



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

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Lifestages Portfolios
Annual Report 2014





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Welcome

Greetings to you all as the curtain comes down on another year and we present the 2013/14 edition of the Lifestages Portfolio Annual Report. This document contains the statutory accounts for each of our investment funds, giving you a performance overview for the year ending 31 March, 2014.

What kind of investment year has it been? Something of a mixed bag, though the plusses have definitely outweighed the minuses.

Despite the diet of troubling reports we're fed by the media (Syria and the Ukraine come immediately to mind), the world is actually starting to look relatively settled. The US economy is improving all the time, as are parts of Europe. Even post-GFC basket cases such as Ireland appear to be on the mend.

I wouldn't go so far as to confer 'rock star' status on our own economy, but it is performing strongly on the back of the Christchurch re-build, solid milk returns and a robust property market. The heat this has generated has led to an increase in New Zealand interest rates as the Reserve Bank seeks to dampen inflation. This has had a negative impact on the Income Funds over the past year, but the higher income yield will result in a higher income stream for investors in future years.

I've said it before and I'll say it again: we're not about short term, quick-fire wins. I'd liken our investment journey with you to one of those long, old-fashioned rugby tours the All Blacks used to make to the UK and Ireland. There will always be occasions when it doesn't go our way (think of the losses to Newport in 1963 and Llanelli in 1972) but over the long haul we'll make strong gains and come out on top.

At the heart of our approach is a steadfast commitment to protecting your investment as best we can.

Our modus operandi continues to serve us well. The 2013/14 year has seen the Lifestages Portfolios perform well relative to their

LIFESTAGES PORTFOLIOS: PERFORMANCE TO 31 MARCH 2014

PER ANNUM <i>(before tax and after fees):</i>	1 YEAR	2 YEARS	3 YEARS
CORPORATE BOND PORTFOLIO	1.64%	4.04%	3.78%
INCOME PORTFOLIO	(1.38)%	1.99%	3.76%
WORLD EQUITY PORTFOLIO	12.78%	10.26%	5.77%
AUSTRALASIAN EQUITY PORTFOLIO	14.53%	17.11%	8.89%
WORLD BOND PORTFOLIO	2.96%	5.64%	5.93%

respective benchmarks, producing pre-tax returns ranging from 14.53% to -1.38%. Such a spread is indicative of both the nature of portfolio investing and the need to take a diversified approach.

Many thanks for your support. We value it, and are dedicated to helping you achieve your investment goals on into the future.

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 2014*

	Notes	Corporate Bond Portfolio		Income Portfolio	
		2014 <i>12 Months</i> \$	2013 <i>12 Months</i> \$	2014 <i>12 Months</i> \$	2013 <i>12 Months</i> \$
INCOME					
Interest Income		34,876	38,714	37,378	26,986
Dividend Income		904,869	1,245,080	420,751	420,324
Net Change in Fair Value of Financial Assets	12	(433,284)	529,031	(498,981)	549,266
Other		78,738	83,808	31,323	29,605
NET INVESTMENT INCOME		585,199	1,896,633	(9,529)	1,026,181
EXPENSES					
Trustee Fees		15,947	14,657	11,240	9,882
Management Fees		192,139	209,699	97,693	89,306
Management Performance Fees		–	106,208	–	35,821
Administration Costs		8,937	19,549	75,715	73,605
Audit Fees	15	6,769	6,613	6,769	6,613
OPERATING EXPENSES		223,792	356,726	191,417	215,227
NET INCOME/(LOSS) BEFORE FINANCE COSTS		361,407	1,539,907	(200,946)	810,954
Distribution on Units Classified as Liabilities		–	–	–	–
TOTAL FINANCE COSTS		–	–	–	–
NET INCOME/(LOSS)		361,407	1,539,907	(200,946)	810,954
INCREASE/(DECREASE) IN NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS		361,407	1,539,907	(200,946)	810,954

