

Annual Report 2012

lifestages 



LIFESTAGES PORTFOLIOS

LIFESTAGES PORTFOLIOS

Statement of Comprehensive Income *for the year ended 31 March 2012*

	Notes	Corporate Bond Portfolio		Income Portfolio	
		2012 12 Months \$	2011 12 Months \$	2012 12 Months \$	2011 12 Months \$
Income					
Interest Income		1,339,132	3,091,848	21,909	22,143
Dividend Income		568,137	–	529,537	541,821
Net Change in Fair Value of Investments	11	177,085	(117,100)	739,868	256,884
Other		12,160	800	25,651	11,228
Net Investment Income		2,096,514	2,975,548	1,316,965	832,076
Expenses					
Trustee Fees		21,875	32,875	11,568	9,347
Management Fees		372,374	635,002	83,111	75,257
Management Performance Fees		15,579	–	97,716	56,014
Mortgage Impairment Loss		123,563	254	–	–
Administration Costs		177,874	413,860	66,848	64,996
Audit Fees	14	6,529	6,749	6,529	6,749
Operating Expenses		717,794	1,088,740	265,772	212,363
Net Income/(Loss) before Finance Costs		1,378,720	1,886,808	1,051,193	619,713
Distribution on Units Classified as Liabilities		–	–	–	–
Total Finance Costs		–	–	–	–
Net Income/(Loss)		1,378,720	1,886,808	1,051,193	619,713
Increase/(Decrease) in Net Assets attributable to Unit Holders		1,378,720	1,886,808	1,051,193	619,713

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	
2012 12 Months \$	2011 12 Months \$	2012 12 Months \$	2011 12 Months \$	2012 12 Months \$	2011 12 Months \$	2012 12 Months \$	2011 1 Month \$
33,389	26,994	25,776	27,362	3,024,725	2,457,067	11,840	–
702,056	104,440	152,321	450,414	–	–	–	–
(715,744)	1,054,274	(732,851)	175,606	–	–	608,261	–
–	–	5,226	355	–	–	5,477	–
19,701	1,185,708	(549,528)	653,737	3,024,725	2,457,067	625,578	–
11,642	9,297	8,873	7,873	–	–	4,465	–
220,834	175,552	170,286	149,626	–	–	54,588	–
–	127,254	–	102,916	–	–	40,077	–
–	–	–	–	–	–	–	–
61,625	49,470	48,363	39,698	–	–	20,332	–
6,529	6,749	6,529	6,749	–	–	6,483	–
300,630	368,322	234,051	306,862	–	–	125,945	–
(280,929)	817,386	(783,579)	346,875	3,024,725	2,457,067	499,633	–
–	–	–	–	2,118,722	2,067,473	–	–
–	–	–	–	2,118,722	2,067,473	–	–
(280,929)	817,386	(783,579)	346,875	906,003	389,594	499,633	–
(280,929)	817,386	(783,579)	346,875	906,003	389,594	499,633	–

LIFESTAGES PORTFOLIOS

Statement of Changes in Net Assets Attributable to Unit Holders

for the year ended 31 March 2012

	Notes	Corporate Bond Portfolio		Income Portfolio	
		2012 12 Months \$	2011 12 Months \$	2012 12 Months \$	2011 12 Months \$
Balance at the Start of the Year		43,773,705	61,768,363	14,566,155	14,392,635
Increase/(Decrease) in Net Assets Attributable to Unit Holders		1,378,720	1,886,808	1,051,193	619,713
Contributions from Unit Holders		3,240,756	2,516,488	1,878,188	2,480,355
Withdrawals by Unit Holders		(21,012,989)	(20,417,970)	(2,644,385)	(2,926,548)
Distributions to Unit Holders		(1,080,234)	(1,979,984)	–	–
Balance at the End of the Year		26,299,958	43,773,705	14,851,151	14,566,155

	2012	2011	2012	2011
	Number of Units	Number of Units	Number of Units	Number of Units
Units on Issue at the Start of the Year	43,606,567	61,401,336	10,400,097	10,721,153
Issue of Units for the Period	2,363,916	1,568,797	1,228,438	1,634,034
Redemptions for the Period	(20,642,778)	(20,070,670)	(1,742,262)	(2,125,645)
Distributions	552,637	936,655	–	–
Switches for the Period	51,062	(229,551)	(12,150)	170,555
Units of Issue at the End of the Year	25,931,404	43,606,567	9,874,123	10,400,097

