



Lifestages Investment Funds

Financial Statements
for the year ended **31 March 2017**

Lifestages Investment Funds



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Lifestages Investment Funds



Directory

For the year ended 31 March 2017

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Lifestages Investment Funds



Statement of Comprehensive Income

for the year ended 31 March 2017

	Corporate Bond Portfolio		World Equity Portfolio		Australasian Equity Portfolio		World Bond Portfolio	
	2017	2016	2017	2016	2017	2016	2017	2016
	12 Months	12 Months	12 Months	12 Months	12 Months	12 Months	12 Months	12 Months
Notes	\$	\$	\$	\$	\$	\$	\$	\$
Income								
Interest Income	21,394	41,631	47,069	92,001	26,569	57,896	44,214	75,976
Dividend Income	760,018	789,069	3,638,427	1,983,570	1,225,804	588,762	681,095	662,882
Net Change in Fair Value of Financial Assets	(147,176)	414,436	5,230,538	(1,298,863)	2,520,946	2,584,375	1,409,166	702,506
Other	66,581	61,154	-	-	37,744	23,839	13,833	11,945
Net Investment Income	700,817	1,306,290	8,916,034	776,708	3,811,063	3,254,872	2,148,308	1,453,309
Expenses								
Supervisor Fees	16,885	16,280	41,674	36,339	27,740	22,611	29,894	25,446
Management Fees	211,125	196,776	755,709	667,179	504,923	415,185	373,785	317,674
Management Performance Fees	8,293	29,422	-	145,652	104,382	12,857	81,349	-
Administration Costs	76,480	19,967	198,313	176,348	132,071	118,774	135,685	115,706
Audit Fees	11 6,185	7,114	6,185	7,114	6,185	7,114	6,185	7,114
Operating Expenses	318,968	269,559	1,001,881	1,032,632	775,301	576,541	626,898	465,940
Net Income/(Loss)	381,849	1,036,731	7,914,153	(255,924)	3,035,762	2,678,331	1,521,410	987,369
Increase/(Decrease) in Net Assets Attributable to Unit Holders	381,849	1,036,731	7,914,153	(255,924)	3,035,762	2,678,331	1,521,410	987,369

The Statement of Accounting Policies and Notes to the Financial Statements form an integral part of these Financial Statements.

Lifestages Investment Funds

Statement of Changes in Net Assets Attributable to Unit Holders

for the year ended 31 March 2017



	Corporate Bond Portfolio		World Equity Portfolio		Australasian Equity Portfolio		World Bond Portfolio	
	2017	2016	2017	2016	2017	2016	2017	2016
	12 Months	12 Months	12 Months	12 Months	12 Months	12 Months	12 Months	12 Months
Note	\$	\$	\$	\$	\$	\$	\$	\$
Balance at the Start of the Year	23,377,594	21,336,161	55,948,306	46,513,841	38,361,944	28,201,728	40,797,151	32,580,760
Increase/ (Decrease) in Net Assets Attributable to Unit Holders	381,849	1,036,731	7,914,153	(255,924)	3,035,762	2,678,331	1,521,410	987,369
Contributions from Unit Holders	13,555,427	6,111,746	3,875,335	12,301,720	2,689,294	9,929,064	9,905,445	8,959,140
Withdrawals by Unit Holders	(5,716,642)	(5,017,023)	(3,185,732)	(2,605,488)	(2,606,926)	(2,447,170)	(3,321,181)	(1,729,760)
PIE Tax attributed to Unit Holders	8 (33,216)	(90,021)	(5,624)	(5,843)	863	(9)	(1,376)	(358)
Balance at the End of the Year	31,565,012	23,377,594	64,546,438	55,948,306	41,480,937	38,361,944	48,901,449	40,797,151

	2017	2016	2017	2016	2017	2016	2017	2016
	Number of	Number of	Number of	Number of	Number of	Number of	Number of	Number of
	Units	Units	Units	Units	Units	Units	Units	Units
Units on Issue at the Start of the Year	19,036,603	18,186,731	30,289,827	25,163,086	19,331,018	15,253,086	30,417,175	24,860,198
Issue of Units for the Year	10,918,718	5,093,442	2,040,659	6,513,618	1,323,291	5,374,841	7,195,051	6,880,860
Redemptions for the Year	(4,639,887)	(4,243,570)	(1,655,116)	(1,386,877)	(1,283,857)	(1,296,909)	(2,421,349)	(1,323,883)
Distributions	-	-	-	-	-	-	-	-
Units on Issue at the End of the Year	25,315,434	19,036,603	30,675,370	30,289,827	19,370,452	19,331,018	35,190,877	30,417,175

The Statement of Accounting Policies and Notes to the Financial Statements form an integral part of these Financial Statements.

