



The Lifestages KiwiSaver Scheme is brought to you by
Funds Administration New Zealand Limited (FANZ)



Lifestages KiwiSaver Scheme
Financial Statements
for the year ended 31 March 2014





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Lifestages KiwiSaver Scheme
Financial Statements
for the year ended 31 March 2014

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Statement of Changes in Net Assets *for the year ended 31 March 2014*

		KiwiSaver Scheme	
		2014	2013
		<i>12 Months</i>	<i>12 Months</i>
Notes		\$	\$
INCOME			
Interest Income		377,802	288,871
Dividend Income		1,600,556	1,426,053
Net Change in Fair Value of Investments	11	3,882,795	3,346,583
Other Income		222,440	–
NET INVESTMENT INCOME		6,083,593	5,061,507
EXPENSES			
Audit Fees	16	6,194	7,187
General Expenses		349,493	220,354
Manager Fees		706,022	545,351
Trustees Fees		58,728	42,112
TOTAL EXPENSES		1,120,437	815,004
CHANGE IN NET ASSETS BEFORE MEMBERSHIP ACTIVITIES		4,963,156	4,246,503
MEMBERSHIP ACTIVITIES			
Members Contributions		11,064,592	9,012,701
Employer Contributions		4,969,291	3,427,257
Crown Contributions and Fee Subsidies		3,521,147	3,762,175
Transfers in from other schemes		4,441,016	4,677,683
Other Income		26,506	22,492
Withdrawals		(3,277,198)	(2,992,268)
Withdrawal for first home purchase		(486,532)	(410,436)
Withdrawal for mortgage diversion		(6,160)	(7,015)
Withdrawal for significant hardship		(154,608)	(323,693)
Withdrawal for serious illness		(62,468)	(118,469)
Withdrawal on death		(97,850)	(131,762)
Withdrawal for permanent emigration		(120,954)	(83,159)
Transfer to other schemes		(2,754,109)	(1,649,379)
Administration fees	7	(299,022)	(247,734)
PIE tax attributable to members	10	(587,184)	(282,034)
NET MEMBERSHIP ACTIVITIES		16,176,467	14,656,359
Net Change in Members' Benefits		21,139,623	18,902,862
Members Funds at the Beginning of the Financial Year		80,704,537	61,801,675
MEMBERS' FUNDS AT THE END OF THE FINANCIAL YEAR		101,844,160	80,704,537

Statement of Financial Position *as at 31 March 2014*

		KiwiSaver Scheme	
		2014	2013
		<i>12 Months</i>	<i>12 Months</i>
		\$	\$
	Notes		
ASSETS			
Cash		8,323,925	4,369,628
Trade and Other Receivables	8	457,503	503,990
Financial Assets	12	93,530,173	75,932,557
TOTAL ASSETS		102,311,601	80,806,175
LIABILITIES			
Accounts Payable	9	207,755	98,284
PIE tax payable on behalf of members	10	259,686	3,354
TOTAL LIABILITIES (excluding Net Assets attributable to Members)		467,441	101,638
NET ASSETS ATTRIBUTABLE TO MEMBERS		101,844,160	80,704,537

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

For and on behalf of the Manager,
Funds Administration New Zealand Limited



Director



Director

25 June 2014

Date

Statement of Cash Flows *for the year ended 31 March 2014*

	Notes	KiwiSaver Scheme	
		2014 <i>12 Months</i> \$	2013 <i>12 Months</i> \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest Income		383,310	221,818
Dividends		1,690,666	1,872,888
Other Income		173,309	–
Proceeds from sale of Investment Assets		43,907,659	54,152,581
Purchase of Investment Assets		(57,622,480)	(69,558,855)
Operating expenses paid		(1,032,304)	(802,121)
NET CASH USED IN OPERATING ACTIVITIES	13	(12,499,840)	(14,113,689)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net Membership Activities		16,454,137	14,656,359
NET CASH FROM FINANCING ACTIVITIES		16,454,137	14,656,359
Net Increase in Cash		3,954,297	542,670
Cash at the beginning of the Financial Year		4,369,628	3,826,958
CASH AT THE END OF THE FINANCIAL YEAR		8,323,925	4,369,628

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

1) REPORTING ENTITIES

The Lifestages KiwiSaver Scheme (the “Scheme”) is the reporting entity.

