



**Lifestages Deposit Portfolio**  
**Financial Statements**  
**for the year ended 31 March 2018**

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# Lifestages Deposit Portfolio



## Directory

For the year ended 31 March 2018

**Fund Manager:** Funds Administration New Zealand Limited

**Registered Office:**

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PO Box 835, Invercargill 9810

**Investor and Advisor Enquiries:**

Lifestages Deposit Portfolio  
PO Box 5520, Wellington 6140  
0800 727 2265  
[contact@lifestages.co.nz](mailto:contact@lifestages.co.nz)

**Directors**

DUSTON, Graham David  
MULVEY, Gregory John  
SKILLING, Michael James William  
DRYLIE, Shaun Rodger  
YOUNG, Derek Richmond

**Supervisor:** Trustees Executors Limited

Level 7, 51 Shortland Street  
Auckland, 1010  
PO Box 4197, Shortland Street  
Auckland, 1140

**Registry:** Trustees Executors Limited

Level 5, Maritime Tower  
10 Customhouse Quay  
PO Box 10519, Wellington

**Auditor:** KPMG

Level 9, Maritime Tower  
10 Customhouse Quay  
Wellington, 6011  
PO Box 996, Wellington 6140

**Solicitors:** Kensington Swan

89 the Terrace  
PO Box 10246, Wellington 6043

## Statement of Comprehensive Income

for the year ended 31 March 2018

	Deposit Portfolio	
	2018	2017
	12 Months	12 Months
	\$	\$
<b>Income</b>		
Interest Income	1,876,074	2,873,763
<b>Net Investment Income</b>	<b>1,876,074</b>	<b>2,873,763</b>
<b>Expenses</b>	<b>34,253</b>	<b>-</b>
Operating Expenses	34,253	-
<b>Net Income before Finance Costs</b>	<b>1,841,821</b>	<b>2,873,763</b>
Distribution on Units Classified as Liabilities	2,181,973	3,942,020
<b>Total Finance Costs</b>	<b>2,181,973</b>	<b>3,942,020</b>
<b>Net Loss</b>	<b>(340,152)</b>	<b>(1,068,257)</b>
<b>Decrease in Net Assets Attributable to Unit Holders</b>	<b>(340,152)</b>	<b>(1,068,257)</b>

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



# Lifestages Deposit Portfolio



## Statement of Changes in Net Assets Attributable to Unit Holders

for the year ended 31 March 2018

	Note	Deposit Portfolio	
		2018 12 Months \$	2017 12 Months \$
Balance at the Start of the Year		78,067,580	97,629,537
Decrease in Net Assets Attributable to Unit Holders		(340,152)	(1,068,257)
Contributions from Unit Holders		11,785,489	119,636,203
Withdrawals by Unit Holders		(89,367,820)	(137,920,660)
PIE Tax attributed to Unit Holders	9	(145,097)	(209,243)
<b>Balance at the End of the Year</b>		<b>-</b>	<b>78,067,580</b>

		2018 Number of Units	2017 Number of Units
Units on Issue at the Start of the Year		77,672,953	96,178,320
Issue of Units for the Year		11,846,955	119,441,633
Redemptions for the Year		(91,701,881)	(141,889,020)
Distributions		2,181,973	3,942,020
<b>Units on Issue at the End of the Year</b>		<b>-</b>	<b>77,672,953</b>

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



# Lifestages Deposit Portfolio



## Statement of Financial Position

as at 31 March 2018

	Notes	Deposit Portfolio	
		2018	2017
		\$	\$
<b>Assets</b>			
Cash		-	10,272,019
Financial Assets held to Maturity		-	67,550,019
Trade and Other Receivables	7	-	332,475
<b>Total Assets</b>		-	<b>78,154,513</b>
<b>Less Liabilities</b>			
Accounts Payable	8	-	10,181
Unit Holder Attributed PIE Tax Payable	9	-	76,752
<b>Total Liabilities</b> (excluding Net Assets attributable to Unit Holders)		-	<b>86,933</b>
<b>Net Assets attributable to Unit Holders</b>		-	<b>78,067,580</b>