Lifestages Investment Funds



Statement of Financial Position

as at 31 March 2017

	Notes	Corporate Bond Portfolio		World Equity Portfolio		Australasian Equity Portfolio		World Bond Portfolio	
		2017	2016	2017	2016	2017	2016	2017	2016
		\$	\$	\$	\$	\$	\$	\$	\$
Assets									
Cash		1,343,088	1,297,299	1,918,410	4,163,357	966,090	1,633,397	2,513,065	2,785,729
Financial Assets held at Fair Value through profit or loss		30,296,812	22,220,718	62,750,094	51,898,880	40,588,068	36,814,609	46,455,682	38,075,903
Unit Holder Attributed PIE Tax Receivable	8	-	-	-	-	794	4	-	-
Total Assets		31,639,900	23,518,017	64,668,504	56,062,237	41,554,952	38,448,010	48,968,747	40,861,632
Less Liabilities									
Accounts Payable	7	44,742	55,046	117,508	108,447	74,015	86,066	65,936	64,095
Unit Holder Attributed PIE Tax Payable	8	30,146	85,377	4,558	5,484	-	-	1,362	386
Total Liabilities (excluding Net Assets attributable to Unit Holders)		74,888	140,423	122,066	113,931	74,015	86,066	67,298	64,481
Net Assets attributable to Unit Holders		31,565,012	23,377,594	64,546,438	55,948,306	41,480,937	38,361,944	48,901,449	40,797,151

The Statement of Accounting Policies and Notes to the Financial Statements form an integral part of these Financial Statements.


Director


Director

8 June 2017
Date

Statement of Cash Flows
for the year ended 31 March 2017

Lifestages Investment Funds



	Corporate Bond Portfolio		World Equity Portfolio		Australasian Equity Portfolio		World Bond Portfolio	
	2017	2016	2017	2016	2017	2016	2017	2016
Notes	\$	\$	\$	\$	\$	\$	\$	\$
Cash Flows from Operating Activities								
Interest Income	21,394	41,631	47,069	92,001	26,569	57,896	44,214	75,976
Dividend Income	760,018	789,069	3,638,427	1,983,570	1,225,804	588,762	681,095	662,882
Other Income	66,581	61,154	-	-	37,744	23,839	13,833	11,945
Proceeds from Sale of Investment Assets	1,800,354	-	70,753,397	11,343	1,207,069	7,210,192	10,968,034	-
Purchase of Investment Assets	(10,023,624)	(1,600,223)	(76,374,073)	(9,068,160)	(2,459,582)	(14,635,128)	(17,938,646)	(6,874,825)
Operating Expenses Paid	(329,272)	(263,525)	(992,820)	(1,181,955)	(787,352)	(565,703)	(625,057)	(516,427)
Net Cash Flow used in Operating Activities	9	(7,704,549)	(971,894)	(2,928,000)	(749,748)	(7,320,142)	(6,856,527)	(6,640,449)
Cash Flows from Financing Activities								
Proceeds from contributions by Unit Holders	13,555,427	6,111,746	3,875,335	12,301,720	2,689,294	9,929,064	9,905,445	8,959,140
Payments for withdrawals by Unit Holders	(5,805,089)	(5,150,768)	(3,192,282)	(2,610,539)	(2,606,853)	(2,446,163)	(3,321,582)	(1,735,173)
Net Cash from Financing Activities	7,750,338	960,978	683,053	9,691,181	82,441	7,482,901	6,583,863	7,223,967
Net Increase / (Decrease) in Cash	45,789	(10,916)	(2,244,947)	1,527,980	(667,307)	162,759	(272,664)	583,518
Cash at the Beginning of the Financial Year	1,297,299	1,308,215	4,163,357	2,635,377	1,633,397	1,470,638	2,785,729	2,202,211
Cash at the End of the Financial Year	1,343,088	1,297,299	1,918,410	4,163,357	966,090	1,633,397	2,513,065	2,785,729

The Statement of Accounting Policies and Notes to the Financial Statements form an integral part of these Financial Statements.