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	
2014	2013	2014	2013	2014	2013	2014	2013
12 Months	12 Months	12 Months	12 Months	12 Months	12 Months	12 Months	12 Months
\$	\$	\$	\$	\$	\$	\$	\$
57,442	39,604	23,476	30,643	3,000,873	2,852,917	54,170	30,126
811,918	198,528	148,695	242,821	-	-	276,261	-
3,349,043	2,157,040	3,282,281	3,408,967	-	-	608,739	1,423,383
37,855	33,768	13,702	10,364	-	-	14,680	20,087
4,256,258	2,428,940	3,468,154	3,692,795	3,000,873	2,852,917	953,850	1,473,596
21,347	14,146	14,227	10,466	-	-	15,751	9,746
387,488	280,872	262,533	209,351	-	-	180,971	129,964
312,856	110,805	240,420	297,465	-	-	-	97,183
102,668	77,820	96,969	57,360	-	-	72,104	48,344
6,769	6,613	6,769	6,613	-	-	6,769	6,613
831,128	490,256	620,918	581,255	-	-	275,595	291,850
3,425,130	1,938,684	2,847,236	3,111,540	3,000,873	2,852,917	678,255	1,181,746
-	-	-	-	3,233,619	3,516,426	-	-
-	-	-	-	3,233,619	3,516,426	-	-
3,425,130	1,938,684	2,847,236	3,111,540	(232,746)	(663,509)	678,255	1,181,746
3,425,130	1,938,684	2,847,236	3,111,540	(232,746)	(663,509)	678,255	1,181,746

Statement of Changes in Net Assets Attributable to Unit Holders

for the year ended 31 March 2014

	Corporate Bond Portfolio		Income Portfolio	
	2014 12 Months \$	2013 12 Months \$	2014 12 Months \$	2013 12 Months \$
Notes				
BALANCE AT THE START OF THE YEAR	23,032,805	26,299,958	15,620,653	14,851,151
Increase/(Decrease) in Net Assets Attributable to Unit Holders	361,407	1,539,907	(200,946)	810,954
Contributions from Unit Holders	2,743,546	2,581,274	4,292,965	2,016,349
Withdrawals by Unit Holders	(4,565,442)	(7,242,352)	(2,945,418)	(1,993,526)
PIE Tax attributed to Unit Holders	10 (190,129)	(145,982)	(35,582)	(64,275)
BALANCE AT THE END OF THE YEAR	21,382,187	23,032,805	16,731,672	15,620,653

	2014	2013	2014	2013
	Number of Units	Number of Units	Number of Units	Number of Units
UNITS ON ISSUE AT THE START OF THE YEAR	21,325,679	25,931,404	9,846,550	9,874,123
Issue of Units for the Year	2,527,832	2,465,725	2,761,903	1,392,952
Redemptions for the Year	(4,374,574)	(7,071,450)	(1,913,715)	(1,420,525)
Distributions	-	-	-	-
UNITS ON ISSUE AT THE END OF THE YEAR	19,478,937	21,325,679	10,694,738	9,846,550

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	
2014	2013	2014	2013	2014	2013	2014	2013
12 Months	12 Months	12 Months	12 Months	12 Months	12 Months	12 Months	12 Months
\$	\$	\$	\$	\$	\$	\$	\$
25,887,304	20,141,519	19,061,923	14,654,720	75,277,632	71,554,258	17,611,750	11,649,814
3,425,130	1,938,684	2,847,236	3,111,540	(232,746)	(663,509)	678,255	1,181,746
6,931,336	4,725,588	4,035,790	2,206,840	73,441,256	102,197,168	6,618,697	5,019,370
(2,569,648)	(913,759)	(2,463,950)	(910,861)	(76,772,513)	(97,424,588)	(1,220,044)	(236,989)
(6,335)	(4,728)	2,831	(316)	(460,672)	(385,697)	(9,033)	(2,191)
33,667,787	25,887,304	23,483,830	19,061,923	71,252,957	75,277,632	23,679,625	17,611,750

2014	2013	2014	2013	2014	2013	2014	2013
Number of Units	Number of Units	Number of Units	Number of Units	Number of Units	Number of Units	Number of Units	Number of Units
18,443,521	15,462,082	12,432,740	11,461,031	74,473,968	70,068,814	15,255,820	10,934,882
4,511,823	3,709,396	2,496,231	1,654,183	72,311,515	102,066,012	5,727,382	4,534,997
(1,686,034)	(727,957)	(1,555,794)	(682,474)	(79,310,884)	(101,177,284)	(1,060,603)	(214,059)
-	-	-	-	3,233,619	3,516,426	-	-
21,269,310	18,443,521	13,373,177	12,432,740	70,708,218	74,473,968	19,922,599	15,255,820