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

  
Director

  
Director

17/7/18  
Date



# Lifestages Deposit Portfolio



## Statement of Cash Flows

for the year ended 31 March 2018

	Note	Deposit Portfolio	
		2018 12 Months \$	2017 12 Months \$
<b>Cash Flows from Operating Activities</b>			
Interest Income		2,198,368	3,969,880
Proceeds from Sale of Investment Assets		79,346,884	128,827,149
Purchase of Investment Assets		(11,796,865)	(111,477,162)
Operating Expenses Paid		(34,253)	-
<b>Net Cash Flow from Operating Activities</b>	<b>10</b>	<b>69,714,134</b>	<b>21,319,867</b>
<b>Cash Flows from Financing Activities</b>			
Proceeds from contributions by Unit Holders		11,785,489	119,636,203
Payments for withdrawals by Unit Holders		(89,589,669)	(138,200,572)
Distributions paid to Unit Holders		(2,181,973)	(3,942,020)
<b>Net Cash used in Financing Activities</b>		<b>(79,986,153)</b>	<b>(22,506,389)</b>
<b>Net Decrease in Cash</b>		<b>(10,272,019)</b>	<b>(1,186,522)</b>
<b>Cash at the Beginning of the Financial Year</b>		<b>10,272,019</b>	<b>11,458,541</b>
<b>Cash at the End of the Financial Year</b>		<b>-</b>	<b>10,272,019</b>

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 2018

### 1. REPORTING ENTITIES

The Lifestages Deposit Portfolio (the "Fund") is the reporting entity and was established 1 March 2009. The Manager passed a resolution on 18 December 2017 to wind up the Portfolio on 20 March 2018. The Fund will be deregistered post balance date.

The Fund is a Unit Trust established under the Unit Trusts Act 1960. The Fund is regulated by the Financial Markets Authority (FMA) and is therefore governed by the Financial Markets Conduct Act 2013 from 1 April 2014.

On 1 March 2009, the Fund was registered as Portfolio Investment Entity under the Income Tax Act 2007.

The purpose of the Fund is to provide access for retail and wholesale investors to specific investment markets and products. The Fund objectives are set out in the Statement of Investment Policy and Objectives (SIPO). The Manager sets the investment policy and investment guidelines and obtains the Supervisor'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 Supervisor is Trustees Executors Limited (the Supervisor).

#### Separate Fund

The Trust Deed provides the 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 17 July 2018.

### 2. STATUTORY BASE

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

### 3. BASIS OF PREPARATION

The Financial Statements have been prepared in compliance 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"). On 17 December 2017, the Board of Funds Administration New Zealand Limited passed a resolution to wind-up the Fund effective 20 March 2018 and advised the Trustee ten days prior of its intentions. As the Fund will be deregistered post balance date the going concern assumption is no longer valid and the financial statements for the current reporting period have been prepared on a non-going concern basis. In preparing the Financial Statements on an alternative basis, the Fund has continued to apply the requirements of NZ GAAP taking into account that the Fund will not continue as a going concern and the net assets are valued at their realisable value where applicable.

The Fund has not adopted any new or revised standards in preparing the financial statements for the year ended 31 March 2018.

### 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 Fund's functional currency. All financial information presented in New Zealand dollars has been rounded to the nearest dollar.



## Notes to the financial statements

for the year ended 31 March 2018

### b) Use of Estimates and Judgements

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. 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 carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ 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

The Fund is not directly exposed to foreign currency.

### d) Income

Interest income is accounted for on an accrual basis using the effective interest method.

### e) Expense Recognition

Expenses, including management fees and trustee fees, are paid by the Southland Building Society and are therefore not recognised in profit or loss. This excludes windup costs which have been charged to the Fund and included in the profit or loss.

### f) Taxation

The Fund was created as a Portfolio Investment Entity (PIE) under the Income Tax Act 2007 on 1 March 2009. All Fund taxable income under the PIE structure 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 Fund complies 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 Fund 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'.