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	
2012 12 Months \$	2011 12 Months \$	2012 12 Months \$	2011 12 Months \$	2012 12 Months \$	2011 12 Months \$	2012 12 Months \$	2011 1 Month \$
16,261,693	12,638,315	13,537,038	11,082,046	65,694,615	51,276,115	100,000	–
(280,929)	817,386	(783,579)	346,875	906,003	389,594	499,633	–
5,372,633	3,603,335	2,988,319	2,902,994	60,577,849	62,894,970	11,337,009	100,000
(1,211,878)	(797,343)	(1,087,058)	(794,877)	(55,624,209)	(48,866,064)	(286,828)	–
–	–	–	–	–	–	–	–
20,141,519	16,261,693	14,654,720	13,537,038	71,554,258	65,694,615	11,649,814	100,000

2012 Number of Units	2011 Number of Units	2012 Number of Units	2011 Number of Units	2012 Number of Units	2011 Number of Units	2012 Number of Units	2011 Number of Units
12,155,637	9,867,069	9,952,594	8,261,756	65,102,477	51,026,624	100,000	–
4,242,470	2,930,631	2,356,030	2,315,542	52,764,081	40,488,524	11,085,365	100,000
(923,282)	(642,063)	(831,834)	(624,704)	(49,916,467)	(29,193,756)	(251,352)	–
–	–	–	–	2,118,723	2,067,473	–	–
(12,743)	–	(15,759)	–	–	714,612	869	–
15,462,082	12,155,637	11,461,031	9,952,594	70,068,814	65,102,477	10,934,882	100,000

LIFESTAGES PORTFOLIOS

Statement of Financial Position *for the year ended 31 March 2012*

	Notes	Corporate Bond Portfolio		Income Portfolio	
		2012 \$	2011 \$	2012 \$	2011 \$
Financial position as at 31 March 2012					
Assets					
Cash		2,132,127	2,750,114	1,005,704	770,925
Deposits		–	–	–	–
Mortgages		–	41,271,076	–	–
Financial Assets held at Fair Value through profit or loss	12	24,211,993	–	13,868,349	13,828,459
Interest and other receivables	8	139	113,747	65	–
Total Assets		26,344,259	44,134,937	14,874,118	14,599,384
Less Liabilities					
Account Payable	9	44,301	66,242	22,967	33,229
Financial Liabilities held at Fair Value through profit or loss	12	–	294,990	–	–
Total Liabilities (excluding Net Assets attributable to Unit Holders)		44,301	361,232	22,967	33,229
Net Assets attributable to Unit Holders		26,299,958	43,773,705	14,851,151	14,566,155

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	
2012	2011	2012	2011	2012	2011	2012	2011
\$	\$	\$	\$	\$	\$	\$	\$
905,368	1,076,245	1,100,564	958,442	20,111,877	21,443,734	678,001	100,000
–	–	–	–	49,970,445	43,667,672	–	–
–	–	–	–	–	–	–	–
19,275,235	15,234,605	13,588,346	12,637,457	–	–	11,016,738	–
59	–	72	–	1,481,970	592,138	44	–
20,180,662	16,310,850	14,688,982	13,595,899	71,564,292	65,703,544	11,694,783	100,000
39,143	49,157	34,262	58,861	10,034	8,929	44,969	–
–	–	–	–	–	–	–	–
39,143	49,157	34,262	58,861	10,034	8,929	44,969	–
20,141,519	16,261,693	14,654,720	13,537,038	71,554,258	65,694,615	11,649,814	100,000



