Featherston Street, Wellington Central, Wellington 6011

Phone: 0800 254 338

Email: retire@lifetimeincome.co.nz

You can also contact the Supervisor at:

Public Trust
Ground Floor, 100 Molesworth Street, Thorndon, Wellington 6011

Phone: 0800 371 471

If we are unable to resolve your complaint, you can complain to Financial Services Complaints Limited (FSCL). They can be contacted at:

Financial Services Complaints Limited
Level 4, 101 Lambton Quay, Wellington Central, Wellington 6011

Phone: 0800 347 257

e-mail: info@fscl.org.nz

FSCL will not charge a fee to any complainant to investigate or resolve a complaint.

Lifetime Asset Management Limited

Disclaimer:

Lifetime Asset Management Limited is the manager of Lifetime Income Fund and the issuer of this annual report. This annual report has been prepared by the manager to meet its obligations under the Financial Markets Conduct Regulations 2014. The information contained in this annual report is of a general nature only and does not take into account the personal objectives, financial situation or financial goals of individual investors. Accordingly, before making any decisions, you should consider the information in light of your own objectives, financial situation and needs, and read and consider the current product disclosure statement. It is also recommended that you obtain advice from an appropriately authorised financial adviser. A copy of the current product disclosure statement is available on the website at www.lifetimeincome.co.nz or by calling **0800 254 338**.



lifetimeincome.co.nz

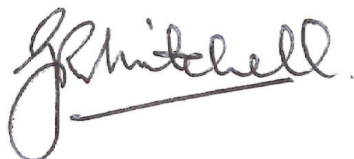
Lifetime Income Fund
Financial Statements
For the period ended 31 December 2016

Manager's Statement

In the opinion of the Manager, the accompanying Financial Statements are drawn up so as to present fairly the financial position of the Lifetime Income Fund as at 31 December 2016 and the results for the period ended on that date in accordance with the requirements of the Trust Deed dated 20 November 2015 as amended on 12 May 2016.

The directors are of the opinion that the Lifetime Income Fund will be able to pay its debts as and when they fall due.

Director



Lifetime Asset Management Limited

Director



Additional Unitholder Information

Notice of Trust Deed Amendment

Under clause 32 of the Trust Deed governing the Lifetime Income Fund and the Financial Markets Conduct Act 2013 ('FMC Act'), the Manager, Lifetime Asset Management Limited, is required to advise Unitholders in summary form of any amendments to the Trust Deed.

The Trust Deed was amended on 12 May 2016 to align with the requirements of the FMC Act and entry into the FMC regime.

There has been no further amendments to the Trust Deed during the period covered by the Financial Statements.

Statements of Comprehensive Income

\$		Balanced Portfolio	Cash Portfolio	Total Lifetime Income Fund
For the period ended 31 December	Note	2016	2016	2016
Income				
Interest income	11	140,358	5,442	145,800
Dividend and distribution income		88,419	-	88,419
Net foreign currency gains/(losses) on cash and cash equivalents		(5,715)	-	(5,715)
Net (loss)/gain on financial assets and liabilities at fair value through profit or loss	8	(36,626)	2,816	(33,810)
Total income		186,436	8,258	194,694
Expenses				
Management fees	10	11,581	647	12,228
Management fee rebates	10	(906)	-	(906)
Administration expenses		49,230	1,944	51,174
Supervisor fees	10	17,439	691	18,130
Audit fees		11,621	454	12,075
Transaction costs		3,018	-	3,018
Establishment costs	10	934,593	36,500	971,093
Other expenses		1,536	20	1,556
Total operating expenses		1,028,112	40,256	1,068,368
Operating loss		(841,676)	(31,998)	(873,674)
Decrease in net assets attributable to Unitholders		841,676	31,998	873,674
Profit/(loss) attributable to Unitholders		-	-	-
Total comprehensive income attributable to Unitholders		-	-	-

These statements are to be read in conjunction with the accompanying notes.

Statements of Changes in Net Assets Attributable to Unitholders

\$	Balanced Portfolio	Cash Portfolio	Total Lifetime Income Fund
For the period ended 31 December	2016	2016	2016
Proceeds from units issued	7,753,372	413,099	8,166,471
Redemption of units			
Insurance payments	-	(27,982)	(27,982)
Lifetime Withdrawal Benefit	-	(88,751)	(88,751)
Withdrawals	(7,567)	(7,522)	(15,089)
Total redemptions	(7,567)	(124,255)	(131,822)
Unitholder tax (liabilities)	(1,468)	-	(1,468)
Net increase from transaction in units	7,744,337	288,844	8,033,181
(Decrease) in net assets attributable to Unitholders	(841,676)	(31,998)	(873,674)
Closing balance attributable to Unitholders	6,902,661	256,846	7,159,507
Units	Balanced Portfolio	Cash Portfolio	Total Lifetime Income Fund
For the period ended 31 December	2016	2016	2016
Units issued	7,324,573	408,395	7,732,968
Units redeemed			
Insurance premiums	-	(27,590)	(27,590)
Lifetime withdrawal benefit	-	(87,603)	(87,603)
Withdrawals	(7,226)	(7,424)	(14,650)
Total units redeemed	(7,226)	(122,617)	(129,843)
Units on issue at the end of the period	7,317,347	285,778	7,603,125

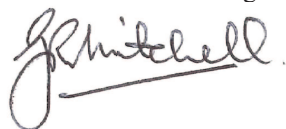
These statements are to be read in conjunction with the accompanying notes.