The Fund issues multiple classes of units that are redeemable at the Unit Holder's option and do not have identical features and are therefore classified as financial liabilities.

The units can be put back to the Fund at any time for cash based on the redemption price for that class of units.

The value of the redeemable units is measured, based on the return agreed with the Unit Holder at issue of the units and assumes the units will be held until their maturity date.

A break fee and administration charge may be levied by the Manager for a redemption of the units in the Fund prior to the maturity date.

### i) Financial Assets

#### Classification

The Fund has investments categorised as "held to maturity".

Financial assets "held to maturity" are those assets with fixed or determinable payments and a fixed maturity date for which the Fund has the positive intention and ability to hold to maturity. These comprise term investments with banks and building societies.

## Notes to the financial statements

for the year ended 31 March 2018

### Recognition, Derecognition and Measurement

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

Financial assets held to maturity are recorded at amortised cost. Their carrying value closely approximates their fair value.

### 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

Other than the change in the basis of preparation there has been no change in accounting policies during the 12 months to 31 March 2018.

## Notes to the financial statements

for the year ended 31 March 2018

### 5. FINANCIAL ASSETS AND ASSOCIATED RISKS

The Lifestages Deposit Portfolio investing activities expose it to various types of risk that are associated with the financial assets and markets in which it invests. The most important types of financial risk to which the Fund was exposed are credit, risk, liquidity risk and interest rate risk. As the Fund holds no assets at 31 March 2018 it is no longer exposed to these types of risk.

Asset allocation is determined by the Fund's 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 Fund's Investment Manager.

The nature and extent of the financial assets outstanding at 31 March 2017 and the risk management policies employed by the Fund is discussed below, there are no assets outstanding at 31 March 2018.

#### a) Credit Risk

The Fund was 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 the Fund's Investment Guidelines agreed between the Manager and the Supervisor.

The carrying amounts of financial assets best represent the maximum credit risk exposure at 31 March 2017. The Manager of the Fund 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.

As disclosed in note 6 there are concentrations of credit risk to counter-parties (including related parties) as at 31 March 2017.

#### b) Liquidity and Cash Flow Risk

Liquidity risk is the risk that the Fund 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.

As the Fund held no assets at balance date there was no exposure to liquidity and cash flow risk.





## Notes to the financial statements

for the year ended 31 March 2018

### c) 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 Fund's direct investment in cash and deposits. The Fund held no cash and deposits at balance date.

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:

	2018	2017
	\$	\$
Net Income Effect Change	-	778,220

### d) Fair value

The Fund classifies 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).

There are no Financial Assets designated at fair value through profit or loss held by the Fund.

### e) Capital Management

The Net Assets Attributable to Unit Holders in the Fund represent what the Fund manages as capital (as redeemable units with no par value).

The amount of Net Assets Attributable to Unit Holders can change significantly on a daily basis as the Fund is subject to daily 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 Fund's policy in managing their obligation to meet redemption requests has been to hold sufficient liquidity to cover reasonably anticipated redemptions. The Fund's objectives when managing capital has been to invest Unit Holders' funds in accordance with the Fund's investment objectives.



## Notes to the financial statements

for the year ended 31 March 2018

### 6. RELATED PARTIES

#### a) Manager and Supervisor

Management Fees and operating costs in accordance with the Trust Deed have been paid directly to the Manager by the Southland Building Society.

The Manager is entitled to be paid by Southland Building Society a fee equal to 0.25% p.a., calculated daily on the Gross Asset Value of the Fund.

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

> Supervisor Fees:

>> 0.025% per annum on the Fund's Gross Asset Value

> Custody Fees:

>> 0.015% per annum on the Fund's Gross Asset Value

In accordance with the Trust Deed the Manager is entitled to be reimbursed for expenses incurred in winding up the Fund. \$34,253 was paid to Southland building Society on 20 March 2018 for windup expenses.

