



The Lifestages Portfolios are brought to you by  
Funds Administration New Zealand Limited (FANZ)

# lifestages

Lifestages Portfolios  
*Annual Report 2016*





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# Welcome

Welcome to the Lifestages Portfolio Annual Report 2016. You'll find here the statutory accounts for each of our investment funds, giving you a performance overview for the year ending 31 March 2016.

Overall, I would describe it as a testing year.

It began strongly enough, but as 2015 wore on, volatility became the name of the game and this continued into the first quarter of 2016. A number of things contributed to the choppy waters, among them a sell-off of Chinese shares and a string of surprise announcements from a number of central banks.

While some sharemarkets (especially in Europe and Japan) bore the brunt of it, bonds (both offshore and New Zealand bonds) performed well, supplying a needed counterweight. The first three months of this year provided the best annual start for bonds in 20 years.

The New Zealand sharemarket also put in a strong showing, attracting offshore investors seeking stability.

So it was a mixed bag of a year, one that certainly kept us on our toes. Considering the challenges, I'm proud of our results. Only one portfolio dipped into negative territory (and that by just a fraction of a percentage point). The Lifestages Portfolios pre-tax returns for the year range from 7.33% to -0.08%.

It is customary for me in this annual report to remind you of the approach we take to investing your savings. After a year like this it's particularly appropriate I do so.

Our *modus operandi* is based around the three 'd's' – discipline, diligence and diversification. These are the basics that negate the short-term market ups and downs, while generating strong returns over time.

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## LIFESTAGES PORTFOLIOS: PERFORMANCE TO 31 MARCH 2016

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PER ANNUM <i>(before tax and after fees)</i> :	1 YEAR	2 YEARS	3 YEARS
CORPORATE BOND PORTFOLIO	4.68%	5.77%	4.37%
INCOME PORTFOLIO	4.66%	6.38%	3.73%
WORLD EQUITY PORTFOLIO	-0.08%	8.02%	9.58%
AUSTRALASIAN EQUITY PORTFOLIO	7.33%	6.31%	8.98%
WORLD BOND PORTFOLIO	2.34%	6.23%	5.13%

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I thank you for your continued support over these past 12 months, and look forward to strengthening our relationship over the years ahead.

GRAHAM DUSTON

*Funds Administration New Zealand,  
Manager of the Lifestages Master Unit Trust Deed  
and the Lifestages KiwiSaver Scheme*

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Statement of Comprehensive Income *for the year ended 31 March 2016*

	Notes	Corporate Bond Portfolio		Income Portfolio	
		2016 <i>12 Months</i> \$	2015 <i>12 Months</i> \$	2016 <i>12 Months</i> \$	2015 <i>12 Months</i> \$
<b>INCOME</b>					
Interest Income		41,631	31,338	25,328	30,025
Dividend Income		789,069	803,303	511,950	532,800
Net Change in Fair Value of Financial Assets	11	414,436	714,050	444,331	951,585
Other		61,154	78,249	38,216	34,732
<b>NET INVESTMENT INCOME</b>		<b>1,306,290</b>	<b>1,626,940</b>	<b>1,019,825</b>	<b>1,549,142</b>
<b>EXPENSES</b>					
Trustee Fees		16,280	13,723	12,948	11,118
Management Fees		196,776	181,198	117,391	112,248
Management Performance Fees		29,422	13,319	-	-
Administration Costs		19,967	20,484	90,024	87,555
Audit Fees	14	7,114	6,769	7,114	6,769
<b>OPERATING EXPENSES</b>		<b>269,559</b>	<b>235,493</b>	<b>227,477</b>	<b>217,690</b>
<b>NET INCOME/(LOSS) BEFORE FINANCE COSTS</b>		<b>1,036,731</b>	<b>1,391,447</b>	<b>792,348</b>	<b>1,331,452</b>
Distribution on Units Classified as Liabilities		-	-	-	-
<b>TOTAL FINANCE COSTS</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET INCOME/(LOSS)</b>		<b>1,036,731</b>	<b>1,391,447</b>	<b>792,348</b>	<b>1,331,452</b>
<b>INCREASE/(DECREASE) IN NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS</b>		<b>1,036,731</b>	<b>1,391,447</b>	<b>792,348</b>	<b>1,331,452</b>