Statements of Financial Position

\$		Balanced Portfolio	Cash Portfolio	Total Lifetime Income Fund
As at 31 December	Note	2016	2016	2016
Assets				
Cash and cash equivalents		500,757	20,649	521,406
Margin accounts		314,087	-	314,087
Financial assets held at fair value through profit or loss	6	6,934,250	252,806	7,187,056
Due from brokers		213,280	17,595	230,875
Dividends receivable		314	-	314
Accrued interest		477	1	478
Management fee rebates receivable		806	-	806
		7,963,971	291,051	8,255,022
Total assets				
Current liabilities				
Financial liabilities held at fair value through profit or loss	7	160,964	-	160,964
Due to brokers		25,203	-	25,203
Supervisor fees payable	10	17,439	691	18,130
Management fees payable	10	2,582	121	2,703
Administration fees payable	10	45,460	1,772	47,232
Related party loan at amortised cost	10	79,804	3,117	82,921
Other payables		11,621	454	12,075
		343,073	6,155	349,228
Non current liabilities				
Related party loan at amortised cost	10	718,237	28,050	746,287
		1,061,310	34,205	1,095,515
Total liabilities (excluding net assets attributable to Unitholders)				
Net assets attributable to Unitholders - liabilities		6,902,661	256,846	7,159,507

The Directors of Lifetime Asset Management Limited authorised these Financial Statements for issue on 28 April 2017.

Director



Director



These statements are to be read in conjunction with the accompanying notes.

Statements of Cash Flows

\$		Balanced Portfolio	Cash Portfolio	Total Lifetime Income Fund
For the period ended 31 December	Note	2016	2016	2016
Cash flows from operating activities				
Cash was provided from:				
Sale of investments		-	81,500	81,500
Interest income		2,286	108	2,394
Dividend and distribution income		1,468	-	1,468
Cash was applied to :				
Purchase of investments		(7,010,669)	(331,490)	(7,342,159)
Prepaid purchases		(213,280)	(17,595)	(230,875)
Payment to suppliers		(15,937)	(718)	(16,655)
Net cash (outflow) from operating activities	12	<u>(7,236,132)</u>	<u>(268,195)</u>	<u>(7,504,327)</u>
Cash flows from financing activities				
Cash was provided from:				
Applications		7,753,372	413,099	8,166,471
Cash was applied to:				
Withdrawals		(7,567)	(124,255)	(131,822)
Unitholders tax liabilities		(1,468)	-	(1,468)
Net cash inflow from financing activities		<u>7,744,337</u>	<u>288,844</u>	<u>8,033,181</u>
Net increase in cash and cash equivalents		508,205	20,649	528,854
Foreign exchange (losses) on cash and cash equivalents denominated in foreign currencies		(7,448)	-	(7,448)
Cash and cash equivalents at the end of the financial period		<u>500,757</u>	<u>20,649</u>	<u>521,406</u>

These statements are to be read in conjunction with the accompanying notes.

Notes to the Financial Statements

1. General information

Reporting Entities

These financial statements are for the period ended 31 December 2016 and have been prepared for the Lifetime Income Fund ("the Fund"). The Lifetime Income Fund is registered as a Managed Investment Scheme in accordance with the Financial Markets Conduct Act 2013 and consists of two portfolios, the Lifetime Income Fund Balanced Portfolio ("Balanced Portfolio") and the Lifetime Income Fund Cash Portfolio ("Cash Portfolio"). Each Portfolio has separate assets and liabilities governed by the terms of the Trust Deed for the purpose of calculating net asset value and issuing and redeeming units. Portfolios are not separate trust funds. The Fund commenced operation on 22 January 2016.

The principal activity of the Fund is investment, either via investments in other managed funds or holding investments directly.

The objectives of the Fund is as follows:

- * The Balanced Portfolio invests in low cost index funds or similar investments with underlying exposure to shares and fixed interest securities in New Zealand and internationally. Its investment objective is to deliver a target return of 6.5% p.a. before fees and taxes over the long term and limit volatility to no more than 7.5% over the long term.
- * The Cash Portfolio invests in cash and short term fixed interest investments. Its purpose is to pay commitments such as the Lifetime Withdrawal Benefit, fees and expenses.

The Fund's investment activities are managed by Lifetime Asset Management Limited (the 'Manager'). The registered office for Lifetime Asset Management Limited, Floor 5, 50-64 Customhouse Quay, Wellington Central, Wellington, 6011, New Zealand.

These financial statements were authorised for issue by the Board of Directors of the Manager on 28 April 2017.

Statutory Base

The Fund is a Managed Investment Scheme as defined by the Financial Markets Conduct Act 2013 and is subject to the provisions of that Act. The Financial Statements have been prepared in accordance with the requirements of the Financial Markets Conduct Act 2013, the Financial Reporting Act 2013, and the Trust Deed.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these Financial Statements are set out below. These policies have been consistently applied throughout the period presented, unless otherwise stated.

These financial statements have been prepared for the period from 20 November 2015, the date of establishment to 31 December 2016. Given this is the Fund's first period of operations, no comparative figures have been prepared.

Notes to the Financial Statements

2.1 Basis of preparation

The Financial Statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). For the purposes of complying with NZ GAAP, the Fund is a for-profit entity. These Financial Statements comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS). These Financial Statements have been prepared under the historical cost method, except for financial assets and liabilities held at fair value through profit or loss.

The preparation of Financial Statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires the Directors of the Manager to exercise their judgement in the process of applying the Fund's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Statements are disclosed in Note 3.

Standards and amendments to existing standards effective 1 April 2016 impacting the Fund

Amendments to NZ IAS 1 'Presentation of financial statements' (effective for periods commencing on or after 1 January 2016). The amendments clarify guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosures of accounting policies. The amendments form part of the IASB's Disclosure Initiative, which explores how financial statement disclosures can be improved. Upon adopting the new amendment for the period ended 31 December 2016, the Manager reviewed the financial statements and incorporated the requirements of the standard.

Standards and amendments to existing standards that are relevant, but not yet applicable to the Fund and have not been early adopted by the Fund.