Notes to the financial statements

for the year ended 31 March 2017

1. REPORTING ENTITIES

The Lifestages Portfolio (the "Funds") are the reporting entities comprising the following individual portfolios:

- > Lifestages Corporate Bond Portfolio [formerly Mortgage Distributing Portfolio] (established 24 June 2002)
- > Lifestages World Equity Portfolio (established 1 July 2003)
- > Lifestages Australasian Equity Portfolio (established 1 October 2004)
- > Lifestages World Bond Portfolio (established 1 March 2011)

The Funds are a range of Unit Trusts established under the Unit Trusts Act 1960. The Funds are regulated by the Financial Markets Authority (FMA) and therefore are governed by the Financial Markets Conduct Act 2013 ("FMC Act 2013"). The Funds transitioned into the FMC Act 2013 regime on 16 November 2016.

On 1 October 2007, the Funds were registered as Portfolio Investment Entities under the Income Tax Act 2007 except for the World Bond Portfolio which was registered on 1 March 2011.

The purpose of the Funds is to provide access for retail and wholesale investors to specific investment markets and products. The Funds each have their own objectives markets and products. The Funds each have their own objectives as set out in the Statement of Investment Policy and Objectives (SIPO). The Manager sets the investment policy and investment guidelines for each Fund and obtains the Trustee's approval to any material change to the guidelines.

The Manager of the Funds is Funds Administration New Zealand Limited, a subsidiary of Southland Building Society.

The Trustee is Trustees Executors Limited (the Trustee).

Separate Funds

The Trust Deed provides that each Fund is a separate and distinct Fund with its separate property and liabilities governed by the terms and conditions of the Trust Deed. All investments made with the funds of a Fund shall be held exclusively for the benefit of the Unit Holders of that Fund and no Unit Holder in one Fund shall have any claim on any other Fund.

All Fund applications are subject to the discretion of the Manager as to acceptance or not.

Subject to compliance with the Financial Markets Conduct Act 2013, the Manager may at any time specify a minimum initial contribution amount and a minimum additional contribution amount.

The Manager may increase or reduce those amounts from time to time. Whenever a contribution is made, the investor directs the Manager into which investment portfolio the contribution is to be invested.

These Financial Statements were authorised for issue by the Directors on 8 June 2017.

2. STATUTORY BASE

These financial statements have been prepared in accordance with the Trust Deed and the FMC Act 2013.

Notes to the financial statements

for the year ended 31 March 2017

3 BASIS OF PREPARATION

The Financial Statements have been prepared in compliance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). They comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS") as appropriate for profit-oriented entities. The Financial Statements also comply with International Financial Reporting Standards ("IFRS").

The financial statements have been prepared on the historical cost basis, as modified by the revaluation of financial assets at fair value through profit or loss. The methods used to measure fair values are disclosed further below. The accrual basis of accounting has been applied, as has the going concern assumption.

The Funds have not adopted any new or revised standards in preparing the financial statements for the year ended 31 March 2017.

The following new or amended standards relevant to the Funds are not yet effective and have not yet been applied in preparing the financial statements:

NZ IFRS 9: Financial Instruments is applicable to annual reporting periods beginning on or after 1 January 2018. The Funds plan to adopt this standard for the financial year ending 31 March 2019. This standard will replace the existing standard *NZ IAS 39: Financial Instruments Recognition and Measurement*, the requirements regarding the classification and measurement of financial liabilities have been retained, as well as the requirements for determining when the financial liabilities are derecognised. Under the new standard, changes in fair value of financial liabilities at fair value through profit or loss due to changes in credit risk will be recognised directly in the Statement of Comprehensive Income. The standard also establishes two primary measurement categories for financial assets: amortised cost and fair value, with classification depending on an entity's business model and the contractual cash flow characteristics of the financial asset. The adoption of this standard may result in additional or amended disclosures and is not expected to have an effect on the Funds' reported result or financial position.