Statement of Financial Position *for the year ended 31 March 2014*

	Notes	Corporate Bond Portfolio		Income Portfolio	
		2014 <i>12 Months</i> \$	2013 <i>12 Months</i> \$	2014 <i>12 Months</i> \$	2013 <i>12 Months</i> \$
ASSETS					
Cash		933,351	1,506,727	1,336,280	981,212
Financial Assets held to Maturity		–	–	–	–
Financial Assets held at Fair Value through Profit or Loss	13	20,520,234	21,569,910	15,420,639	14,667,545
Trade and Other Receivables	8	–	277	–	192
Unit Holder Attributed PIE Tax Receivable	10	–	–	7,265	–
TOTAL ASSETS		21,453,585	23,076,914	16,764,184	15,648,949
LESS LIABILITIES					
Accounts Payable	9	35,494	41,422	32,512	28,006
Unit Holder Attributed PIE Tax Payable	10	35,904	2,687	–	290
TOTAL LIABILITIES (excluding Net Assets attributable to Unit Holders)		71,398	44,109	32,512	28,296
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS		21,382,187	23,032,805	16,731,672	15,620,653

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	
2014 <i>12 Months</i>	2013 <i>12 Months</i>	2014 <i>12 Months</i>	2013 <i>12 Months</i>	2014 <i>12 Months</i>	2013 <i>12 Months</i>	2014 <i>12 Months</i>	2013 <i>12 Months</i>
\$	\$	\$	\$	\$	\$	\$	\$
1,705,328	2,388,251	1,380,474	1,381,691	13,064,708	18,595,623	1,613,336	1,587,775
-	-	-	-	57,799,777	56,039,441	-	-
32,034,151	23,660,403	22,281,362	17,849,010	-	-	22,109,889	16,060,208
-	460	-	270	524,011	654,205	-	311
-	-	943	81	-	-	-	-
33,739,479	26,049,114	23,662,779	19,231,052	71,388,496	75,289,269	23,723,225	17,648,294
68,823	161,707	178,949	169,129	10,439	11,637	42,467	36,544
2,869	103	-	-	125,100	-	1,133	-
71,692	161,810	178,949	169,129	135,539	11,637	43,600	36,544
33,667,787	25,887,304	23,483,830	19,061,923	71,252,957	75,277,632	23,679,625	17,611,750



Director



Director

25 June 2014
Date

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

	Notes	Corporate Bond Portfolio		Income Portfolio	
		2014 <i>12 Months</i> \$	2013 <i>12 Months</i> \$	2014 <i>12 Months</i> \$	2013 <i>12 Months</i> \$
CASH FLOWS FROM OPERATING ACTIVITIES					
Interest Income		35,153	38,576	37,570	26,859
Dividend Income		904,869	1,245,080	420,751	420,324
Other Income		78,738	83,808	31,323	29,605
Proceeds from Sale of Investment Assets		1,600,000	4,500,000	200,000	200,000
Purchase of Investment Assets		(983,607)	(1,328,886)	(1,452,075)	(449,930)
Operating Expenses Paid		(229,721)	(356,918)	(186,911)	(209,898)
NET CASH FROM/(USED IN) OPERATING ACTIVITIES	11	1,405,432	4,181,660	(949,342)	16,960
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from Contributions by Unit Holders		2,743,546	2,581,274	4,292,965	2,016,349
Payments for Withdrawals by Unit Holders		(4,722,354)	(7,388,334)	(2,988,555)	(2,057,801)
Distributions Paid to Unit Holders		–	–	–	–
NET CASH (USED IN)/FROM FINANCING ACTIVITIES		(1,978,808)	(4,807,060)	1,304,410	(41,452)
NET (DECREASE) / INCREASE IN CASH		(573,376)	(625,400)	355,068	(24,492)
Cash at the Beginning of the Financial Year		1,506,727	2,132,127	981,212	1,005,704
CASH AT THE END OF THE FINANCIAL YEAR		933,351	1,506,727	1,336,280	981,212