NZ IFRS 9 Financial instruments ('NZ IFRS 9') (effective for annual periods beginning on or after 1 January 2018). NZ IFRS 9 requires financial assets to be classified on the basis of the business model for managing the financial assets and the contractual cash flow characteristics of the financial asset, and subsequently measures the financial assets as either at amortised cost or fair value. The requirements for classifying and measuring financial liabilities have been added to the standard and were carried forward largely unchanged from NZ IAS 39 Financial Instruments: Recognition and Measurement. However, the requirements related to the fair value option for financial liabilities were changed to address the issue of own credit risk. The new hedge accounting model more closely aligns hedge accounting with risk management activities undertaken by entities when hedging their financial and non-financial risks. NZ IFRS 9 introduces a new expected credit loss model for calculating impairment of financial assets. The impact of adopting NZ IFRS 9, has not yet been fully assessed, however it is not expected to have a significant impact on the Fund's reported result or financial position. The Fund intends to adopt NZ IFRS 9 for its financial period commencing 1 January 2018.

Notes to the Financial Statements

2.2 Financial instruments

(a) Classification

The Fund's investments are categorised as financial assets or financial liabilities at fair value through profit or loss. This is comprised of the following:

Financial instruments held for trading

A financial asset or financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term. Derivatives are categorised as held for trading. All derivatives in a net receivable or payable position are shown gross and reported as either derivative financial assets or derivative financial liabilities. The Fund does not designate any derivatives as hedges in a hedging relationship. The Balanced Portfolio entered into exchange traded foreign exchange futures contracts which have been classified as held for trading.

Financial instruments designated at fair value through profit or loss upon initial recognition

Financial instruments designated at fair value through profit or loss at inception are those that are managed and their performance evaluated on a fair value basis in accordance with the Fund's documented investment strategy. The Fund's policy is for the Investment Manager to evaluate the information about these financial instruments on a fair value basis together with other related financial information.

The financial instruments comprise of exchange traded equities and unlisted trusts.

The designation of financial instruments at fair value through profit or loss is consistent with the Fund's risk management or investment strategy.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables comprise of interest earned that has not been paid by the end of the accounting period, dividends and distributions receivable, receivables on unsettled trades, other receivables, margin cash accounts and cash and cash equivalents.

Financial liabilities at amortised cost

Financial liabilities at amortised cost are non-derivative financial liabilities with fixed or determinable payments that are not quoted in an active market. Financial liabilities at amortised cost consist of a related party loan discounted to reflect fair value at inception and subsequently measured at amortised cost.

(b) Recognition, derecognition and measurement

The Fund recognises financial assets and financial liabilities on the date they become parties to the contractual agreement (trade date). Financial assets and financial liabilities at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed as incurred in the Statements of Comprehensive Income.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or the Fund has transferred substantially all of the risks and rewards of ownership. A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

Notes to the Financial Statements

Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains or losses arising from changes in the fair value of the financial assets or financial liabilities at fair value through profit or loss category are presented in the Statements of Comprehensive Income within net changes in fair value of financial assets and liabilities at fair value through profit or loss in the period in which they arise.

(c) Fair value estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value in an active market

The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and trading securities) are based on quoted market prices at the close of trading on the reporting date. The quoted market price used by the Fund are the last traded market price for both financial assets and financial liabilities where the last traded prices falls within the bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, management will determine the point within the bid-ask spread that is most representative of fair value. The quoted market price used for fixed interest securities is the current mid price.

Fair value in an inactive or unquoted market

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. The Fund uses a variety of methods and make assumptions that are based on market conditions existing at each balance date. Valuation techniques used include the use of recent comparable arm's length market transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Fund's investments in other funds are subject to the terms and conditions of the respective funds' offering documentation. The investments in other funds are primarily valued based on the latest available redemption price of such units, as determined by the other funds' administrators. The Fund reviews the details of the reported information obtained from the other funds and consider: the liquidity of the other fund or its underlying investments; the value date of the net asset value provided; and restrictions on redemptions; and the basis of accounting and, in instances where the basis of accounting is other than fair value, fair valuation information is obtained from the other funds' advisors.

The rights of the Fund to request redemption of its investments in other funds may vary in frequency from daily to weekly redemptions. As a result, the carrying values of the other funds may not be indicative of the values ultimately realised on redemption. In addition, the Fund may be materially affected by the actions of other investors who have invested in other funds in which the Fund has invested.

If necessary, the Fund makes adjustments to the net asset value of various other fund investments to obtain the best estimate of fair value. Other net changes in fair value on financial assets and financial liabilities at fair value through profit or loss in the Statements of Comprehensive Income include the change in fair value of each other fund.

Notes to the Financial Statements

2.3 Offsetting financial instruments

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.

2.4 Net assets attributable to Unitholders

Units in the Fund are redeemable at the Unitholders' option and do not have identical features and are classified as financial liabilities. Redemption may take place at the redemption price on any business day after appropriate notice. The fair value of redeemable units is measured at the redemption amount that is payable (based on the redemption unit price) at the balance date if Unitholders exercised their right to put the units back to the Fund. As stipulated in the Trust Deed, each unit represents a right to an individual share in the respective Portfolio and does not extend a right in the underlying assets of the Portfolio.

The Fund will redeem units, based on the redemption unit price, to pay the Lifetime Withdrawal Benefit to investors during the protected income base phase as set out in the offering documents.

Applications received for units in the Fund are recorded net of any entry fees payable prior to the issue of units in the Fund and any initial service fee (if any). Redemptions from the Fund are recorded gross of any exit fees payable after the cancellation of the units redeemed. Units are issued and redeemed at the holder's option at prices based on the net asset value per unit at the time of issue or redemption. The net asset value per unit is calculated by dividing the net assets attributable to Unitholders with the total number of outstanding units. In accordance with the provisions of the offering documents, investment positions are valued based at the appropriate market value for the purpose of determining the net asset value per unit for subscriptions and redemptions.

2.5 Margin Account

Cash collateral provided by the Fund is identified in the balance sheet as margin accounts and is not included as a component of cash and cash equivalents. The Balanced Portfolio trades foreign exchange future derivative contracts and holds a margin account as collateral with the broker.

2.6 Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks. Payments and receipts relating to the purchase and sale of investment securities are classified as cash flows from operating activities, as movements in the fair value of these securities represents the main income generating activity of the Fund.