Director



Director

31/07/12
Date

LIFESTAGES PORTFOLIOS

Statement of Cash Flows *for the year ended 31 March 2012*

	Note	Corporate Bond Portfolio		Income Portfolio	
		2012 12 Months \$	2011 12 Months \$	2012 12 Months \$	2011 12 Months \$
Cash Flows from Operating Activities					
Interest Income		1,452,740	3,183,425	21,844	22,143
Dividend Income		568,137	–	529,537	541,821
Other Income		12,160	800	25,651	11,228
Proceeds from Sale of Investment Assets		41,647,513	18,377,810	1,255,165	750,000
Purchase of Investment Assets		(24,829,898)	–	(555,187)	(653,049)
Operating Expenses Paid		(616,172)	(1,111,480)	(276,034)	(209,001)
Net Cash (used in)/from Operating Activities	10	18,234,480	20,450,555	1,000,976	463,142
Cash Flows from Financing Activities					
Proceeds from contributions by Unit Holders		3,240,756	2,516,488	1,878,188	2,480,355
Payments for withdrawals by Unit Holders		(21,012,989)	(20,417,970)	(2,644,385)	(2,926,548)
Distributions paid to Unit Holders		(1,080,234)	(1,979,984)	–	–
Net Cash (used in)/from Financing Activities		(18,852,467)	(19,881,466)	(766,197)	(446,193)
Net (Decrease) / Increase in Cash		(617,987)	569,089	234,779	16,949
Cash at the beginning of the Financial Year		2,750,114	2,181,025	770,925	753,976
Cash at the end of the Financial Year		2,132,127	2,750,114	1,005,704	770,925

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	
2012 12 Months \$	2011 12 Months \$	2012 12 Months \$	2011 12 Months \$	2012 12 Months \$	2011 12 Months \$	2012 12 Months \$	2011 1 Month \$
33,330	26,994	25,704	27,362	2,135,998	2,119,747	11,796	–
702,056	104,440	152,321	450,414	–	–	–	–
–	–	5,226	355	–	–	5,477	–
3,414	3,013	3,973,804	6,211,887	–	–	–	–
(4,759,788)	(2,151,630)	(5,657,544)	(8,329,080)	(6,302,773)	(22,069,409)	(10,408,477)	–
(310,644)	(386,717)	(258,650)	(272,759)	–	–	(80,976)	–
(4,331,632)	(2,403,900)	(1,759,139)	(1,911,821)	(4,166,775)	(19,949,662)	(10,472,180)	–
5,372,633	3,603,335	2,988,319	2,902,994	60,577,849	62,894,970	11,337,009	100,000
(1,211,878)	(797,343)	(1,087,058)	(794,877)	(55,624,209)	(48,866,064)	(286,828)	–
–	–	–	–	(2,118,722)	(2,067,473)	–	–
4,160,755	2,805,992	1,901,261	2,108,117	2,834,918	11,961,433	11,050,181	100,000
(170,877)	402,092	142,122	196,296	(1,331,857)	(7,988,229)	578,001	100,000
1,076,245	674,153	958,442	762,146	21,443,734	29,431,963	100,000	–
905,368	1,076,245	1,100,564	958,442	20,111,877	21,443,734	678,001	100,000

Notes to the financial statements *for the year ended 31 March 2012*

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)
- Lifestages Income Portfolio
- Lifestages World Equity Portfolio
- Lifestages Australasian Equity Portfolio
- Lifestages Deposit Portfolio
- Lifestages World Bond Portfolio

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 to the Fund, 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 31 July 2012.

2. MANAGER AND TRUSTEE

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

The Trustee is Trustees Executors Limited.

3. ACCOUNTING PERIOD

The Corporate Bond Portfolio (formerly the Mortgage Distributing Portfolio) commenced on 24 June 2002.

The Income Portfolio and the World Equity Portfolio commenced on 1 July 2003.

The Australasian Equity Portfolio commenced on 1 October 2004.

The Deposit Portfolio commenced on 1 March 2009.

The World Bond Portfolio commenced on 1 March 2011.

The Financial Statements cover the result of operations for the 12 months to 31 March 2012.

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) Basis of Measurement

The Financial Statements have been prepared on the historical cost basis except for the following assets and liabilities which are stated at their fair value: derivative financial instruments and financial assets designated at fair value through profit or loss.

c) 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.

d) 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.

e) Changes in Accounting Policy

There has been no change in accounting policies during the 12 months to 31 March 2012.

Notes to the financial statements (cont) for the year ended 31 March 2012

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 require redemption for cash at the value proportionate to the Unit Holder's share in each Fund's net asset value. The units qualify as 'puttable instruments'.

The 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 Instruments Fair Value Measurement

The measurement base of financial instruments is consistent with Note 4(b) basis of measurement.

The measurement for specific instruments are as follows:

i) Unlisted Unit Trusts

Unlisted Unit Trusts are designated at fair value, with any gain or loss recognised in profit or loss. These investments are quoted at their redemption price as at reporting date as determined by the Manager of the Trust, which inherently includes transaction costs.

ii) Cash

Comprises call deposits with banks and building societies.

iii) Deposits

Term investments with banks and building societies.

iv) Accounts Payable, Interest and Other Receivables, Prepayments are recorded at historical cost.