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	
2014	2013	2014	2013	2014	2013	2014	2013
12 Months	12 Months	12 Months	12 Months	12 Months	12 Months	12 Months	12 Months
\$	\$	\$	\$	\$	\$	\$	\$
57,902	39,203	23,746	30,445	3,129,865	3,682,285	54,481	29,859
811,918	198,528	148,695	242,821	-	-	276,261	-
37,855	33,768	13,702	10,364	-	-	14,680	20,087
15,312,205	22,618,065	7,408,822	1,488	67,362,021	91,488,694	10,000,000	-
(20,336,909)	(24,846,193)	(8,558,891)	(853,185)	(69,122,353)	(97,557,690)	(15,440,942)	(3,620,087)
(924,013)	(367,589)	(611,100)	(446,469)	-	-	(269,672)	(300,275)
(5,041,042)	(2,324,218)	(1,575,026)	(1,014,536)	1,369,533	(2,386,711)	(5,365,192)	(3,870,416)
6,931,336	4,725,588	4,035,790	2,206,840	73,441,256	102,197,168	6,618,697	5,019,370
(2,573,217)	(918,487)	(2,461,981)	(911,177)	(77,108,085)	(97,810,285)	(1,227,944)	(239,180)
-	-	-	-	(3,233,619)	(3,516,426)	-	-
4,358,119	3,807,101	1,573,809	1,295,663	(6,900,448)	870,457	5,390,753	4,780,190
(682,923)	1,482,883	(1,217)	281,127	(5,530,915)	(1,516,254)	25,561	909,774
2,388,251	905,368	1,381,691	1,100,564	18,595,623	20,111,877	1,587,775	678,001
1,705,328	2,388,251	1,380,474	1,381,691	13,064,708	18,595,623	1,613,336	1,587,775

Notes to the financial statements *for the year ended 31 March 2014*

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. 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.

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 Unit Trust Act 1960, 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 25 June 2014.

2. MANAGER AND TRUSTEE

The Manager of the Funds is Funds Administration New Zealand Limited, a subsidiary of Southland Building Society. 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 Trustee is Trustees Executors Limited (the Trustee). The Trustee is entitled to be paid out of the Scheme a fee up to 0.06% p.a. calculated weekly on the Gross Asset Value of the Funds.

3. ACCOUNTING PERIOD.

The Financial Statements cover the result of operations for the 12 months to 31 March 2014.

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, other relevant legislative requirements 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).

b) 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.

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 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.

4. BASIS OF PREPARATION (continued)

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.

d) Changes in Accounting Policy

There has been no change in accounting policies during the 12 months to 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) 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.

c) Expense Recognition

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

d) 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.

e) GST

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

f) 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.

g) 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

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

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

h) 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.

i) 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.

j) Application of Accounting Standards

The Funds have 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 Funds' level of disclosures but has not had a significant impact on the Funds' 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 Funds' level of disclosures in certain of the above noted areas, but has not had an effect on the Funds' 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 Funds currently invest 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 Funds' reported result, or financial position.

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 2015. The Funds plan 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 Funds' 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 Funds plan 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 material impact on the Funds.

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.

6. 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 7, there was no significant concentration of credit risk to counter-parties (including related parties) at 31 March 2014 or 31 March 2013.

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 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% (2013 10-20%).

The benchmark movement for Lifestages Income Portfolio, Lifestages Corporate Bond Portfolio and Lifestages World Bond Portfolio investments ranges from 1-3% (2013: 1-3%).

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

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.

MARKET PRICE RISK	2014		2013		
	Movement	10% \$	20% \$	10% \$	20% \$
World Equity Portfolio		3,203,415	6,406,830	2,366,040	4,732,081
Australasian Equity Portfolio		2,228,136	4,456,272	1,784,901	3,569,802
	Movement	1% \$	3% \$	1% \$	3% \$
Income Portfolio		154,206	462,619	146,675	440,026
World Bond Portfolio		221,099	663,297	160,602	481,806
Corporate Bond Portfolio		205,202	615,607	215,699	647,097

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

6. FINANCIAL ASSETS AND ASSOCIATED RISKS (continued)**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 2014	AUD	NZD
BlackRock Wholesale Indexed International Equity Fund	12,013,330	12,829,263
Magellan Global Fund	5,815,833	6,210,842
As at 31 March 2013		
BlackRock Wholesale Indexed International Equity Fund	7,822,649	9,761,224
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	2014	2013
5% Appreciation	(906,672)	(464,821)
5% Depreciation	1,002,113	513,749

LIFESTAGES AUSTRALASIAN EQUITY PORTFOLIO		
As at 31 March 2014	AUD	NZD
BlackRock Wholesale Indexed Australian Equity Fund	3,565,210	3,807,359
As at 31 March 2013		
BlackRock Wholesale Indexed Australian Equity Fund	2,309,432	2,881,747
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	2014	2013
5% Appreciation	(181,304)	(137,226)
5% Depreciation	200,386	151,671

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 100bp. A change of interest rates of 100bp would result in the change to net income as follows:

NET INCOME EFFECT CHANGE	2014	2013
	\$	\$
Corporate Bond Portfolio	9,334	15,067
Income Portfolio	13,363	9,812
World Equity Portfolio	17,053	23,883
Australasian Equity Portfolio	13,805	13,817
Deposit Portfolio	708,645	746,351
World Bond Portfolio	16,133	15,878

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.