Notes to the Financial Statements

2.7 Investment income

Interest income

Interest earned on loans and receivables, including cash and cash equivalents and the margin accounts are included as Interest income in the Statements of Comprehensive Income on an accruals basis.

Dividend and distribution income

Dividend income is recognised on the ex-dividend date with any related foreign withholding tax recorded in the Statements of Net Assets Attributable to Unitholders as a unitholder tax liability. Trust distributions are recognised on a present entitlement basis.

Net gains and losses on financial assets at fair value through profit or loss

Realised and unrealised gains and losses are reflected in the Statements of Comprehensive Income as net gain/(loss) on financial instruments held at fair value through profit or loss.

Unrealised gains or losses include the change in net market value of investments held as at balance date. Realised gains or losses are calculated based on the gross sale proceeds and the weighted average cost of the investments sold.

2.8 Receivables

Receivables may include amounts for interest, dividends and rebates receivable and amounts due from brokers for securities sold that have been contracted for but not yet delivered by the end of the accounting period. Receivables are initially recognised at fair value, being the amounts receivable. They are subsequently measured at amortised cost, being the initially recognised amount reduced for impairment as appropriate. Any impairment charge is recognised in the Statements of Comprehensive Income.

2.9 Payables

These amounts represent liabilities and accrued expenses owing by the Fund at period end and may include related party fees and amounts due to brokers for securities purchased that have been contracted for but not yet delivered by the period end. These amounts are recognised initially at fair value and subsequently stated at amortised cost.

2.10 Expenses

All expenses, including the Fund's management fees, are recognised in the Statements of Comprehensive Income on an accruals basis.

Notes to the Financial Statements

2.11 Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency assets and liabilities are translated into the functional currency using the exchange rate prevailing at the Balance Sheet date.

Foreign exchange gains and losses resulting from translation are included in the Statements of Comprehensive Income.

Foreign exchange gains and losses relating to cash and cash equivalents are presented in the Statements of Comprehensive Income within 'net foreign currency gains or losses on cash and cash equivalents'.

Foreign exchange gains and losses relating to the financial assets and liabilities carried at fair value through profit or loss are presented in the Statements of Comprehensive Income within 'other net changes in fair value on financial assets at fair value through profit or loss'.

2.12 Income tax

The Fund qualifies as and has elected to be a Portfolio Investment Entity (PIE) for tax purposes. Under the PIE regime income is effectively taxed in the hands of the Unitholders and therefore the Fund has no income tax expense. Accordingly, no income tax expense is recognised in the Statements of Comprehensive Income. Income is disclosed gross of any resident and foreign withholding taxes deducted at source and the taxes are included in Unitholder tax liabilities in the Statements of Changes in Net Assets Attributable to Unitholders.

Under the PIE regime, the Manager attributes the taxable income of the Fund to Unitholders in accordance with the proportion of their interest in the Fund. The income attributed to each Unitholder is taxed at the Unitholder's "prescribed investor rate" which is capped at 28% on redemptions and annually at 31 March each year.

Unitholder tax liabilities disclosed in the Statements of Changes in Net Assets Attributable to Unitholders consists of withdrawals to meet Unitholder tax liabilities under the PIE regime and any resident and foreign withholding taxes deducted at source.

2.13 Lifetime withdrawal benefit

Under the Trust Deed, Unitholders are entitled to elect to receive a regular lifetime withdrawal benefit ("Lifetime Withdrawal Benefit") as disclosed in the Statements of Changes in Net Assets Attributable to Unitholders. This is funded in the first instance from the Unitholder's protected income base and subsequently from the insurance policy held by the Supervisor on behalf of Unitholders with Lifetime Income Limited. The Fund does not expect to make distributions from the Fund apart from the Lifetime Withdrawal Benefit.

2.14 Insurance payments

The Fund pays insurance premiums to Lifetime Income Limited on behalf of Unitholders. These premiums are calculated daily and paid monthly from the Cash Portfolio as disclosed in the Statements of Changes in Net Assets Attributable to Unitholders.

Notes to the Financial Statements

2.15 Goods and services tax ("GST")

The Fund is not registered for GST. The Statements of Comprehensive Income and Statements of Cash Flows have been prepared so that all components are stated inclusive of GST. All items in the Balance Sheet are stated inclusive of GST.

3. Critical accounting estimates and judgements

The Manager of the Fund makes estimates and assumptions that affect the reported amounts of assets and liabilities. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are outlined below. Estimates are continually evaluated and are based on historical experience among other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Fair value of securities not quoted in an active market

The valuation models employed use observable data, to the extent practicable. However, areas such as credit risk, volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

The fair value of investments in other funds have been fair valued in accordance with the policies set out above. For certain other financial instruments, including amounts due from/to brokers, accounts payable and accrued expenses, the carrying amounts approximate fair value due to the short term nature of these financial instruments.

Functional currency

The Manager considers the New Zealand dollar the currency that most faithfully represents the economic effect of the underlying transactions, events and conditions. The New Zealand dollar is the currency in which the Fund measures its performance and reports its results, as well as the currency in which the Fund receives subscriptions from investors.

Fair value of related party loan at initial measurement

The fair value of the interest free related party loan is calculated based on a 10 year discounted cash flow which reflects the period over which the establishment costs incurred by the Manager are expected to be recovered from the Fund. The discount rate used was 2.98% based on the NZ Treasury 10 year risk free discount rate at 30 June 2016.

Notes to the Financial Statements

4. Derivative financial instruments

Foreign exchange futures

Futures are contractual obligations to buy or sell instruments on a future date at a specified price established in an organised market. The fair value of the future is based on the amount that will be paid or received to settle the obligation on a net basis on the exchange. A foreign exchange future is a futures contract to exchange one currency for another at a specified date in the future at a price (exchange rate) that is fixed on the purchase date.