NZ IFRS 15: Revenue from contracts with customers is effective for the periods beginning on or after 1 January 2018. The Funds will adopt this amendment for the year ending 31 March 2019. This standard addresses recognition to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. The adoption of this amended standard may result in additional or amended disclosures and its impact on the Funds' reported result or financial position has not yet been assessed.

There are no other standards, amendments or interpretations that have been issued but are not yet effective that are expected to impact the Funds' financial statements.

4 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

a) Functional and Presentation Currency

The Financial Statements are presented in New Zealand dollars, which is the Funds functional currency. All financial information presented in New Zealand dollars has been rounded to the nearest dollar.

b) Use of Judgements and Estimates

The preparation of these Financial Statements in conformity with NZ IFRS requires management to make judgements, estimates and assumptions that effect the application of policies and the reported amounts of assets and liabilities, income and expense.

Notes to the financial statements

for the year ended 31 March 2017

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from from these estimates. These accounting policies have been consistently applied.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Management has concluded that judgements made in the application of New Zealand Accounting Standards did not have a significant effect on the financial report.

c) Foreign Currency

Transactions in foreign currencies are translated at the foreign currency exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to New Zealand dollars at the foreign currency closing exchange rate ruling at the balance sheet date. Foreign currency exchange differences relating to investments at fair value through profit or loss are included in gains or losses on investments.

d) Income

- i) Dividend income is recorded as income at the date the shares become ex-dividend.
- ii) Interest income is accounted for on an accrual basis using the effective interest method.
- iii) Any unrealised gains or losses arising from the revaluation of investments or conversion to New Zealand Dollars at balance date and realised gains and losses on the sale of investments during the year are recognised in profit or loss.

e) Expense Recognition

All expenses, including management fees and trustee fees, are recognised in profit or loss on an accrual basis.

f) Taxation

As at October 2007 the Funds (excluding the World Bond Portfolio) converted to Portfolio Investment Entities (PIE) under the Income Tax Act 2007.

The World Bond Portfolio was created as a PIE on 1 March 2011. All Funds' taxable income under the PIE structure from 1 October 2007 is distributed to the Unit Holders.

g) GST

The Financial Statements have been prepared on a Goods and Services Tax inclusive basis.

h) Redeemable Units

The Funds comply with the amendments to NZ IAS 32: Financial Instruments Presentation and NZ IAS 1: *Presentation of Financial Statements – Puttable Financial Instruments and Obligation Arising on Liquidation* (effective 1 January 2009), the impact of which is to classify Unit Holders' funds as equity rather than as a liability. Units issued by the Funds provide the Unit Holders with the right to require redemption for cash at the value proportionate to the Unit Holder's share in each Fund's net asset value. The units qualify as 'puttable instruments'.

Notes to the financial statements

for the year ended 31 March 2017

i) Financial Assets

Classification

The Funds have investments categorised as “financial assets at fair value through profit or loss”.

The financial assets at fair value through profit or loss are sub-categorised as “designated at fair value through profit or loss at inception”. Financial assets “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 Funds investment strategy. The Funds Manager evaluates these financial assets on a fair value basis together with other related financial information. These are investments in unlisted unit trusts.

Recognition, Derecognition and Measurement

Investment assets and liabilities are recognised on the date that the Funds become party to the contractual agreement (trade date). Investment assets are derecognised when the contractual rights to the cash flows expire or the Funds have transferred substantially all risks and rewards of ownership. Investment liabilities are derecognised when the Funds have discharged contractual obligations.

Subsequent to initial recognition, all financial assets and financial liabilities held 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 instruments designated at fair value through profit or loss are presented in the Statement of Comprehensive Income within Net Change in Fair Value of Investments in the period in which they arise.

The measurement for specific financial assets is as follows:

i) Unlisted Unit Trusts: These investments are quoted at their redemption price as at reporting date as determined by the Manager of the Trust.

j) Cash

Cash comprises call deposits with banks and building societies. Cash is held for the purpose of meeting short term cash commitments rather than investments or other purposes.

k) Accounts Payable and Trade and Other Receivables

Accounts payable and trade and other receivables include accrued expenses and accrued income, are carried at their amortised cost using the effective interest rate method. Their carrying value closely approximates their fair value.

l) Changes in Accounting Policy

There has been no change in accounting policies during the 12 months to 31 March 2017.