7. 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:

	2014	2013
Corporate Bond Portfolio	0.43%	0.39%
Income Portfolio	3.55%	5.01%
World Equity Portfolio	0.11%	0.14%
Deposit Portfolio	100.00%	100.00%

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

to the Manager. These expenses are shown in the Statement of Comprehensive Income. The outstanding balances payable on such fees are presented in Note 9 Accounts Payable.

The Lifestages Income Portfolio holds Units in the following Funds Administration New Zealand investment products:

	2014	2013
Lifestages Corporate Bond Portfolio	595,417	784,179

Trustee and custody fees have been paid or are payable to the Trustee in accordance with the Trust Deed. The trustee fees are shown in the Statement of Comprehensive Income. The custody fees are included in Administration expenses in the Statement of Comprehensive Income.

The total paid or payable to the Trustee is as follows:

	Corporate Bond Portfolio		Income Portfolio		World Equity Portfolio		Australasian Equity Portfolio		World Bond Portfolio	
	2014 12 Months	2013 12 Months	2014 12 Months	2013 12 Months	2014 12 Months	2013 12 Months	2014 12 Months	2013 12 Months	2014 12 Months	2013 12 Months
Trustee Remuneration	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Trustee Fees	15,947	14,657	11,240	9,882	21,347	14,146	14,227	10,466	15,751	9,746
Custody Fees	6,723	4,272	5,310	7,241	10,014	10,483	6,416	7,891	6,812	7,013
TOTAL	22,670	18,929	16,550	17,123	31,361	24,629	20,643	18,357	22,563	16,759

8. TRADE AND OTHER RECEIVABLES

	Corporate Bond Portfolio		Income Portfolio		World Equity Portfolio		Australasian Equity Portfolio		Deposit Portfolio		World Bond Portfolio	
	2014 12 Months	2013 12 Months	2014 12 Months	2013 12 Months	2014 12 Months	2013 12 Months	2014 12 Months	2013 12 Months	2014 12 Months	2013 12 Months	2014 12 Months	2013 12 Months
Trade and Other Receivables	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Interest Receivable	–	277	–	192	–	460	–	270	524,011	654,205	–	311
TOTAL	–	277	–	192	–	460	–	270	524,011	654,205	–	311

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

	Corporate Bond Portfolio		Income Portfolio	
	2014	2013	2014	2013
	\$	\$	\$	\$
9. ACCOUNTS PAYABLE				
Management Fees	15,733	16,724	9,445	7,714
Performance Fees	–	–	–	767
Audit Fees	6,769	6,613	6,769	6,613
Other	12,992	18,085	16,298	12,912
TOTAL ACCOUNTS PAYABLE	35,494	41,422	32,512	28,006
10. PIE TAX ATTRIBUTABLE TO UNIT HOLDERS				
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	(35,904)	(2,687)	7,265	(290)
PIE Tax (Paid)/Refunded on Behalf of Unit Holders during the Year	(154,225)	(143,295)	(42,847)	(63,985)
PIE TAX ATTRIBUTABLE TO UNIT HOLDERS FOR THE YEAR	(190,129)	(145,982)	(35,582)	(64,275)
11. RECONCILIATION OF NET CASH FROM OPERATING ACTIVITIES TO NET INCOME/(LOSS)				
Net Income/(Loss)	361,407	1,539,907	(200,946)	810,954
Movement in Working Capital Balances:				
Decrease/(Increase) in Accounts Receivable	277	(138)	192	(127)
(Decrease)/Increase in Accounts Payable	(5,928)	(192)	4,506	5,329
Decrease/(Increase) in Investment Assets	616,392	3,171,114	(1,252,075)	(249,930)
Adjustment for Non Cash Items:				
Change in Fair Value of Financial Assets	433,284	(529,031)	498,981	(549,266)
Adjustment for Finance Costs	–	–	–	–
NET CASHFLOW FROM/(USED IN) OPERATING ACTIVITIES	1,405,432	4,181,660	(949,342)	16,960
12. CHANGES IN NET FAIR VALUE OF FINANCIAL ASSETS				
Unit Trusts – Australasian Equities	–	–	–	–
Unit Trusts – International Equities	–	–	–	–
Unit Trusts – International Bonds	–	–	–	–
Unit Trusts – Corporate Bonds	(433,284)	529,031	11,238	53,607
Unit Trusts – Income	–	–	(510,219)	495,659
TOTAL NET CHANGE IN FAIR VALUE OF FINANCIAL ASSETS	(433,284)	529,031	(498,981)	549,266
13. FINANCIAL ASSETS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS				
Financial Assets Designated at Fair Value through Profit or Loss:				
Unit Trusts – Australasian Equities	–	–	–	–
Unit Trusts – International Equities	–	–	–	–
Unit Trusts – International Bonds	–	–	–	–
Unit Trusts – Corporate Bonds	20,520,234	21,569,910	595,417	784,179
Unit Trusts – Income	–	–	14,825,222	13,883,366
TOTAL	20,520,234	21,569,910	15,420,639	14,667,545