These Financial Statements show the collective changes in net assets, financial position and cash flows of the two Portfolios that make up the Lifestages KiwiSaver Scheme. The two Portfolios whose information is reported and presented collectively within the Financial Statements are as follows:

> Lifestages KiwiSaver Growth Portfolio

> Lifestages Kiwisaver Capital Stable Portfolio

Collectively these Portfolios are referred to throughout these financial statements as the “Scheme”.

The Lifestages KiwiSaver Scheme is registered under the KiwiSaver Act 2006.

These Financial Statements were authorised for issue by the Directors on 25 June 2014.

2) MANAGER AND TRUSTEE

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

The Manager is entitled to be paid out of the Scheme a fee equal to 0.75% p.a. of the Gross Asset Value of the KiwiSaver Scheme (Capital Stable Portfolio) and 0.90% p.a. of the Gross Asset Value of the KiwiSaver Scheme (Growth Portfolio).

The management fee currently charged is 0.75% p.a. for the KiwiSaver Scheme (Capital Stable Portfolio), and 0.90% p.a. for the KiwiSaver Scheme (Growth Portfolio).

The Trustee is Trustees Executors Limited. The Trustee is entitled to be paid out of the Scheme a fee up to 0.06% p.a. calculated daily on the Gross Asset Value of the KiwiSaver Scheme.

3) ACCOUNTING PERIOD

The Financial Statements cover the result of operations and cash flows for the 12 months to 31 March 2014 for the KiwiSaver Scheme.

4) BASIS OF PREPARATION

a) Statement of Compliance

The Financial Statements have been prepared in compliance with the Trust Deed, the Financial Reporting Act 1993, the Superannuation Schemes Act 1989, the KiwiSaver Act 2006 and New Zealand Generally Accepted Accounting Practice. 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”).

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.

The 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. No estimates with a significant risk of material adjustments in the next year were noted.

b) Functional and Presentation Currency

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

c) 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 affect the application of policies and the reported amounts of assets and liabilities, income and expense. The estimates

d) Changes in Accounting Policies

There has been no changes in accounting policies during the 12 months to 31 March 2014.

Notes to the financial statements (cont) for the year ended 31 March 2014

5. SIGNIFICANT ACCOUNTING POLICIES

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

a) 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.

b) Income

- i) Dividends are recorded as income at the date the shares become ex dividend and income accrued is based upon the declared rate of return for the investments.
- ii) Interest income is accounted for on an accruals 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.
- iv) Other income is recognised when the Scheme's right to receive payment is established.

c) Expenses

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

d) Taxation

As at 1 October 2007 the Scheme converted to a Portfolio Investment Entity (PIE) under the Taxation (Savings Investment and Miscellaneous Provisions) Act 2006. The Scheme's taxable income under the PIE entity structure from 1 October 2007 is distributed to the members.

e) Members' Accrued Benefits

The KiwiSaver Scheme issues multiple classes of units that are redeemable at the Member's option and do not have identical features and are therefore classified as financial liabilities. Units issued by the Scheme provide the Members with the right to require redemption for cash at the value proportionate to the Member's share in the Scheme's net asset value, provided they meet the requirements of the KiwiSaver Act 2006.

f) Financial Instruments**Classification**

The Scheme has investments categorised as "financial instruments at fair value through profit or loss" and "held to maturity".

The financial instruments at fair value through profit or loss are sub-categorised as "designated at fair value through profit or loss at inception". Financial instruments "designated at fair value through profit or loss at inception" are those that are managed and their performance evaluated on a fair value basis in accordance with the Scheme's investment strategy. The Scheme Manager evaluates these financial instruments on a fair value basis together with other related financial information. These are investments in unlisted unit trusts except for the Lifestages Deposit Portfolio.

Financial instruments "held to maturity" are those assets with fixed or determinable payments and a fixed maturity date for which the Scheme has the positive intention and ability to hold to maturity.

These comprise term investments with banks and building societies, and investments in the Lifestages Deposit Portfolio, which have a similar nature to a term investment.