\$ As at 31 December	Balanced Portfolio 2016	Cash Portfolio 2016	Total Lifetime Income Fund 2016
Futures (notional value in NZ\$)			
NZD/USD foreign exchange future	5,262,756	-	5,262,756
AUD/USD foreign exchange future	(5,267,489)	-	(5,267,489)
Futures (fair value in NZ\$)			
Foreign exchange futures	17,854	-	17,854

The futures contracts are collateralised by cash held in the futures margin accounts

Notes to the Financial Statements

5. Financial risk management

5.1 Financial risk factors

The Fund's activities expose it to a variety of financial risks: market risk (including currency risk, cash flow and fair value interest rate risk and price risk), credit risk and liquidity risk. The Fund's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Fund's financial performance.

The Fund is also indirectly exposed to risk factors such as credit risk and interest rate risk via its investments in unlisted unit trusts. However the risk management notes outlined below are not prepared on a look through basis.

The Manager uses different methods to measure and manage the various types of risk to which it is exposed; these methods are explained below.

5.1.1 Market risk

(a) Price risk

Price risk is the risk that the fair value or future cash flows of non-monetary financial instruments will fluctuate because of changes in market prices, whether those changes are caused by factors specific to an issuer or factors affecting all similar financial instruments traded in the market. All equity, unit trust and unlisted investments present a risk of loss of capital often due to factors beyond the Manager's control such as competition, regulatory changes, commodity price changes and changes in general economic climate both domestically and internationally. The Manager moderates this risk through careful stock selection and diversification, daily monitoring of the Fund's market position and adherence to the Fund's investment policies.

Where non-monetary financial instruments, for example, unlisted trusts are denominated in currencies other than New Zealand dollars, the price initially expressed in foreign currency and then converted into New Zealand dollars will also fluctuate because of changes in foreign exchange rates. The foreign exchange exposure relating to non-monetary assets and liabilities is considered to be a component of market price risk and not foreign exchange risk.

The table below summarises the sensitivity of the Fund's net assets attributable to Unitholders to movements in prices, as at 31 December. If prices for the Fund's investments had increased or decreased by 5% with all other variables held constant, this would have had the following impact on the Statements of Comprehensive Income and Net Assets Attributable to Unitholders:

	Balanced Portfolio	Cash Portfolio	Total Lifetime Income Fund
\$	2016	2016	2016
As at 31 December			
5% increase in prices	337,772	12,640	350,412
5% decrease in prices	(337,772)	(12,640)	(350,412)

Notes to the Financial Statements

(b) Foreign exchange risk

Foreign currency risk, as defined in NZ IFRS 7, 'Financial Instruments: Disclosures', arises as the value of future transactions, recognised monetary assets and monetary liabilities denominated in other currencies fluctuate due to changes in foreign exchange rates. NZ IFRS 7 considers the foreign exchange exposure relating to non-monetary assets and liabilities to be a component of market price risk not foreign currency risk.

The Fund may enter into foreign exchange derivatives to hedge the foreign currency risk implicit in the value of the portfolio securities denominated in foreign currency. As the nature of these contracts is to manage the international investment activities, they are accounted for by marking to market at balance date in a manner consistent with the valuation of the underlying securities.

At the balance date the Fund had the following foreign currency exposures due to holdings of monetary assets and liabilities (expressed in NZD equivalents):

\$	Balanced Portfolio	Cash Portfolio	Total Lifetime Income Fund
As at 31 December	2016	2016	2016
Monetary assets/liabilities			
Australian Dollar (AUD)	213,594	-	213,594
United States Dollar (USD)	38,604	-	38,604

The table below summarises the impact on the Statements of Comprehensive Income and Net Assets Attributable to Unitholders on monetary assets/liabilities at balance date, had the exchange rates between the New Zealand dollar and the foreign currencies increased or decreased by 5% with all other variables held constant. The analysis is based on the Manager's best estimate of a reasonable possible shift in exchange rates with regard to historical volatility.

\$	Balanced Portfolio	Cash Portfolio	Total Lifetime Income Fund
As at 31 December	2016	2016	2016
Monetary assets/liabilities			
Exchange rates increased by 5%	(12,009)	-	(12,009)
Exchange rates decreased by 5%	13,274	-	13,274

Notes to the Financial Statements

At the balance date the Fund had the following foreign currency exposures due to holdings of non monetary assets/liabilities (expressed in NZD equivalents):

\$ As at 31 December	Balanced Portfolio 2016	Cash Portfolio 2016	Total Lifetime Income Fund 2016
Non monetary assets/liabilities			
AUD Unlisted trusts	5,562,822	-	5,562,822
AUD Foreign exchange futures exposure	(5,296,011)	-	(5,296,011)
Australian Dollar (AUD)	<u>266,811</u>	<u>-</u>	<u>266,811</u>

The Fund has entered into NZD/USD and AUD/USD exchange traded foreign exchange futures contracts to mitigate exposure to AUD currency. At 31 December 2016 the Fund held 51 AUD/USD contracts each with a nominal amount of AUD 100,000 and 53 NZD/USD contracts each with a nominal amount of NZD 100,000.

United States Dollar (USD)	17,854	-	17,854
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The table below summarises the impact on the Statements of Comprehensive Income and Net Assets Attributable to Unitholders on non monetary assets/liabilities at balance date, had the exchange rates between the New Zealand dollar and the foreign currencies increased or decreased by 5% with all other variables held constant. The analysis is based on the Manager's best estimate of a reasonable possible shift in exchange rates with regard to historical volatility.

\$ As at 31 December	Balanced Portfolio 2016	Cash Portfolio 2016	Total Lifetime Income Fund 2016
Non monetary assets/liabilities			
Exchange rates increased by 5%	(13,555)	-	(13,555)
Exchange rates decreased by 5%	14,982	-	14,982

(c) Interest rate risk

Interest rate risk arises from the effects of fluctuations in the prevailing levels of market interest rates on the fair value of financial assets and liabilities and future cash flow.