Notes to the financial statements

for the year ended 31 March 2017

Lifestages Investment Funds



5. FINANCIAL ASSETS AND ASSOCIATED RISKS

The Lifestages Portfolios investing activities expose them to various types of risk that are associated with the financial assets and markets in which they invest. The most important types of financial risk to which the Funds are exposed are credit risk, market price risk, liquidity risk, foreign exchange risk and interest rate risk.

Asset allocation is determined by the Funds' Investment Manager who manages the investment of assets to achieve the investment objectives. Divergence from target asset allocations and the composition of the portfolio is monitored by the Funds' Investment Manager.

The nature and extent of the financial assets outstanding at the balance sheet date and the risk management policies employed by the Funds are discussed below.

a) Credit Risk

The Funds are exposed to credit-related losses in the event that a counter-party fails to perform contractual obligations, either in whole or in part, under a contract. Concentration of credit risk is minimised by the parameters set out in each Funds' Investment Guidelines agreed between the Manager and the Trustee.

The carrying amounts of financial assets best represent the maximum credit risk exposure at the balance date. The Manager of the Funds does not expect any counter-parties to fail to meet their obligations as any financial assets used are traded on recognised exchanges or with high credit rated counter-parties.

Other than as disclosed in Note 6, there was no significant concentration of credit risk to counter-parties (including related parties) at 31 March 2017 or 31 March 2016.

b) Market Price Risk

Market price risk is the risk that the value of the Funds investment portfolio will fluctuate as a result of changes in market prices.

Each Fund aims to manage its risk by ensuring that all activities are transacted in accordance with their individual mandates, overall investment strategy and within approved limits. Market price risk analysis is conducted regularly on a total portfolio basis which includes the effect of derivatives.

The Lifestages World Equity Portfolio, Lifestages Australasian Equity Portfolio, Lifestages World Bond Portfolio and the Lifestages Corporate Bond Portfolio Investments are subject to price risk.

The benchmark movement for Lifestages World Equity Portfolio and Lifestages Australasian Equity Portfolio investments ranges from 10-20% (2016: 10-20%).

The benchmark movement for the Lifestages Corporate Bond Portfolio and Lifestages World Bond Portfolio investments ranges from 1-3% (2016: 1-3%).

Notes to the financial statements

for the year ended 31 March 2017

Lifestages Investment Funds



The impact on Net Income for the four Funds is shown in the table below.

Market Price Risk		2017		2016	
	Movement	10%	20%	10%	20%
		\$	\$	\$	\$
World Equity Portfolio		6,275,009	12,550,019	5,189,888	10,379,776
Australasian Equity Portfolio		4,058,807	8,117,614	3,681,461	7,362,922
	Movement	1%	3%	1%	3%
		\$	\$	\$	\$
World Bond Portfolio		464,557	1,393,670	380,759	1,142,277
Corporate Bond Portfolio		302,968	908,904	222,207	666,622

c) Liquidity and Cash Flow Risk

Liquidity risk is the risk that the Funds will experience difficulty in either realising assets or otherwise raising sufficient funds to satisfy commitments associated with financial assets. Cash Flow risk is the risk that the future cash flows derived from holding financial assets will fluctuate.

The risk management guidelines adopted are designed to minimise liquidity and cash flow risk through:

- > ensuring there is no significant exposure to illiquid or thinly traded financial assets; and
- > applying limits to ensure there is no concentration of liquidity risk to a particular counter-party or market.

Investments in other unit trusts have no maturity dates and can be redeemed at any time. However, these assets are regarded as long-term investments in line with the Funds objectives.

Payables have no contractual maturities but are typically settled within 30 days. Receivables outstanding at balance date are due to be settled within one year.

d) Foreign Exchange Risk

The investment activities of the Funds expose them to currency risk, which is the possibility of losing money owing to changes in foreign currency exchange rates. The currency risk is managed in accordance with the investment guidelines set out for each of the Funds.