Recognition, Derecognition and Measurement

Investment assets and liabilities are recognised on the date that the Scheme becomes party to the contractual agreement (trade date). Investment assets are derecognised when the contractual rights to the cash flows expire or the Scheme has transferred substantially all risks and rewards of ownership. Investment liabilities are derecognised when the Scheme has 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 Changes in Net Assets within Net Change in Fair Value of Investments in the period in which they arise.

The measurement for specific financial instruments is as follows:

- i) Unlisted Unit Trusts: These investments are measured at their redemption price as at reporting date as determined by the Manager of the Unit Trust
- ii) Financial Instruments Held to Maturity: These are recorded at amortised cost. Their carrying value closely approximates their fair value.

g) 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.

h) Accounts Payable and Interest Receivables

Accounts payable and interest 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.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i) Application of Accounting Standards

The Scheme has adopted the following new or revised standards in preparing the financial statements for the year ended 31 March 2014:

- > **NZ IFRS 7: (Amendment) Financial Instruments: Disclosures** provides for new disclosures for offsetting financial assets and financial liabilities. The adoption of this standard has impacted the Scheme's level of disclosures but has not had a significant impact on the Scheme's reported result or financial position.
- > **NZ IFRS 12 Disclosure of Interests in Other Entities and Amendments to NZ IFRS 12** requires entities to disclose significant judgements and assumptions made in determining whether the entity controls, jointly controls, significantly influences or has some other interests in other entities. Entities will also be required to provide more disclosure around certain "structured entities". The amendments also introduce new disclosure requirements related to investment entities. The adoption of the standard has impacted the Scheme's level of disclosures in certain of the above noted areas, but has not had an effect on the Scheme's reported result, or financial position.
- > **NZ IFRS 13: Fair Value Measurement** establishes a single framework for measuring fair value where that is required by other standards. The standard prescribes how fair value should be measured and introduces consistent disclosure requirements. It unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The value of investments at fair value through profit or loss under NZ IFRS 13 can be determined using either last sale or bid price valuations. The Scheme currently invests in unitised funds where the last sale price and bid prices are the same, so adopting NZ IFRS 13 has not had an impact on the Scheme's reported result, or financial position.

The following new or amended standards relevant to the Scheme 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 2015. The Scheme plans to adopt this standard for the financial year ending 31 March 2016. 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 Scheme's reported result or financial position.
- > **IAS 32 (Amendments) Offsetting Financial Assets and Financial Liabilities** are effective for annual periods beginning on or after 1 January 2014. The Scheme plans to adopt the changes for the financial year ending 31 March 2015. The amendments clarify the offsetting criteria in IAS 32 by explaining when an entity currently has a legally enforceable right to set-off and when gross settlement is considered to be equivalent to net settlement. Based on the initial assessment, the Standard is not expected to have a material impact on the Scheme.

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

Notes to the financial statements (cont) for the year ended 31 March 2014

6. FINANCIAL INSTRUMENTS

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

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

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

a) Credit Risk

The Scheme is exposed to credit-related losses in the event that a counter party will fail to perform contractual obligations, either in whole or in part, under a contract. The financial instruments which potentially subject the Scheme to credit risk consist principally of cash, short term deposits, receivables and payables in terms of investment transactions, and Unit Trusts. Concentrations of credit risk are minimised by the parameters set out in the Scheme's Investment Guidelines approved by the Trustee.

Whilst the Scheme's investments have a material exposure to the Southland Building Society and ANZ National Bank Limited, these are considered to be without significant risk. Other cash investments are held at Nelson Building Society. The amount of credit risk exposure to Nelson Building Society is \$2,638,119. The maximum exposure for the Scheme to credit risk is represented by the 'Total Assets' set out in the Statement of Financial Position.

b) Market Price Risk

Market price risk is the risk that the value of the Scheme's investment portfolio will fluctuate as a result of changes in market prices. Each Portfolio 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.