World Equity Portfolio		Australasian Equity Portfolio		Deposit Portfolio		World Bond Portfolio	
2014	2013	2014	2013	2014	2013	2014	2013
\$	\$	\$	\$	\$	\$	\$	\$
35,867	27,810	24,693	20,588	-	-	17,051	12,769
-	110,805	114,755	124,920	-	-	-	11,025
6,769	6,613	6,769	6,613	-	-	6,769	6,613
26,187	16,479	32,732	17,008	10,439	11,637	18,647	6,137
68,823	161,707	178,949	169,129	10,439	11,637	42,467	36,544
(2,869)	(103)	943	81	(125,100)	-	(1,133)	-
(3,466)	(4,625)	1,888	(397)	(335,572)	(385,697)	(7,900)	(2,191)
(6,335)	(4,728)	2,831	(316)	(460,672)	(385,697)	(9,033)	(2,191)
3,425,130	1,938,684	2,847,236	3,111,540	(232,746)	(663,509)	678,255	1,181,746
460	(401)	270	(198)	130,194	827,765	311	(267)
(92,884)	122,667	9,820	134,786	(1,198)	1,603	5,923	(8,425)
(5,024,705)	(2,228,128)	(1,150,071)	(851,697)	(1,760,336)	(6,068,996)	(5,440,942)	(3,620,087)
(3,349,043)	(2,157,040)	(3,282,281)	(3,408,967)	-	-	(608,739)	(1,423,383)
-	-	-	-	3,233,619	3,516,426	-	-
(5,041,042)	(2,324,218)	(1,575,026)	(1,014,536)	1,369,533	(2,386,711)	(5,365,192)	(3,870,416)
-	-	3,282,281	3,408,967	-	-	-	-
3,349,043	2,157,040	-	-	-	-	-	-
-	-	-	-	-	-	608,739	1,423,383
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
3,349,043	2,157,040	3,282,281	3,408,967	-	-	608,739	1,423,383
-	-	22,281,362	17,849,010	-	-	-	-
32,034,151	23,660,403	-	-	-	-	-	-
-	-	-	-	-	-	22,109,889	16,060,208
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
32,034,151	23,660,403	22,281,362	17,849,010	-	-	22,109,889	16,060,208

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

14. 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 2014 (31 March 2013: 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	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	<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	6,613	6,769	6,613	6,769	6,613	6,769	6,613	6,769	6,613
Prospectus related Fees	302	566	237	382	459	620	310	464	320	427
Trustee Reporting Fees	394	490	310	331	599	538	405	402	418	370
TOTAL AUDITORS' REMUNERATION	7,465	7,669	7,316	7,326	7,827	7,771	7,484	7,479	7,507	7,410

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

Report on the financial statements

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; and
- Lifestages World Bond Portfolio

The financial statements on pages 2 to 18 comprise the statement of financial position as at 31 March 2014, 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 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 Unit Trust'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 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 interest 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;
- comply with International Financial Reporting Standards;
- give a true and fair view of the financial position of the Unit Trust 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 Funds Administration New Zealand Lifestages Portfolios as far as appears from our examination of those records.

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

25 June 2014
Wellington

stages



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