Foreign currency exposure is accounted for by marking to market in a manner consistent with the valuation of the underlying securities. Certain Funds are exposed to direct foreign exchange risk resulting from investments in Australian Dollar denominated unlisted unit trusts, and the effect of a reasonable possible movement in the foreign currency rate against the New Zealand dollar is outlined as follows:

Notes to the financial statements
for the year ended 31 March 2017

Lifestages Investment Funds



Lifestages World Equity Portfolio		
	AUD	NZD
As at 31 March 2017		
Unit Trusts - International Equities	24,887,601	27,223,355
As at 31 March 2016		
Unit Trusts - International Equities	27,233,911	30,169,397

The benchmark movement for the cross rate is 5%. The impact on Net Income of a 5% movement on the World Equity Portfolio would be as follows:

NZD vs AUD Net Income Effect		
	2017	2016
5% Appreciation	(1,296,328)	(1,436,643)
5% Depreciation	1,432,814	1,587,852

Lifestages Australasian Equity Portfolio		
	AUD	NZD
As at 31 March 2017		
Unit Trusts - Australasian Equities	11,817,839	12,926,975
As at 31 March 2016		
Unit Trusts - Australasian Equities	9,845,239	10,906,433

The benchmark movement for the cross rate is 5%. The impact on Net Income of a 5% movement on the Australasian Equity Portfolio would be as follows:

NZD vs AUD Net Income Effect		
	2017	2016
5% Appreciation	(615,573)	(519,350)
5% Depreciation	680,367	574,022

e) Interest Rate Risk

Interest Rate Risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Interest Rate Risks associated with fixed interest, short term deposits and cash are regularly monitored as part of the reporting process.

The Interest Rate Risk disclosures have been prepared on the basis of the Funds' direct investment in cash and deposits and not on a look-through basis for investments held indirectly through the Lifestages Corporate Bond and Lifestages World Bond Portfolios. Consequently, the disclosure of interest rate risk in the following note may not represent the true interest rate risk profile of the Fund where the Fund has investments in unit trusts which also have exposure to interest-bearing investments.

Notes to the financial statements

for the year ended 31 March 2017

Lifestages Investment Funds



The benchmark movement for interest rates is 1%. A change of interest rates of 1% would result in the change to net income as noted below:

Net Income Effect Change	2017	2016
	\$	\$
Corporate Bond Portfolio	13,431	12,973
World Equity Portfolio	19,184	41,634
Australasian Equity Portfolio	9,661	16,334
World Bond Portfolio	25,131	27,857

f) Fair value

The Funds 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:

- > 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 the asset or liability that are not based on observable market data (unobservable inputs).

The Financial Assets of the Funds designated at fair value through profit or loss are classified as being Level 2 as they are measured using directly observable prices at the balance date.

g) Capital Management

The Net Assets Attributable to Unit Holders in each Fund represent what the Funds manage as capital (as redeemable units with no par value), notwithstanding Net Assets Attributable to Unit Holders classified as a liability.

The amount of Net Assets Attributable to Unit Holders can change significantly on a weekly basis as the Funds are subject to weekly contributions and withdrawals which are at the discretion of Unit Holders. The expected cash outflow on redemption of units may differ significantly from previous periods. The Funds' policy in managing their obligation to meet redemption requests is to hold sufficient liquidity to cover reasonably anticipated redemptions. The Funds' objectives when managing capital is to invest Unit Holders' funds in accordance with the Funds' investment objectives.

Notes to the financial statements

for the year ended 31 March 2017

Lifestages Investment Funds



6. RELATED PARTIES

a) Manager and Trustee

Management Fees, Management Performance Fees and operating costs in accordance with the Trust Deed have been paid by the Funds to the Manager.

The Manager is entitled to be paid out of the Funds a fee equal to 1.25% p.a. for the Lifestages Australasian Equity and World Equity Portfolios, 0.85% p.a. for the Lifestages Corporate Bond and World Bond Portfolios, calculated weekly on the Net Asset Value of the Funds.

The Manager is also entitled to be paid a performance fee on the funds where the returns to members exceed the Fund's benchmark ("Benchmark return"). The Benchmark return is measured by the percentage change in the NZ Official Cash Rate (OCR) plus 1% for the Corporate Bond World Bond Portfolios and 5% for the Australasian and World Equity Portfolios. A high-water mark applies to ensure the Manager is only rewarded for investment performance once. Where the high-water mark is higher than the performance period end unit price, no performance fee is payable. Where the high-water mark is lower than the performance period end unit price the fee is 10% of the return in excess of the Benchmark Return.