The Scheme is subject to market price risk through its International Equity, Australasian Equity, Infrastructure, Property and International Bond Investments, which are noted in Note 12. The benchmark movement of International Equity, Australasian Equity, Infrastructure and Property investments ranges from 10-20%. The benchmark movement of International Bond investments ranges from 1-3%. The impact of movements in these ranges is noted in the table below.

c) Liquidity and Cash Flow Risk

Liquidity Risk is the risk that the Scheme will experience difficulty in either realising assets or otherwise raising sufficient funds to satisfy commitments associated with financial instruments. Cash Flow Risk is the risk that the future cash flows derived from holding financial instruments will fluctuate. The risk management guidelines adopted are designed to minimise liquidity and cash flow risk through:

- > ensuring that there is no significant exposure to illiquid or thinly traded financial instruments; 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 Scheme's 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 Scheme expose it 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 the Scheme.

The Scheme is also exposed to currency risk indirectly by the investment in the Lifestages World Equity and the Lifestages Australasian Equity Portfolios.

Foreign currency exposure is accounted for by marking to market in a manner consistent with the valuation of the underlying securities. The specific exposure and the effect of a reasonable possible

MARKET PRICE RISK	2014		2013		
	Movement:	10%	20%	10%	20%
	\$	\$	\$	\$	
International and Australasian Equities, Infrastructure and Property Investments	3,607,744	7,215,489	2,405,792	4,811,584	
	Movement:	1%	3%	1%	3%
	\$	\$	\$	\$	
International Bonds	126,514	379,541	103,097	309,290	

6. FINANCIAL INSTRUMENTS (CONTINUED)

movement in the foreign currency rate against the New Zealand dollar is outlined as follows:

FOREIGN EXCHANGE RISK		
As at 31 March 2014	AUD	NZD
Vanguard Global Infrastructure Fund	796,828	850,948
Vanguard International Property Securities Index Fund	1,083,237	1,156,810

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

NZD VS AUD NET INCOME EFFECT	2014	2013
	\$	\$
5% Appreciation	(95,607)	-
5% Depreciation	105,672	-

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 Scheme's direct investment and not on a look-through basis for investments held indirectly through unitised investments investing into interest bearing securities. Consequently, the disclosure of interest rate risk in the following Note may not represent the true interest rate risk profile of the Scheme where the Scheme has investments in unit trusts which also have exposure to the interest rate markets.

The benchmark movement is 100bp. A change of interest rates of 100bp would result in a change to net income as noted below:

INTEREST RATE RISK	2014	2013
<i>Movement:</i>	<i>100BP</i>	<i>100BP</i>
	\$	\$
KiwiSaver Scheme	531,253	459,346

f) Fair value

The Scheme classifies financial assets measured at fair value 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 Instruments of the Scheme designated at fair value through profit or loss are classified as being Level 2, as they are measured using directly observable prices at balance date.

g) Capital Management

The Net Assets Attributable to Members represent what the Scheme manages as capital (as redeemable units with no par value), notwithstanding Net Assets Attributable to Members classified as a liability.

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

Notes to the financial statements (cont) for the year ended 31 March 2014

7. RELATED PARTIES

The Scheme holds units in the following Funds Administration New Zealand Limited investment products:

	KiwiSaver Scheme	
	2014	2013
Lifestages World Equity Portfolio		
Units	13,397,063	11,029,768
Market Value	\$ 21,206,588	15,481,317
Lifestages Australasian Equity Portfolio		
Units	7,325,059	5,593,933
Market Value	\$ 12,863,097	8,576,600
Lifestages Deposit Portfolio		
Units	39,735,100	36,561,412
Carrying Value	\$ 39,735,100	36,561,412
Lifestages World Bond Portfolio		
Units	10,644,105	8,930,578
Market Value	\$ 12,651,382	10,309,656
The Scheme holds deposits in Southland Building Society	\$ 2,428,130	2,416,066

Southland Building Society is the parent company of the Manager, Funds Administration New Zealand Limited. Investments held at balance date managed by Funds Administration New Zealand are disclosed above. All such transactions were carried out in the ordinary course of the Scheme's activities and are effected on arm's-length terms.

All net income presented in the Statement of Changes in Net Assets, apart from interest income of \$281,038, dividend income of \$16,978 and unrealised losses of \$46,754, is considered income derived from related parties.