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

World Equity Portfolio		Australasian Equity Portfolio		Deposit Portfolio		World Bond Portfolio	
2016	2015	2016	2015	2016	2015	2016	2015
12 Months	12 Months	12 Months	12 Months	12 Months	12 Months	12 Months	12 Months
\$	\$	\$	\$	\$	\$	\$	\$
92,001	92,333	57,896	49,661	3,504,014	3,123,498	75,976	68,650
1,983,570	1,558,236	588,762	233,734	-	-	662,882	516,568
(1,298,863)	5,382,963	2,584,375	1,561,258	-	-	702,506	2,608,457
-	-	23,839	-	-	-	11,945	13,657
<b>776,708</b>	<b>7,033,532</b>	<b>3,254,872</b>	<b>1,844,653</b>	<b>3,504,014</b>	<b>3,123,498</b>	<b>1,453,309</b>	<b>3,207,332</b>
36,339	26,511	22,611	16,739	-	-	25,446	18,151
667,179	498,566	415,185	317,995	-	-	317,674	236,862
145,652	231,809	12,857	-	-	-	-	168,844
176,348	128,874	118,774	142,894	-	-	115,706	87,888
7,114	6,769	7,114	6,769	-	-	7,114	6,769
<b>1,032,632</b>	<b>892,529</b>	<b>576,541</b>	<b>484,397</b>	<b>-</b>	<b>-</b>	<b>465,940</b>	<b>518,514</b>
<b>(255,924)</b>	<b>6,141,003</b>	<b>2,678,331</b>	<b>1,360,256</b>	<b>3,504,014</b>	<b>3,123,498</b>	<b>987,369</b>	<b>2,688,818</b>
-	-	-	-	3,691,943	2,013,109	-	-
-	-	-	-	<b>3,691,943</b>	<b>2,013,109</b>	-	-
<b>(255,924)</b>	<b>6,141,003</b>	<b>2,678,331</b>	<b>1,360,256</b>	<b>(187,929)</b>	<b>1,110,389</b>	<b>987,369</b>	<b>2,688,818</b>
<b>(255,924)</b>	<b>6,141,003</b>	<b>2,678,331</b>	<b>1,360,256</b>	<b>(187,929)</b>	<b>1,110,389</b>	<b>987,369</b>	<b>2,688,818</b>

# Statement of Changes in Net Assets Attributable to Unit Holders

for the year ended 31 March 2016

	Corporate Bond Portfolio		Income Portfolio	
	2016 <i>12 Months</i>	2015 <i>12 Months</i>	2016 <i>12 Months</i>	2015 <i>12 Months</i>
Notes	\$	\$	\$	\$
<b>BALANCE AT THE START OF THE YEAR</b>	<b>21,336,161</b>	<b>21,382,187</b>	<b>17,735,807</b>	<b>16,731,672</b>
Increase/ (Decrease) in Net Assets Attributable to Unit Holders	1,036,731	1,391,447	792,348	1,331,452
Contributions from Unit Holders	6,111,746	3,190,072	1,655,880	2,442,862
Withdrawals by Unit Holders	(5,017,023)	(4,486,244)	(3,787,387)	(2,680,557)
PIE Tax attributed to Unit Holders	9 (90,021)	(141,301)	(50,292)	(89,622)
<b>BALANCE AT THE END OF THE YEAR</b>	<b>23,377,594</b>	<b>21,336,161</b>	<b>16,346,356</b>	<b>17,735,807</b>

	2016	2015	2016	2015
	<i>Number of Units</i>	<i>Number of Units</i>	<i>Number of Units</i>	<i>Number of Units</i>
<b>UNITS ON ISSUE AT THE START OF THE YEAR</b>	<b>18,186,731</b>	<b>19,478,937</b>	<b>10,484,223</b>	<b>10,694,738</b>
Issue of Units for the Year	5,093,442	2,796,364	972,382	1,504,567
Redemptions for the Year	(4,243,570)	(4,088,570)	(2,224,411)	(1,715,082)
Distributions	–	–	–	–
<b>UNITS ON ISSUE AT THE END OF THE YEAR</b>	<b>19,036,603</b>	<b>18,186,731</b>	<b>9,232,194</b>	<b>10,484,223</b>