#### b) Investments in the funds by related parties

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

	Deposit Portfolio	
	2018	2017
<b>Lifestages KiwiSaver Scheme</b>		
Units	-	53,024,841
Market Value \$	-	53,219,927

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

#### c) Investments by the funds in related parties

Funds Administration New Zealand Limited is a subsidiary of Southland Building Society. The Fund invested in various Southland Building Society Call and Short Term Deposits and Investment Accounts as part of its overall investment strategy and in the ordinary course of business. All transactions are on a commercial arm's-length basis.

These investments equated to the following percentages of total investments:

	Deposit Portfolio	
	2018	2017
	%	%
Percentage of total investments	-	100.00

# Lifestages Deposit Portfolio



## Notes to the financial statements

for the year ended 31 March 2018

		Deposit Portfolio	
		2018	2017
		\$	\$
<b>7. TRADE AND OTHER RECEIVABLES</b>			
Interest receivable	-	332,475	
<b>Total Trade and Other Receivables</b>	-	<b>332,475</b>	
<b>8. ACCOUNTS PAYABLE</b>			
Other	-	10,181	
<b>Total Accounts Payable</b>	-	<b>10,181</b>	
<b>9. PIE TAX ATTRIBUTABLE TO UNIT HOLDERS</b>			
Unit Holder's PIE Tax Payments and Refunds are settled with Inland Revenue via the cancelation or issue of Units in the Fund.			
PIE Tax Payable on Behalf of Unit Holders at Balance Date	-	(76,752)	
PIE Tax Paid on Behalf of Unit Holders during the Year	(145,097)	(132,491)	
<b>PIE Tax Attributable to Unit Holders for the Year</b>	<b>(145,097)</b>	<b>(209,243)</b>	
<b>10. RECONCILIATION OF NET CASH FROM OPERATING ACTIVITIES TO NET LOSS</b>			
Net Loss	(340,152)	(1,068,257)	
<b>Movement in Working Capital Balances:</b>			
Decrease in Accounts Receivable	332,475	1,096,236	
Decrease in Accounts Payable	(10,181)	(119)	
Decrease in Investment Assets	67,550,019	17,349,987	
<b>Adjustment for Non Cash Items:</b>			
Adjustment for Finance Costs	2,181,973	3,942,020	
<b>Net Cash Flow used in Operating Activities</b>	<b>69,714,134</b>	<b>21,319,867</b>	
<b>11. COMMITMENTS AND CONTINGENT LIABILITIES</b>			
Other than as disclosed in the Financial Statements or the Notes, the Fund has no contingent liabilities or future commitments as at 31 March 2018 (31 March 2017: Nil).			
<b>12. AUDITORS' REMUNERATION</b>			
All Fund expenses, including audit fees for the Lifestages Deposit Portfolio, are paid directly by the Southland Building Society.			
<b>13. SUBSEQUENT EVENTS</b>			
As per notes 1 and 3 the Fund will be deregistered post balance date. There are 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 Lifestages Deposits Portfolio

## Report on the financial statements

### Opinion

In our opinion, the accompanying financial statements of Lifestages Deposits Portfolio (the Unit Trust) on pages 2 to 12:

- i. present fairly in all material respects the Unit Trust's financial position as at 31 March 2018 and its financial performance and cash flows for the year ended on that date; and
- ii. 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 2018;
- the statements 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 Trust 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 Trust.



### Emphasis of matter

We draw attention to Note 3 to the financial statements which describes that the going concern basis of preparing the financial statements has not been used because the board passed a resolution to wind up the Unit Trust effective 20 March 2018. Our opinion is not modified in respect of this matter.



### Use of this independent auditor's report

This independent auditor's 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 independent auditor's report, or any of the opinions we have formed.



## Responsibilities of the Manager for the financial statements

The Manager, on behalf of the Unit Trust, 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:

<http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-6/>

This description forms part of our independent auditor's report.

The engagement partner on the audit resulting in this independent auditor's report is **David Gates**.

For and on behalf of

KPMG  
Wellington

17 July 2018