The financial instruments not accounted for at fair value through profit or loss (Cash, Deposits, Accounts Payable, Interest and Other Receivables and Prepayments) are financial assets and liabilities whose carrying amounts approximate fair value.

v) Interest Rate Swaps (derivative financial instrument)

Fair Values of the Interest Rate Swaps associated with the Lifestages Corporate Bond Portfolio (formerly the Lifestages Mortgage Distributing Portfolio) are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and options pricing models, as appropriate. The valuation is prepared by Southland Building Society.

vi) Mortgages

Mortgages are valued at face value excluding accrued interest. The face value of the mortgages is equivalent to the market value in accordance with the Manager's contractual agreement with Southland Building Society.

h) Application of Accounting Standards

A number of new standards, amendments to standards and interpretations on issue are not yet effective for the year ended 31 March 2012, and have not been applied in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Funds, with the possible exception of NZ IFRS 9, effective for annual periods beginning on or after 1 January 2015.

The Funds are currently in the process of evaluating the potential effect of this standard. The standard is not expected to have a material impact on the financial statements. The above standard will be applied in the financial statements of the year ending 31 March 2016.

6. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS

The Lifestages Portfolios investing activities expose it 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 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 instruments 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 instruments 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 2012 or 31 March 2011.

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%.

The benchmark movement for Lifestages Income Portfolio, Lifestages Corporate Bond Portfolio and Lifestages World Bond Portfolio investments ranges from 1-3% (2011: 1%).

The impact on Net Income for the three Funds is as follows:

MARKET PRICE RISK	2012		2011	
<i>Movement</i>	10%	20%	10%	20%
	\$	\$	\$	\$
World Equity Portfolio	1,927,523	3,855,047	1,523,461	3,046,921
Australasian Equity Portfolio	1,358,835	2,717,669	1,263,746	2,527,492
<i>Movement</i>	1%	3%		1%
Income Portfolio	138,683	416,050		117,965
World Bond Portfolio	110,167	330,502		-
Corporate Bond Portfolio	242,120	726,360		-

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 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 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.

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. The specific exposure and the effect of a reasonable possible movement in the foreign currency rate against the New Zealand dollar is outlined as follows:

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Notes to the financial statements (cont) for the year ended 31 March 2012

6. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (continued)

LIFESTAGES WORLD EQUITY PORTFOLIO		
<i>As at 31 March 2012</i>	AUD	NZD
BlackRock Wholesale Indexed International Equity Fund	6,521,369	8,621,448
Frank Russell International Unit Trust	8,665,376	11,013,786
<i>As at 31 March 2011</i>		
BlackRock Wholesale Indexed International Equity Fund	5,667,056	7,668,549
Frank Russell International Unit Trust	5,591,314	7,566,056
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.		
<i>NZD vs AUD Net Income Effect</i>	2012	2011
5% Appreciation	(917,452)	(725,460)
5% Depreciation	1,014,028	801,822

LIFESTAGES AUSTRALASIAN EQUITY PORTFOLIO		
<i>As at 31 March 2012</i>	AUD	NZD
BlackRock Wholesale Indexed Australian Equity Fund	1,941,114	2,462,261
<i>As at 31 March 2011</i>		
BlackRock Wholesale Indexed Australian Equity Fund	5,373,585	7,271,426
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.		
<i>NZD vs AUD Net Income Effect</i>	2012	2011
5% Appreciation	(117,251)	(346,256)
5% Depreciation	129,592	382,708

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, mortgages, 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 and not on a look-through basis for investments held indirectly through the Lifestages Corporate Bond Portfolio and the Russell Global Bond Fund. 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 noted below:

<i>Net Income Effect Change</i>	2012	2011
	\$	\$
Corporate Bond Portfolio	21,323	440,212
Income Portfolio	10,058	7,709
World Equity Portfolio	9,054	10,762
Australasian Equity Portfolio	11,006	9,584
Deposit Portfolio	700,823	651,114
World Bond Portfolio	6,780	1,000

f) Specific Instruments – Interest Rate Swaps

At 31 March 2012 the Lifestages Corporate Bond Portfolio (formerly the Lifestages Mortgage Distributing Portfolio) holdings in Interest Rate Swaps are:

	2012	2011
	\$	\$
Notional Amount	0	21,402,910
Fair Value	0	(294,990)

6. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (continued)

g) 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 Instrument classification for the Funds are as follows:

The financial liabilities Held for trading (Interest rate swaps) are classified as Level 2 as they are priced using models with observable market inputs.