Management Fees and operating costs in accordance with the Trust Deed have been paid by the Scheme to the Manager. These expenses are shown in the Statement of Changes in Net Assets. The outstanding balances payable on such fees are presented in Note 9 Accounts Payable.

Trustee and custody fees have been paid or are payable to Trustees Executors Limited in accordance with the Trust Deed. The trustee fees expenses are shown in the Statement of Changes in Net Assets. The custody fees are included in general expenses in the Statement of Changes in Net Assets.

In addition, each individual member is charged a monthly administration fee of up to \$2, which is paid via unit redemption (prior to September 2013, this fee was \$2.50). This administration fee is paid to Trustees Executors Limited for the day-to-day administration of member accounts and maintaining the member registry for the Scheme.

The total paid or payable to Trustees Executors Limited is as follows:

	KiwiSaver Scheme	
	2014	2013
	\$	\$
Trustee Fees	58,728	42,112
Custody Fees	25,304	29,205
Administration Fees	299,022	247,734
TOTAL TRUSTEE REMUNERATION	383,054	319,051

8. TRADE AND OTHER RECEIVABLES

	KiwiSaver Scheme	
	2014	2013
	\$	\$
Accrued Money Market Interest	97,731	103,239
Dividends Receivable	310,641	400,751
Other Income Receivable	49,131	-
TOTAL TRADE AND OTHER RECEIVABLES	457,503	503,990

9. ACCOUNTS PAYABLE

	KiwiSaver Scheme	
	2014	2013
	\$	\$
Management Fees	66,684	52,342
Audit Fees	6,769	7,187
Other	112,964	38,755
Members' Withdrawals Payable	21,338	-
TOTAL ACCOUNTS PAYABLE	207,755	98,284

10. PIE TAX ATTRIBUTABLE TO MEMBERS

Members' PIE tax payments and refunds are settled with Inland Revenue via the cancellation or issue of units in the Scheme:

	KiwiSaver Scheme	
	2014	2013
	\$	\$
PIE Tax Payable on Behalf of Members at Balance Date	(259,686)	(3,354)
PIE Tax Paid on Behalf of Members during the Year	(327,498)	(278,680)
PIE TAX ATTRIBUTABLE TO MEMBERS FOR THE YEAR	(587,184)	(282,034)

Notes to the financial statements (cont) for the year ended 31 March 2014

11. NET CHANGE IN FAIR VALUE OF INVESTMENTS

	KiwiSaver Scheme	
	2014 \$	2013 \$
Unrealised gains/(losses) on investments held at balance date		
Lifestages World Equity Portfolio	2,075,271	1,227,699
Lifestages Australasian Equity Portfolio	1,486,497	1,376,220
Lifestages World Bond Portfolio	366,157	742,664
Vanguard Global Infrastructure Fund	(16,218)	-
Vanguard International Property Securities Index Fund	(30,536)	-
	3,881,171	3,346,583
Realised gains on investments sold during the year		
Lifestages World Bond Portfolio	1,624	-
	1,624	-
TOTAL NET CHANGE IN FAIR VALUE OF INVESTMENTS	3,882,795	3,346,583

12. INVESTMENTS

	KiwiSaver Scheme	
	2014 \$	2013 \$
Financial Assets held to Maturity		
Nelson Building Society	2,638,119	2,587,506
Southland Building Society	2,428,130	2,416,066
Lifestages Deposit Portfolio	39,735,100	36,561,412
Financial Assets designated at Fair Value		
Lifestages World Equity Portfolio	21,206,588	15,481,317
Lifestages Australasian Equity Portfolio	12,863,097	8,576,600
Lifestages World Bond Portfolio	12,651,382	10,309,656
Vanguard Global Infrastructure Fund	850,948	-
Vanguard International Property Securities Index Fund	1,156,809	-
TOTAL INVESTMENTS	93,530,173	75,932,557

The Scheme holds a 63.0% (2013: 59.8%) interest in the Lifestages World Equity Portfolio and 53.4% (2013: 58.5%) in the Lifestages World Bond Portfolio and 54.8% (2013: 45.0%) interest in the Lifestages Australasian Equity Portfolio. Determining whether the Scheme controls or has a significant influence over these investments primarily focuses on the Scheme's power over the investment decisions that affect relevant returns. In accordance with the Trust Deed, it is the Manager's responsibility to direct the ongoing

day to day investment decisions and more than 75% of the interest in value of the investment is required in order to affect and change the investment decisions and investment policy used by the Manager and approved by the Trustee. The Scheme holdings are below the prescribed threshold, hence the Scheme has concluded that it does not have the power over the relevant activities nor to participate in the financial and operating policy decisions. Therefore the Scheme has not consolidated or equity accounted for these investments.