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

World Equity Portfolio		Australasian Equity Portfolio		Deposit Portfolio		World Bond Portfolio	
2016	2015	2016	2015	2016	2015	2016	2015
12 Months	12 Months	12 Months	12 Months	12 Months	12 Months	12 Months	12 Months
\$	\$	\$	\$	\$	\$	\$	\$
<b>46,513,841</b>	<b>33,667,787</b>	<b>28,201,728</b>	<b>23,483,830</b>	<b>81,475,544</b>	<b>71,252,957</b>	<b>32,580,760</b>	<b>23,679,625</b>
(255,924)	6,141,003	2,678,331	1,360,256	(187,929)	1,110,389	987,369	2,688,818
12,301,720	7,801,086	9,929,064	4,598,096	91,447,401	70,393,137	8,959,140	7,140,412
(2,605,488)	(1,091,232)	(2,447,170)	(1,241,465)	(74,826,713)	(60,935,218)	(1,729,760)	(922,604)
(5,843)	(4,803)	(9)	1,011	(278,766)	(345,721)	(358)	(5,491)
<b>55,948,306</b>	<b>46,513,841</b>	<b>38,361,944</b>	<b>28,201,728</b>	<b>97,629,537</b>	<b>81,475,544</b>	<b>40,797,151</b>	<b>32,580,760</b>

2016	2015	2016	2015	2016	2015	2016	2015
Number of Units	Number of Units	Number of Units	Number of Units	Number of Units	Number of Units	Number of Units	Number of Units
<b>25,163,086</b>	<b>21,269,310</b>	<b>15,253,086</b>	<b>13,373,177</b>	<b>79,831,240</b>	<b>70,708,218</b>	<b>24,860,198</b>	<b>19,922,599</b>
6,513,618	4,547,883	5,374,841	2,587,711	91,229,569	69,991,747	6,880,860	5,684,687
(1,386,877)	(654,107)	(1,296,909)	(707,802)	(78,574,432)	(62,881,834)	(1,323,883)	(747,088)
-	-	-	-	3,691,943	2,013,109	-	-
<b>30,289,827</b>	<b>25,163,086</b>	<b>19,331,018</b>	<b>15,253,086</b>	<b>96,178,320</b>	<b>79,831,240</b>	<b>30,417,175</b>	<b>24,860,198</b>

Statement of Financial Position *for the year ended 31 March 2016*

	Notes	Corporate Bond Portfolio		Income Portfolio	
		2016 \$	2015 \$	2016 \$	2015 \$
<b>ASSETS</b>					
Cash		1,297,299	1,308,215	651,359	920,822
Financial Assets held to Maturity		–	–	–	–
Financial Assets held at Fair Value through profit or loss	12	22,220,718	20,206,059	15,780,492	16,939,755
Trade and Other Receivables	7	–	–	–	–
Unit Holder Attributed PIE Tax Receivable	9	–	–	–	–
<b>TOTAL ASSETS</b>		<b>23,518,017</b>	<b>21,514,274</b>	<b>16,431,851</b>	<b>17,860,577</b>
<b>LESS LIABILITIES</b>					
Accounts Payable	8	55,046	49,012	35,537	36,296
Unit Holder Attributed PIE Tax Payable	9	85,377	129,101	49,958	88,474
<b>TOTAL LIABILITIES</b> (excluding Net Assets attributable to Unit Holders)		<b>140,423</b>	<b>178,113</b>	<b>85,495</b>	<b>124,770</b>
<b>NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS</b>		<b>23,377,594</b>	<b>21,336,161</b>	<b>16,346,356</b>	<b>17,735,807</b>

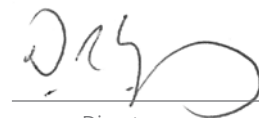
*The Statement of Accounting Policies and Notes to the Financial Statements form an integral part of these Financial Statements*



World Equity Portfolio		Australasian Equity Portfolio		Deposit Portfolio		World Bond Portfolio	
2016	2015	2016	2015	2016	2015	2016	2015
\$	\$	\$	\$	\$	\$	\$	\$
4,163,357	2,635,377	1,633,397	1,470,638	11,458,541	12,169,975	2,785,729	2,202,211
-	-	-	-	84,900,006	67,858,806	-	-
51,898,880	44,140,927	36,814,609	26,805,298	-	-	38,075,903	30,498,571
-	-	-	-	1,428,711	1,620,521	-	-
-	-	4	1,020	-	-	-	-
<b>56,062,237</b>	<b>46,776,304</b>	<b>38,448,010</b>	<b>28,276,956</b>	<b>97,787,258</b>	<b>81,649,302</b>	<b>40,861,632</b>	<b>32,700,782</b>
108,447	257,771	86,066	75,228	10,300	10,353	64,095	114,582
5,484	4,692	-	-	147,421	163,405	386	5,440
<b>113,931</b>	<b>262,463</b>	<b>86,066</b>	<b>75,228</b>	<b>157,721</b>	<b>173,758</b>	<b>64,481</b>	<b>120,022</b>
<b>55,948,306</b>	<b>46,513,841</b>	<b>38,361,944</b>	<b>28,201,728</b>	<b>97,629,537</b>	<b>81,475,544</b>	<b>40,797,151</b>	<b>32,580,760</b>