The performance fee is calculated weekly and paid quarterly. Performance fees ceased to be charged from 1 October 2016.

Trustees Executors Limited, the Supervisor of the Funds, also undertakes Custodial services for the Funds. Trustees Executors Limited is entitled to fees from the each of the Funds as follows:

> Supervisor Fees:

- >> 0.06% per annum on the Fund's Gross Asset Value less than \$100 million
- >> 0.04% per annum on the Fund's Gross Asset Value over \$100 million

> Custody Fees:

- >> 0.03% per annum on the Fund's Gross Asset Value

Notes to the financial statements

for the year ended 31 March 2017

Lifestages Investment Funds



Fees paid and payable to related parties for the year ended 31 March 2017 were as follows:

	Corporate Bond Portfolio		World Equity Portfolio		Australasian Equity Portfolio		World Bond Portfolio	
	2017	2016	2017	2016	2017	2016	2017	2016
	12 Months	12 Months	12 Months	12 Months	12 Months	12 Months	12 Months	12 Months
	\$	\$	\$	\$	\$	\$	\$	\$
Funds Administration New Zealand Limited								
Management fee expense	211,125	196,776	755,709	667,179	504,923	415,185	373,785	317,674
Management fee payable	19,353	17,192	69,173	60,197	44,157	41,630	33,474	29,666
Performance fee expense	8,293	29,422	-	145,652	104,382	12,857	81,349	-
Performance fee payable	-	15,265	-	-	-	12,857	-	-
Trustees Executors Limited								
Supervisor fee expense	16,885	16,280	41,674	36,339	27,740	22,611	29,894	25,446
Supervisor fee payable	1,336	1,352	4,479	3,223	2,532	2,210	2,618	2,349
Custody fee expense	7,341	6,245	18,369	16,186	13,039	10,064	12,997	11,332
Custody fee payable	343	587	1,194	1,401	898	1,021	569	1,061

b) Investments in the funds by related parties

The following Funds Administration New Zealand investment products are invested in the Lifestages Funds:

	Corporate Bond Portfolio		World Equity Portfolio		Australasian Equity Portfolio		World Bond Portfolio	
	2017	2016	2017	2016	2017	2016	2017	2016
Lifestages KiwiSaver Scheme								
Units	-	-	19,450,743	19,080,452	12,677,338	12,555,577	13,857,285	13,493,983
Market Value \$	-	-	40,927,826	35,243,483	27,147,935	24,916,242	19,256,167	18,098,859

All transactions are on a commercial arm's-length basis.

Notes to the financial statements
for the year ended 31 March 2017

Lifestages Investment Funds



	Corporate Bond Portfolio		World Equity Portfolio		Australasian Equity Portfolio		World Bond Portfolio	
	2017 12 Months \$	2016 12 Months \$	2017 12 Months \$	2016 12 Months \$	2017 12 Months \$	2016 12 Months \$	2017 12 Months \$	2016 12 Months \$
7. ACCOUNTS PAYABLE								
Management fees	19,353	17,192	69,173	60,197	44,157	41,630	33,474	29,666
Performance fees	-	15,265	-	-	-	12,857	-	-
Audit fees	5,495	6,769	5,495	6,769	5,495	6,769	5,495	6,769
Other	19,894	15,820	42,840	41,481	24,363	24,810	26,967	27,660
Total Accounts Payable	44,742	55,046	117,508	108,447	74,015	86,066	65,936	64,095
8. PIE TAX ATTRIBUTABLE TO UNIT HOLDERS								
Unit Holder's PIE Tax Payments and Refunds are settled with Inland Revenue via the cancellation or issue of Units in the Funds.								
PIE Tax (Payable)/Receivable on Behalf of Unit Holders at Balance Date	(30,146)	(85,377)	(4,558)	(5,484)	794	4	(1,362)	(386)
PIE Tax (Paid)/Refunded on Behalf of Unit Holders during the Year	(3,070)	(4,644)	(1,066)	(359)	69	(13)	(14)	28
PIE Tax Attributable to Unit Holders for the Year	(33,216)	(90,021)	(5,624)	(5,843)	863	(9)	(1,376)	(358)
9. RECONCILIATION OF NET CASH FROM OPERATING ACTIVITIES TO NET INCOME/(LOSS)								
Net Income/(Loss)	381,849	1,036,731	7,914,153	(255,924)	3,035,762	2,678,331	1,521,410	987,369
Movement in Working Capital Balances:								
(Decrease)/Increase in Accounts Payable	(10,304)	6,034	9,061	(149,323)	(12,051)	10,838	1,841	(50,487)
(Increase)/Decrease in Investment Assets	(8,223,270)	(1,600,223)	(5,620,676)	(9,056,817)	(1,252,513)	(7,424,936)	(6,970,612)	(6,874,825)
Adjustment for Non Cash Items:								
Change in Fair Value of Financial Assets	147,176	(414,436)	(5,230,538)	1,298,863	(2,520,946)	(2,584,375)	(1,409,166)	(702,506)
Net Cash Flow used in Operating Activities	(7,704,549)	(971,894)	(2,928,000)	(8,163,201)	(749,748)	(7,320,142)	(6,856,527)	(6,640,449)