Notes to the Financial Statements

* Cash flow interest rate risk

The Fund holds cash and cash equivalents in New Zealand dollars that expose the Fund to cash flow interest rate risk. A change in interest rates impacts the cash flow of the Fund's cash and cash equivalents by increasing or decreasing the amount of interest received. A variable of 100 basis points (1%) was selected as this is a reasonably expected movement based on past overnight cash rate movements. The one year cash flow sensitivity to a 100 basis point movement in interest rates (based on assets held at reporting date), with all other variables held constant, is shown in the following table:

\$ As at 31 December	Balanced Portfolio 2016	Cash Portfolio 2016	Total Lifetime Income Fund 2016
Increase of 1%	5,008	206	5,214
Decrease of 1%	(5,008)	(206)	(5,214)

These movements arise substantially from the cash flow variability from cash and cash equivalents.

5.1.2 Credit risk

Credit risk is the potential risk of financial loss resulting from the failure of counterparties to honour fully the terms and conditions of a contract with the Fund. Financial instruments that subject the Fund to credit risk consist primarily of cash equivalents and trade and other receivables. All transactions in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation. The maximum credit risk of financial instruments is considered to be the carrying amount on the statement of financial position. The risk of non-recovery of financial assets is considered minimal due to the counterparties dealt with. The Fund does not require collateral or other security to support financial instruments with credit risk. The Fund invests cash with banks registered in New Zealand which carry a minimum short term credit rating of AA- (Standard & Poor's). The Fund is indirectly exposed to credit risk through its investments in unlisted trusts.

5.1.3 Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

Notes to the Financial Statements

The Fund is exposed to daily redemptions of units. Liquidity risk is managed by holding liquid investments to enable the Fund to meet liabilities as they fall due and withdrawals when requested. The Fund's investment policies do not state a minimum required level of investment in liquid investments. The Fund's financial liabilities consist of trade and other payables and foreign exchange futures contracts which are short term in nature and classified as a current liability at reporting date. The current fair value represents the estimated cash flow that may be required to dispose of the positions. Future cash flows of the Fund and realised liabilities may differ from current liabilities based on future changes in market conditions.

Where the Fund invests into unlisted trusts, those underlying funds allow for daily withdrawals to match the Fund's withdrawal policy. However, underlying funds may be subject to discretionary withdrawal restrictions exercisable by the underlying manager, including the ability to suspend withdrawals or withhold varying amounts of any withdrawal requested.

The table below shows the net undiscounted contracted cash outflows for the Fund's financial liabilities:

\$ As at 31 December	Balanced Portfolio 2016	Cash Portfolio 2016	Total Lifetime Income Fund 2016
Financial liabilities held at fair value through profit or loss			
Less than 1 year	160,964	-	160,964
Trade and other payables			
Less than 1 year	37,900	493	38,393
Related party payables			
Less than 1 year	4,704	214	4,918
1-5 years	59,701	2,331	62,032
Related party loan			
Less than 1 year	93,459	3,650	97,109
1-5 years	373,837	14,600	388,437
Over 5 years	467,297	18,250	485,547

Notes to the Financial Statements

5.2 Capital risk management

The Fund's capital is represented by the net assets attributable to Unitholders. The amount of net assets attributable to unitholders can change significantly on a daily basis as the Fund is subject to daily applications and withdrawals which are at the discretion of Unitholders.

If a redemption request or a series of redemption requests in respect of the Fund are received within a period of 60 business days that in total comprise more than 10% of the number of units on issue in the Balanced Portfolio, and the Manager determines it is in the interest of the Fund's Unitholders to defer immediate redemption of the total Units requested, the Manager will determine a basis for redemption that it considers to be in the general interests of all the Fund's Unitholders.

Unitholders are entitled to elect to receive a Lifetime Withdrawal Benefit. Unitholders protected income base will be used to calculate the Lifetime Withdrawal Benefit as determined by an actuary and as disclosed in the offering documentation.

In accordance with the Trust Deed, if all units have been redeemed, the Lifetime Withdrawal Benefit will be paid from monies received under the insurance policy held by the Supervisor with Lifetime Income Limited.

The Manager may suspend redemptions where the Manager, in good faith, forms the opinion that it is not practicable, or would be materially prejudicial to the interests of Unitholders of the Fund for the Supervisor to realise assets or borrow in order to permit redemption of units.

The Fund does not have any externally imposed capital requirements. Units may be redeemed on any business day subject to the receipt of the redemption request.

The redemption price of the Fund at 31 December 2016 differs from the total net assets of the Fund divided by the units in the Statements of Financial Position. The difference reflects amounts included in the financial statements to comply with IFRS which do not form part of the daily unit price. These include recognition of redemption price on underlying assets, re-classification of cash outstanding for contributions received at balance date and accrued establishment costs, audit fees, administration and supervisor fees paid by the Manager. In accordance with the Fund documents, the Manager will reclaim these accrued costs from the Fund at which stage they will be included in the daily unit price.

Neither the Supervisor, the Manager, or any other party guarantee the units offered by the Fund, the performance or returns of the Fund or the repayment of capital.

Notes to the Financial Statements

5.3 Fair value estimation

All financial assets and financial liabilities included in the Balance Sheets, are carried at amounts that represent or approximate fair value. The fair value of financial assets traded in active markets are based on quoted market prices at the close of trading on the period end date. The quoted market price used for financial assets held by the Fund is the last traded price. The price used for unlisted unit trusts is the published withdrawal price.

A financial instrument is regarded as quoted in an active market 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.

NZ IFRS 13 requires the Fund to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

The fair value hierarchy has the following levels:

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

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement.

The determination of what constitutes 'observable' requires significant judgement by the Manager. The Manager considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable and provided by independent sources that are actively involved in the relevant market.