Director



Director

16 JUNE 2016

Date

Statement of Cash Flows *for the year ended 31 March 2016*

	Notes	Corporate Bond Portfolio		Income Portfolio	
		2016 <i>12 Months</i> \$	2015 <i>12 Months</i> \$	2016 <i>12 Months</i> \$	2015 <i>12 Months</i> \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Interest Income		41,631	31,338	25,328	30,025
Dividend Income		789,069	803,303	511,950	532,800
Other Income		61,154	78,249	38,216	34,732
Proceeds from Sale of Investment Assets		–	21,717,613	2,153,758	–
Purchase of Investment Assets		(1,600,223)	(20,689,388)	(550,165)	(567,532)
Operating Expenses Paid		(263,525)	(221,975)	(228,235)	(213,905)
<b>NET CASH FROM/(USED IN) OPERATING ACTIVITIES</b>	10	<b>(971,894)</b>	<b>1,719,140</b>	<b>1,950,852</b>	<b>(183,880)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Proceeds from contributions by Unit Holders		6,111,746	3,190,072	1,655,880	2,442,862
Payments for withdrawals by Unit Holders		(5,150,768)	(4,534,348)	(3,876,195)	(2,674,440)
Distributions paid to Unit Holders		–	–	–	–
<b>NET CASH (USED IN)/FROM FINANCING ACTIVITIES</b>		<b>960,978</b>	<b>(1,344,276)</b>	<b>(2,220,315)</b>	<b>(231,578)</b>
<b>NET (DECREASE) / INCREASE IN CASH</b>		<b>(10,916)</b>	<b>374,864</b>	<b>(269,463)</b>	<b>(415,458)</b>
<b>CASH AT THE BEGINNING OF THE FINANCIAL YEAR</b>		<b>1,308,215</b>	<b>933,351</b>	<b>920,822</b>	<b>1,336,280</b>
<b>CASH AT THE END OF THE FINANCIAL YEAR</b>		<b>1,297,299</b>	<b>1,308,215</b>	<b>651,359</b>	<b>920,822</b>

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

World Equity Portfolio		Australasian Equity Portfolio		Deposit Portfolio		World Bond Portfolio	
2016	2015	2016	2015	2016	2015	2016	2015
<i>12 Months</i>	<i>12 Months</i>	<i>12 Months</i>	<i>12 Months</i>	<i>12 Months</i>	<i>12 Months</i>	<i>12 Months</i>	<i>12 Months</i>
\$	\$	\$	\$	\$	\$	\$	\$
92,001	92,333	57,896	49,661	3,695,771	2,026,902	75,976	68,650
1,983,570	1,558,236	588,762	233,734	-	-	662,882	516,568
-	-	23,839	-	-	-	11,945	13,657
11,343	5,026	7,210,192	14,504,392	72,853,196	58,459,067	-	-
(9,068,160)	(6,728,840)	(14,635,128)	(17,467,070)	(89,894,396)	(68,518,096)	(6,874,825)	(5,780,224)
(1,181,955)	(703,580)	(565,703)	(588,118)	-	-	(516,427)	(446,399)
<b>(8,163,201)</b>	<b>(5,776,825)</b>	<b>(7,320,142)</b>	<b>(3,267,401)</b>	<b>(13,345,429)</b>	<b>(8,032,127)</b>	<b>(6,640,449)</b>	<b>(5,627,748)</b>
12,301,720	7,801,086	9,929,064	4,598,096	91,447,401	70,393,137	8,959,140	7,140,412
(2,610,539)	(1,094,212)	(2,446,163)	(1,240,531)	(75,121,463)	(61,242,634)	(1,735,173)	(923,789)
-	-	-	-	(3,691,943)	(2,013,109)	-	-
<b>9,691,181</b>	<b>6,706,874</b>	<b>7,482,901</b>	<b>3,357,565</b>	<b>12,633,995</b>	<b>7,137,394</b>	<b>7,223,967</b>	<b>6,216,623</b>
<b>1,527,980</b>	<b>930,049</b>	<b>162,759</b>	<b>90,164</b>	<b>(711,434)</b>	<b>(894,733)</b>	<b>583,518</b>	<b>588,875</b>
<b>2,635,377</b>	<b>1,705,328</b>	<b>1,470,638</b>	<b>1,380,474</b>	<b>12,169,975</b>	<b>13,064,708</b>	<b>2,202,211</b>	<b>1,613,336</b>
<b>4,163,357</b>	<b>2,635,377</b>	<b>1,633,397</b>	<b>1,470,638</b>	<b>11,458,541</b>	<b>12,169,975</b>	<b>2,785,729</b>	<b>2,202,211</b>