13. RECONCILIATION OF BENEFITS ACCRUED AS A RESULT OF OPERATIONS TO NET OPERATING CASHFLOW

	KiwiSaver Scheme	
	2014 \$	2013 \$
Net Change in Benefits Accrued	21,139,623	18,902,862
Decrease in Accounts Receivable	46,487	379,782
Increase in Accounts Payable	88,133	12,888
Increase in cost of Investment Assets	(13,714,821)	(15,406,274)
Net Movement in Members' Contributions and Withdrawals	(16,454,137)	(14,656,359)
Adjustment for Non Cash Items		
Change in Fair Value of Financial Instruments	(3,882,795)	(3,346,583)
Less items classified as Financing Activities		
Movements in Payables Attributable to Financing Activities	277,670	(5)
NET CASH OUTFLOWS FROM OPERATING ACTIVITIES	(12,499,840)	(14,113,689)

14. MEMBERS' FUNDS

Members are entitled to one vote per unit at a meeting of the Scheme, and rank equally with regard to each Portfolio's assets.

	KiwiSaver Growth Portfolio		KiwiSaver Capital Stable Portfolio	
	2014 <i>Number of Units</i>	2013 <i>Number of Units</i>	2014 <i>Number of Units</i>	2013 <i>Number of Units</i>
Units on Issue at the Start of the Year	8,649,517	5,095,171	30,179,241	25,286,842
Issue of Units for the Year	4,891,100	3,959,985	7,975,441	7,682,725
Redemption of Units for the Year	(709,384)	(405,639)	(3,263,664)	(2,790,326)
UNITS ON ISSUE AT THE END OF THE YEAR	12,831,232	8,649,517	34,891,018	30,179,241

15. COMMITMENTS AND CONTINGENT LIABILITIES

Other than as disclosed in the Financial Statements or Notes, the Scheme has no contingent liabilities or future commitments as at 31 March 2014 (31 March 2013: Nil).

16. AUDITORS' REMUNERATION

The audit fees stated in the Statement of Changes in Net Assets were paid, or are payable, to the auditor of the Funds.

In addition, Prospectus-related fees of \$1,400 (31 March 2013: \$1,969) and Trustee Reporting Fees of \$1,150 (31 March 2013: \$1,150) were included in the general expenses of the Scheme. Taxation services paid for by the Manager of the Scheme: Nil (31 March 2013: \$1,748).

17. 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 *for the year ended 31 March 2014*



Independent auditor's report

To the members of Lifestages Kiwisaver Scheme

Report on the financial statements

We have audited the accompanying financial statements of Lifestages Kiwisaver Scheme ("the scheme") on pages 2 to 13. The financial statements comprise the statement of financial position as at 31 March 2014, the statements of comprehensive income, changes in equity 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 of financial statements in accordance with generally accepted accounting practice in New Zealand and International Financial Reporting Standards that give a true and fair view of the matters to which they relate, 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 judgement, 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 scheme's preparation of the financial statements that give a true and fair view of the matters to which they relate 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 scheme'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.

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

**Opinion**

In our opinion the financial statements on pages 2 to 13:

- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards;
- give a true and fair view of the financial position of the scheme as at 31 March 2014 and of its financial performance and cash flows for the year then ended.

Report on other legal and regulatory requirements

In accordance with the requirements of sections 16(1)(d) and 16(1)(e) of the Financial Reporting Act 1993, we report that:

- we have obtained all the information and explanations that we have required; and
- in our opinion, proper accounting records have been kept by Lifestages Kiwisaver Scheme as far as appears from our examination of those records.



25 June 2014
Wellington



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Lifestages Kiwisaver Scheme is brought to you by
Funds Administration New Zealand Limited (FANZ)