Notes to the Financial Statements

The following table analyses within the fair value hierarchy the Fund's financial assets and financial liabilities (by class) measured at fair value at the period end:

\$ As at 31 December	Balanced Portfolio 2016	Cash Portfolio 2016	Total Lifetime Income Fund 2016
Level 1 Assets			
Listed equities	658,779	-	658,779
Foreign exchange futures	178,818	-	178,818
Level 2 Assets			
Unlisted trusts	6,096,653	252,806	6,349,459
Total financial assets	6,934,250	252,806	7,187,056

\$ As at 31 December	Balanced Portfolio 2016	Cash Portfolio 2016	Total Lifetime Income Fund 2016
Level 1 Liabilities			
Foreign exchange futures	160,964	-	160,964
Total financial liabilities	160,964	-	160,964

The fair value of listed equities and foreign exchange futures is determined using quoted market prices in an active market. This measurement basis falls within Level 1 of the fair value hierarchy.

The fair value of unlisted trusts is determined using the redemption price, based on the valuation of its underlying investments, as supplied by the Manager on a daily basis. This measurement basis falls within Level 2 of the fair value hierarchy as all significant inputs used to calculate the fair value are based on observable market data.

There were no Level 3 financial instruments at balance date.

Notes to the Financial Statements

6. Financial assets at fair value through profit or loss

\$	Balanced Portfolio	Cash Portfolio	Total Lifetime Income Fund
As at 31 December	2016	2016	2016
Financial assets held for trading			
Foreign exchange futures	178,818	-	178,818
Total financial assets held for trading	<u>178,818</u>	<u>-</u>	<u>178,818</u>
Designated at fair value through profit or loss at inception			
Listed equities	658,779	-	658,779
Unlisted funds/trusts	6,096,653	252,806	6,349,459
Total designated at fair value through profit or loss at inception	<u>6,755,432</u>	<u>252,806</u>	<u>7,008,238</u>
Total financial assets at fair value through profit or loss	<u>6,934,250</u>	<u>252,806</u>	<u>7,187,056</u>

7. Financial liabilities at fair value through profit or loss

\$	Balanced Portfolio	Cash Portfolio	Total Lifetime Income Fund
As at 31 December	2016	2016	2016
Financial liabilities held for trading			
Foreign exchange futures	160,964	-	160,964
Total financial liabilities held for trading	<u>160,964</u>	<u>-</u>	<u>160,964</u>
Total financial liabilities at fair value through profit or loss	<u>160,964</u>	<u>-</u>	<u>160,964</u>

Notes to the Financial Statements

8. Net gains(losses) on financial assets and financial liabilities at fair value through profit or loss

\$ As at 31 December	Balanced Portfolio 2016	Cash Portfolio 2016	Total Lifetime Income Fund 2016
Net (losses)/gains on financial assets and liabilities designated at fair value through profit or loss	(92,483)	2,816	(89,667)
Net gains/(losses) on financial assets and liabilities held for trading	55,857	-	55,857
Total net (losses)/gains on financial assets and liabilities at fair value through profit or loss	(36,626)	2,816	(33,810)

9. Financial instruments by category

\$ As at 31 December	Balanced Portfolio 2016	Cash Portfolio 2016	Total Lifetime Income Fund 2016
Assets at fair value through profit or loss			
Financial assets held at fair value through profit or loss	6,934,250	252,806	7,187,056
Total assets at fair value through the profit or loss	6,934,250	252,806	7,187,056
Loans and receivables			
Cash and cash equivalents	500,757	20,649	521,406
Margin accounts	314,087	-	314,087
Due from brokers	213,280	17,595	230,875
Dividends receivable	314	-	314
Accrued Interest	477	1	478
Management fee rebates receivable	806	-	806
Total loans and receivables	1,029,721	38,245	1,067,966
Total financial assets	7,963,971	291,051	8,255,022

Notes to the Financial Statements

\$ As at 31 December	Balanced Portfolio 2016	Cash Portfolio 2016	Total Lifetime Income Fund 2016
Liabilities at fair value through profit or loss			
Financial liabilities at fair value through profit or loss	160,964	-	160,964
Total liabilities at fair value through the profit or loss	160,964	-	160,964
Financial liabilities at amortised cost			
Due to brokers	25,203	-	25,203
Supervisor fees payable	17,439	691	18,130
Management fees payable	2,582	121	2,703
Administration fees payable	45,460	1,772	47,232
Related party loan	798,041	31,167	829,208
Other payables	11,621	454	12,075
Total financial liabilities at amortised cost	900,346	34,205	934,551
Total financial liabilities	1,061,310	34,205	1,095,515

10. Related parties

10.1 Key management and key management personnel

Lifetime Asset Management Limited is the Manager of the Lifetime Income Fund. The Manager is paid an annual management fee of 0.7% of the gross asset value of the Fund (across both Portfolios). From this fee, the Manager pays the fees of Milliman and other investment specialists. Management fees are calculated on the daily gross asset values of the Fund and paid monthly. Management fees are shown in the Statements of Comprehensive Income under "Management fees". Management fees payable are shown in the Balance Sheets.

The Fund has an interest free related party loan from Lifetime Asset Management in relation to establishment costs paid by the Manager on behalf of the Fund. Establishment costs will be recovered from the Fund monthly in arrears over an estimated 10 year period, commencing April 2017.

The loan is interest free and has accordingly been discounted to reflect fair value at inception date. The loan is subsequently measured at amortised cost. The discount amount processed will be released as a financing charge to the Statements of Comprehensive Income over the next 10 year period.

Notes to the Financial Statements

\$ As at 31 December	Balanced Portfolio 2016	Cash Portfolio 2016	Total Lifetime Income Fund 2016
Related party loan			
Establishment costs paid by the Manager	934,593	36,500	971,093
Discounted interest	(136,552)	(5,333)	(141,885)
Total	<u>798,041</u>	<u>31,167</u>	<u>829,208</u>
Current portion	79,804	3,117	82,921
Non current portion	<u>718,237</u>	<u>28,050</u>	<u>746,287</u>
Total liabilities at fair value through the profit or loss	<u>798,041</u>	<u>31,167</u>	<u>829,208</u>

Public Trust is as the Supervisor and Custodian of the Fund paid an annual fee of 0.08% per annum of the aggregate gross asset value of the Fund (across both Portfolios), subject to a \$25,000 annual minimum and is calculated on the daily gross asset values of the Fund and paid monthly. Custody fees are included in the monthly fee paid to the Supervisor. In addition to its monthly fee, the Supervisor is entitled to charge a special fee to the Fund as may be agreed with the Manager on a time, costs and disbursements basis. Fees paid to the Supervisor are included under "Supervisor Fees" in the Statements of Comprehensive Income. Supervisor fees payable are shown in the Balance Sheets.