# Notes to the financial statements *for the year ended 31 March 2016*

## 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 Income Portfolio (established 1 July 2003)
- > Lifestages World Equity Portfolio (established 1 July 2003)
- > Lifestages Australasian Equity Portfolio (established 1 October 2004)
- > Lifestages Deposit Portfolio (established 1 March 2009)
- > 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 from 1 April 2014.

On 1 October 2007, the Funds were registered as Portfolio Investment Entities under the Income Tax Act 2007 except for the Deposit Portfolio which was registered on 1 March 2009 and 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 as set out in the Investment Statement. 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 16 June 2016.

## 2. STATUTORY BASE

These financial statements have been prepared in accordance with the Trust Deed and the Financial Reporting Act 2013 (transitional provisions).

## 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”).

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 2016.

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 2017. The Funds

will adopt this amendment for the year ending 31 March 2017. 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 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

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 Deposit Portfolio and the World Bond Portfolio) converted to Portfolio Investment Entities (PIE) under the Income Tax Act 2007.

The Deposit Portfolio was created as a PIE on 1 March 2009. 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, except for the Deposit Portfolio, 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 request 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 Deposit Portfolio 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 Deposit Portfolio 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 Deposit Portfolio prior to the maturity date.

## Notes to the financial statements (cont) for the year ended 31 March 2016

### 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### i) Financial Assets

##### Classification

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

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.

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

##### 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 assets 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
- ii) Financial Assets Held to Maturity: These 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

There has been no change in accounting policies during the 12 months to 31 March 2016.

### 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 2016 or 31 March 2015.

#### 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, Lifestages Corporate

## 5. FINANCIAL ASSETS AND ASSOCIATED RISKS (continued)

Bond Portfolio and the Lifestages Income 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% (2015 10-20%).

The benchmark movement for Lifestages Income Portfolio, Lifestages Corporate Bond Portfolio and Lifestages World Bond Portfolio investments ranges from 1-3% (2015: 1-3%). The impact on Net Income for the five Funds is shown in the table below.

MARKET PRICE RISK	Movement	2016		2015	
		10% \$	20% \$	10% \$	20% \$
World Equity Portfolio		5,189,888	10,379,776	4,414,093	8,828,185
Australasian Equity Portfolio		3,681,461	7,362,922	2,680,530	5,361,060
	Movement	1% \$	3% \$	1% \$	3% \$
Income Portfolio		157,805	473,415	169,398	508,193
World Bond Portfolio		380,759	1,142,277	304,986	914,957
Corporate Bond Portfolio		222,207	666,622	202,061	606,182

### 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:

#### LIFESTAGES WORLD EQUITY PORTFOLIO

As at 31 March 2016	AUD	NZD
BlackRock Wholesale Indexed International Equity Fund	19,698,970	21,822,280
Magellan Global Fund	7,534,941	8,347,117

#### As at 31 March 2015

BlackRock Wholesale Indexed International Equity Fund	15,858,438	16,206,883
Magellan Global Fund	7,493,207	7,657,849

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	2016	2015
5% Appreciation	(1,436,643)	(1,136,410)
5% Depreciation	1,587,852	1,256,045

#### LIFESTAGES AUSTRALASIAN EQUITY PORTFOLIO

As at 31 March 2016	AUD	NZD
BlackRock Wholesale Indexed Australian Equity Fund	9,845,239	10,906,433

#### As at 31 March 2015

BlackRock Wholesale Indexed Australian Equity Fund	8,080,480	8,258,029
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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	2016	2015
5% Appreciation	(519,350)	(393,240)
5% Depreciation	574,022	434,633

## Notes to the financial statements (cont) for the year ended 31 March 2016

**5. FINANCIAL ASSETS AND ASSOCIATED RISKS** (continued)**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, Lifestages World Bond and Lifestages Income 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.