Notes to the financial statements

for the year ended 31 March 2017

Lifestages Investment Funds



10. COMMITMENTS AND CONTINGENT LIABILITIES

Other than as disclosed in the Financial Statements or the Notes, the Funds have no contingent liabilities or future commitments as at 31 March 2017 (31 March 2016: Nil).

11. AUDITORS' REMUNERATION

The audit fees stated in the Statement of Comprehensive Income were paid, or are payable, for services provided by the auditor of the Funds. In addition, prospectus-related and Trustee reporting fees were included in the administration expenses of the Funds.

	Corporate Bond Portfolio		World Equity Portfolio		Australasian Equity Portfolio		World Bond Portfolio	
	2017 12 Months	2016 12 Months	2017 12 Months	2016 12 Months	2017 12 Months	2016 12 Months	2017 12 Months	2016 12 Months
Audit Fees	5,495	6,769	5,495	6,769	5,495	6,769	5,495	6,769
Prospectus related Fees	307	307	307	307	307	307	307	307
Trustee Reporting Fees	383	345	383	345	383	345	383	345
Total Auditors Remuneration	6,185	7,421	6,185	7,421	6,185	7,421	6,185	7,421

12. SUBSEQUENT EVENTS

No material events occurred subsequent to reporting date, that require recognition of, or additional disclosure in these financial statements.



Independent Auditor's Report

To the Unit Holders of FANZ Lifestages Investment Funds Unit Trusts comprising:

- Lifestages Corporate Bond Portfolio
- Lifestages World Equity Portfolio
- Lifestages Australasian Equity Portfolio
- Lifestages World Bond Portfolio

Report on the financial statements

Opinion

In our opinion, the accompanying financial statements of FANZ Lifestages Investment Funds (the Unit Trusts) on pages 2 to 17:

- present fairly in all material respects the Unit Trusts' financial position as at 31 March 2017 and its financial performance and cash flows for the year ended on that date; and
- comply with New Zealand Equivalents to International Financial Reporting Standards.

We have audited the accompanying financial statements which comprise:

- the statement of financial position as at 31 March 2017;
- the statement of comprehensive income, changes in net assets attributable to unit holders and cash flows for the year then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.



Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ("ISAs (NZ)"). 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 Unit Trusts in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners 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 and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the Auditor's Responsibilities for the Audit of the financial statements section of our report.

Other than in our capacity as auditor we have no relationship with, or interests in, the Unit Trusts.



Use of this Independent Auditor's Report

This report is made solely to the Unit Holders as a body. Our audit work has been undertaken so that we might state to the Unit Holders those matters we are required to state to them in the Independent 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 Unit Holders as a body for our audit work, this report, or any of the opinions we have formed.



Responsibilities of the Manager for the financial statements

The Manager, on behalf of the Unit Trusts, are responsible for:

- the preparation and fair presentation of the financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards);
- implementing necessary internal control to enable the preparation of a set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.



Auditor's Responsibilities for the Audit of the financial statements

Our objective is:

- 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 Independent 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 will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They 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 these financial statements is located at the External Reporting Board (XRB) website at:

https://www.xrb.govt.nz/Site/Auditing_Assurance_Standards/Current_Standards/Page8.aspx

This description forms part of our Independent Auditor's Report.

KPMG
Wellington

8 June 2017