Management fee rebates received by the Fund as disclosed in the Statements of Comprehensive Income are from non-related investment managers of underlying funds into which the Fund invests. Management fee rebates receivable are shown in the Balance Sheets.

Lifetime Income Limited provides Unitholders insurance cover for the Lifetime Withdrawal Benefit. The Fund pays insurance premiums on behalf of investors, to Lifetime Income Limited, based on 1.35% per annum of the protected income base (as set out in the offering documents) for each investor. These premiums are calculated daily and paid monthly from the Cash Portfolio as disclosed in the Statements of Changes in Net Assets Attributable to Unitholders.

10.2 Directors interests

\$ For the period ended 31 December	Balanced Portfolio 2016	Cash Portfolio 2016	Total Lifetime Income Fund 2016
Holdings in the Fund for Directors of the Manager, key management personnel of the Manager and their close relatives.	192,696	3,195	195,891

Notes to the Financial Statements

10.3 Fees paid by the Manager

The Fund accrues supervisor fees and administration fees based on the relevant percentage of daily gross asset values. The Portfolios are subject to annual minimum amounts in respect of each of these fees. The balance of amounts to reach the annual minimum fees were paid by the Manager. The amounts included in the Statements of Comprehensive Income in "Supervisor fees" and in the Statements of Financial Position under "Supervisor fees payable" and "Administration fees payable" reflect the total fees charged during the period. The amounts owed to the Manager in respect of these fees at 31 December 2016 are set out in the table below.

\$	Balanced Portfolio	Cash Portfolio	Total Lifetime Income Fund
For the period ended 31 December	2016	2016	2016
Supervisor fees	15,317	598	15,915
Administration fees	44,384	1,733	46,117

11. Interest income/(expense)

\$	Balanced Portfolio	Cash Portfolio	Total Lifetime Income Fund
For the period ended 31 December	2016	2016	2016
Interest income was earned from the following:			
Margin accounts and cash and cash equivalents	3,806	109	3,915
Discounted establishment costs	136,552	5,333	141,885
	140,358	5,442	145,800

Notes to the Financial Statements

12. Reconciliation of operating (loss)/profit to net cash outflow from operating activities

\$	Balanced Portfolio	Cash Portfolio	Total Lifetime Income Fund
For the period ended 31 December	2016	2016	2016
Net profit/(loss) after tax attributable to unit holders	(841,676)	(31,998)	(873,674)
<i>Adjustments for non-cash items</i>			
Net unrealised changes in the fair value of financial assets & liabilities	74,637	(2,316)	72,321
Net foreign currency gains or losses on cash and cash equivalents	7,448	-	7,448
	82,085	(2,316)	79,769
Movements in working capital items			
(Increase)/decrease in trade and other receivables	(315,684)	(1)	(315,685)
Increase/(decrease) in trade and other payables	77,102	3,038	80,140
(Increase)/decrease in net cost of investments	(7,036,000)	(268,085)	(7,304,085)
Movement in related party loan	798,041	31,167	829,208
	(6,476,541)	(233,881)	(6,710,422)
Net cash (outflow)/inflow from operating activities	(7,236,132)	(268,195)	(7,504,327)

13. Assets and liabilities not carried at fair value but for which fair value is disclosed

All financial assets and liabilities not measured at fair value through profit or loss are carried at amortised cost and their carrying values are a reasonable approximation of fair value.

Cash and cash equivalents referred to in Note 9 include cash on hand and deposits held with banks.

Outstanding settlements represent the contractual amount due to/by the Fund for settlement of trades.

Notes to the Financial Statements

14. Commitments and contingent liabilities

There are no material commitments or contingencies as at 31 December 2016 .

15. Events occurring after the balance sheet date

No significant events have occurred since balance date which would impact on the financial position of the Fund disclosed in the Balance Sheet as at 31 December 2016 or on the results and cash flows of the Fund for the period ended on that date.



Independent auditor's report

To the unit holders of Lifetime Income Fund

Our opinion

In our opinion the financial statements of Lifetime Income Fund (the Fund), present fairly, in all material respects, the financial position of the Fund as at 31 December 2016, its financial performance and its cash flows for the period from 20 November 2015 (date of establishment) to 31 December 2016 in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

What we have audited

Lifetime Income Fund's consists of two portfolios, the Lifetime Income Fund Balanced Portfolio ("Balanced Portfolio") and the Lifetime Income Fund Cash Portfolio ("Cash Portfolio"). The financial statements of the Fund comprise:

- the statement of comprehensive income for the period then ended;
- the statement of changes in net assets attributable to unit holders for the period then ended;
- the statement of financial position as at 31 December 2016;
- the statement of cash flows for the period then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

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 Fund 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 we have no relationship with, or interests in, the Fund.



Information other than the financial statements and auditor's report

Lifetime Asset Management Limited is the Manager of the Fund. The directors of the Manager 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 of the Manager for the financial statements

The Directors of the Manager are responsible, on behalf of the Fund, 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 of the Manager are responsible for assessing the Fund'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 of the Manager either intend to liquidate the Fund 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://xrb.govt.nz/Site/Auditing_Assurance_Standards/Current_Standards/Page6.aspx

This description forms part of our auditor's report.



Who we report to

This report is made solely to the Fund's unit holders, 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 Fund and the Fund's unit holders, as a body, for our audit work, for this report or for the opinions we have formed.

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

For and on behalf of

PricewaterhouseCoopers

Chartered Accountants
28 April 2017

Wellington