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	2016	2015
	\$	\$
Corporate Bond Portfolio	12,973	13,082
Income Portfolio	6,514	9,208
World Equity Portfolio	41,634	26,354
Australasian Equity Portfolio	16,334	14,706
Deposit Portfolio	963,585	800,288
World Bond Portfolio	27,857	22,022

**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 (ie, as prices) or indirectly (ie, 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 (excluding the Lifestages Deposit Portfolio).

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.

**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 and 0.65% p.a. for the Lifestages Income Portfolio, calculated weekly on the Gross 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 World Bond Portfolio and 5% for the Australasian and World Equity Portfolio. 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.

Trustees Executors Limited, the Trustee 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:

- > Trustee 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



Fees paid and payable to related parties for the year ended 31 March 2016 were as follows:

	Corporate Bond Portfolio		Income Portfolio		World Equity Portfolio		Australasian Equity Portfolio		World Bond Portfolio	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	12 Months	12 Months	12 Months	12 Months	12 Months	12 Months	12 Months	12 Months	12 Months	12 Months
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Funds Administration New Zealand Limited</b>										
Management fee expense	196,776	181,198	117,391	112,248	667,179	498,566	415,185	317,995	317,674	-
Management fee payable	17,192	15,661	9,355	9,928	60,197	49,934	41,630	30,402	29,666	-
Performance fee expense	29,422	13,319	-	-	145,652	231,809	12,857	-	-	-
Performance fee payable	15,265	9,542	-	-	-	163,602	12,857	-	-	-
<b>Trustees Executors Limited</b>										
Trustee fee expense	16,280	13,378	12,948	10,803	36,339	26,872	22,611	17,069	25,446	18,499
Trustee fee payable	1,352	1,075	944	893	3,223	2,335	2,210	1,412	2,349	1,635
Custody fee expense	6,245	8,230	4,842	6,545	16,186	13,874	10,064	8,678	11,332	9,641
Custody fee payable	587	577	470	466	1,401	1,187	1,021	706	1,061	877

#### b) Investments by 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		Deposit Portfolio		Australasian Equity Portfolio		World Bond Portfolio	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
<b>Lifestages KiwiSaver Scheme</b>										
Units	-	-	19,080,452	15,514,983	65,580,427	50,802,208	12,555,577	9,156,153	13,493,983	12,066,292
Market Value (\$)	-	-	35,243,483	28,679,370	66,649,972	52,044,958	24,916,242	16,928,996	18,098,859	15,813,589
<b>Lifestages Income Portfolio</b>										
Units	-	542,419	-	-	-	-	-	-	-	-
Carrying Value (\$)	-	636,350	-	-	-	-	-	-	-	-

All transactions are carried out 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 Funds invest in various Southland Building Society Call and Short Term Deposits and Investment Accounts as part of their 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:

	PERCENTAGE OF TOTAL INVESTMENTS	
	2016	2015
	%	%
Corporate Bond Portfolio	-	0.44
Income Portfolio	-	3.56
World Equity Portfolio	-	0.08
Deposit Portfolio	100.00	100.00

## 7. TRADE AND OTHER RECEIVABLES

	Corporate Bond Portfolio		Income Portfolio		World Equity Portfolio		Australasian Equity Portfolio		Deposit Portfolio		World Bond Portfolio	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	12 Months	12 Months	12 Months	12 Months	12 Months	12 Months	12 Months	12 Months	12 Months	12 Months	12 Months	12 Months
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Trade and Other Receivables</b>												
Interest Receivable	-	-	-	-	-	-	-	-	1,428,711	1,620,521	-	-
<b>TOTAL</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,428,711</b>	<b>1,620,521</b>	<b>-</b>	<b>-</b>

## Notes to the financial statements (cont) for the year ended 31 March 2016

	Corporate Bond Portfolio		Income Portfolio	
	2016	2015	2016	2015
	\$	\$	\$	\$
<b>8. ACCOUNTS PAYABLE</b>				
Management fees	17,192	15,661	9,355	9,928
Performance fees	15,265	9,542	-	-
Audit fees	6,769	6,769	6,769	6,769
Other	15,820	17,040	19,413	19,599
<b>TOTAL ACCOUNTS PAYABLE</b>	<b>55,046</b>	<b>49,012</b>	<b>35,537</b>	<b>36,296</b>
<b>9. PIE TAX ATTRIBUTABLE TO UNIT HOLDERS</b>				
Unit Holders' 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	(85,377)	(129,101)	(49,958)	(88,474)
PIE Tax (Paid)/Refunded on Behalf of Unit Holders during the Year	(4,644)	(12,200)	(334)	(1,148)
<b>PIE TAX ATTRIBUTABLE TO UNIT HOLDERS FOR THE YEAR</b>	<b>(90,021)</b>	<b>(141,301)</b>	<b>(50,292)</b>	<b>(89,622)</b>
<b>10. RECONCILIATION OF NET CASH FROM OPERATING ACTIVITIES TO NET INCOME/(LOSS)</b>				
Net Income/(Loss)	1,036,731	1,391,447	792,348	1,331,452
<b>Movement in Working Capital Balances:</b>				
Decrease/(Increase) in Accounts Receivable	-	-	-	-
Increase/(Decrease) in Accounts Payable	6,034	13,518	(758)	3,785
(Increase)/Decrease in Investment Assets	(1,600,223)	1,028,225	1,603,593	(567,532)
<b>Adjustment for Non Cash Items:</b>				
Change in Fair Value of Financial Assets	(414,436)	(714,050)	(444,331)	(951,585)
Adjustment for Finance Costs	-	-	-	-
<b>NET CASHFLOW FROM/(USED IN) OPERATING ACTIVITIES</b>	<b>(971,894)</b>	<b>1,719,140</b>	<b>1,950,852</b>	<b>(183,880)</b>
<b>11. CHANGES IN NET FAIR VALUE OF FINANCIAL ASSETS</b>				
Unit Trusts – Australasian Equities	-	-	-	-
Unit Trusts – International Equities	-	-	-	-
Unit Trusts – International Bonds	-	-	-	-
Unit Trusts – Corporate Bonds	414,436	714,050	17,408	40,933
Unit Trusts – Income	-	-	426,923	910,652
<b>TOTAL NET CHANGE IN FAIR VALUE OF FINANCIAL ASSETS</b>	<b>414,436</b>	<b>714,050</b>	<b>444,331</b>	<b>951,585</b>
<b>12. FINANCIAL ASSETS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS</b>				
<b>Financial Assets Designated at Fair Value through Profit or Loss:</b>				
Unit Trusts – Australasian Equities	-	-	-	-
Unit Trusts – International Equities	-	-	-	-
Unit Trusts – International Bonds	-	-	-	-
Unit Trusts – Corporate Bonds	22,220,718	20,206,059	-	636,350
Unit Trusts – Income	-	-	15,780,492	16,303,405
<b>TOTAL</b>	<b>22,220,718</b>	<b>20,206,059</b>	<b>15,780,492</b>	<b>16,939,755</b>

World Equity Portfolio		Australasian Equity Portfolio		Deposit Portfolio		World Bond Portfolio	
2016	2015	2016	2015	2016	2015	2016	2015
\$	\$	\$	\$	\$	\$	\$	\$
60,197	49,934	41,630	30,402	-	-	29,666	23,471
-	163,602	12,857	-	-	-	-	58,533
6,769	6,769	6,769	6,769	-	-	6,769	6,769
41,481	37,466	24,810	38,057	10,300	10,353	27,660	25,809
<b>108,447</b>	<b>257,771</b>	<b>86,066</b>	<b>75,228</b>	<b>10,300</b>	<b>10,353</b>	<b>64,095</b>	<b>114,582</b>
(5,484)	(4,692)	4	1,020	(147,421)	(163,405)	(386)	(5,440)
(359)	(111)	(13)	(9)	(131,345)	(182,316)	28	(51)
<b>(5,843)</b>	<b>(4,803)</b>	<b>(9)</b>	<b>1,011</b>	<b>(278,766)</b>	<b>(345,721)</b>	<b>(358)</b>	<b>(5,491)</b>
(255,924)	6,141,003	2,678,331	1,360,256	(187,929)	1,110,389	987,369	2,688,818
-	-	-	-	191,810	(1,096,510)	-	-
(149,323)	188,949	10,838	(103,721)	(53)	(86)	(50,487)	72,115
(9,056,817)	(6,723,814)	(7,424,936)	(2,962,678)	(17,041,200)	(10,059,029)	(6,874,825)	(5,780,224)
1,298,863	(5,382,963)	(2,584,375)	(1,561,258)	-	-	(702,506)	(2,608,457)
-	-	-	-	3,691,943	2,013,109	-	-
<b>(8,163,201)</b>	<b>(5,776,825)</b>	<b>(7,320,142)</b>	<b>(3,267,401)</b>	<b>(13,345,429)</b>	<b>(8,032,127)</b>	<b>(6,640,449)</b>	<b>(5,627,748)</b>
-	-	2,584,375	1,561,258	-	-	-	-
(1,298,863)	5,382,963	-	-	-	-	-	-
-	-	-	-	-	-	702,506	2,608,457
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<b>(1,298,863)</b>	<b>5,382,963</b>	<b>2,584,375</b>	<b>1,561,258</b>	<b>-</b>	<b>-</b>	<b>702,506</b>	<b>2,608,457</b>
-	-	36,814,609	26,805,298	-	-	-	-
51,898,880	44,140,927	-	-	-	-	-	-
-	-	-	-	-	-	38,075,903	30,498,571
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<b>51,898,880</b>	<b>44,140,927</b>	<b>36,814,609</b>	<b>26,805,298</b>	<b>-</b>	<b>-</b>	<b>38,075,903</b>	<b>30,498,571</b>

## Notes to the financial statements (cont) for the year ended 31 March 2016

**13. 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 2016 (31 March 2015: Nil).

**15. 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.

All Fund expenses, including audit fees for the Lifestages Deposit Portfolio, are paid directly by the Southland Building Society.

	Corporate Bond Portfolio		Income Portfolio		World Equity Portfolio		Australasian Equity Portfolio		World Bond Portfolio	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	<i>12 Months</i>	<i>12 Months</i>	<i>12 Months</i>	<i>12 Months</i>	<i>12 Months</i>	<i>12 Months</i>	<i>12 Months</i>	<i>12 Months</i>	<i>12 Months</i>	<i>12 Months</i>
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Audit Fees	6,769	6,769	6,769	6,769	6,769	6,769	6,769	6,769	6,769	6,769
Prospectus related Fees	307	258	307	217	307	523	307	324	307	369
Trustee Reporting Fees	345	-	345	-	345	-	345	-	345	-
<b>TOTAL AUDITORS' REMUNERATION</b>	<b>7,421</b>	<b>7,027</b>	<b>7,421</b>	<b>6,986</b>	<b>7,421</b>	<b>7,292</b>	<b>7,421</b>	<b>7,093</b>	<b>7,421</b>	<b>7,138</b>

**16. 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



## Independent auditor's report

### To the Unit Holders of Funds Administration New Zealand Lifestages Portfolios

We have audited the accompanying financial statements of Funds Administration New Zealand Lifestages Portfolios ("the Unit Trust") comprising:

- Lifestages Corporate Bond Portfolio;
- Lifestages Income Portfolio;
- Lifestages World Equity Portfolio
- Lifestages Australasian Equity Portfolio;
- Lifestages Deposit Portfolio
- Lifestages World Bond Portfolio

The financial statements on pages 2 to 18 comprise the statement of financial position as at 31 March 2016, the statements of comprehensive income, changes in net assets attributable to unit holders and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### *Manager's responsibility for the financial statements*

The manager is 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) and for such internal control as the manager determines is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Unit Trust's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Unit Trust's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the presentation of the financial statements.

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

## Independent Auditor's Report (cont)



Our firm has also provided other assurance services to the Unit Trust in relation to the registered prospectus and trustee reporting. These matters have not impaired our independence as auditor of the Unit Trust. The firm has no other relationship with or interests in, the Unit Trust.

### ***Opinion***

In our opinion, the financial statements on pages 2 to 18 comply with generally accepted accounting practice in New Zealand and present fairly, in all material respects, the financial position of Funds Administration New Zealand Lifestages Portfolios as at 31 March 2016 and its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards.

A handwritten signature in black ink, appearing to read 'KPMG'.

16 June 2016  
Wellington





The Lifestages Portfolios are brought to you by  
Funds Administration New Zealand Limited (FANZ)