The investment in Corporate Bond Portfolios is considered Level 2 as units in the Fund are only priced and redeemable on a weekly basis and therefore do not constitute an active market.

All other financial assets designated at fair value through profit and loss within the Funds are classified as Level 1 Fair Value Instruments as they have unadjusted quoted prices in an active market.

h) Capital Management

The Fund's 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, Investment Accounts and Mortgages 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.

	2012	2011
Corporate Bond Portfolio	0.33%	99.47%
Income Portfolio	6.26%	13.92%
World Equity Portfolio	0.17%	0.21%
Australian Equity Portfolio	0.00%	0.00%
Deposit Portfolio	100.00%	98.22%

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 Administration expenses for the Corporate Bond Portfolio include payments made to Southland Building Society of \$154,336 for the management of the mortgages associated with this Fund (2011: \$374,751).

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

	2012	2011
	\$	\$
Lifestages Corporate Bond Portfolio	930,571	2,031,957
Lifestages World Bond Portfolio	–	100,000

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	
	2012 12 Months	2011 12 Months	2012 12 Months	2011 12 Months	2012 12 Months	2011 12 Months	2012 12 Months	2011 12 Months	2012 12 Months	2011 1 Month
Trustee Remuneration										
Trustee Fees	21,875	32,875	11,568	9,347	11,642	9,297	8,873	7,873	4,465	–
Custody Fees	3,893	5,787	6,674	6,470	7,722	5,993	6,059	5,158	2,574	–
Total	25,768	38,662	18,242	15,817	19,364	15,290	14,932	13,031	7,039	–

LIFESTAGES PORTFOLIOS

Notes to the financial statements (cont) for the year ended 31 March 2012

	Corporate Bond Portfolio		Income Portfolio	
	2012 \$	2011 \$	2012 \$	2011 \$
8. INTEREST AND OTHER RECEIVABLES				
Money market interest receivable	139	–	65	–
Mortgage interest receivable	–	113,747	–	–
Other	–	–	–	–
Total Interest and Other Receivables	139	113,747	65	–
9. ACCOUNTS PAYABLE				
Management fees	19,176	47,987	7,201	6,575
Performance fees	–	–	–	14,772
Audit fees	6,483	6,703	6,483	6,703
Other	11,991	6,661	8,822	5,179
PIE Tax Received	6,651	4,891	461	–
Total Accounts Payable	44,301	66,242	22,967	33,229
10. RECONCILIATION OF NET CASH FROM OPERATING ACTIVITIES TO NET INCOME/(LOSS)				
Net Income/(Loss)	1,378,720	1,886,808	1,051,193	619,713
Movement in Working Capital Balances				
(Increase) / Decrease in Accounts Receivable	113,608	91,577	(65)	–
Decrease in Prepayments	–	11,812	–	–
Increase / (Decrease) in Accounts Payable	(21,941)	(34,552)	(10,262)	3,362
(Increase) / Decrease in Current Tax Receivable	–	–	–	–
(Increase) / Decrease in Investment Assets	16,941,178	18,377,810	699,978	96,951
Adjustment for Non Cash Items:				
Change in Fair Value of Financial Instruments	(177,085)	117,100	(739,868)	(256,884)
Adjustment for Finance Costs	–	–	–	–
Net Cashflow from Operating Activities	18,234,480	20,450,555	1,000,976	463,142
11. CHANGES IN NET FAIR VALUE OF FINANCIAL INSTRUMENTS				
	<i>12 Months</i>	<i>12 Months</i>	<i>12 Months</i>	<i>12 Months</i>
Net Gain/(loss) on Financial Assets designated at Fair Value	(117,905)	–	739,868	256,884
Net Gain/(loss) on Financial Liabilities held for trading	294,990	(117,100)	–	–
Total	177,085	(117,100)	739,868	256,884
12. FINANCIAL INSTRUMENTS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS				
	2012	2011	2012	2011
Financial Assets Designated at Fair Value through Profit or Loss	\$	\$	\$	\$
Unit Trusts – Australasian Equities	–	–	–	–
Unit Trusts – International Equities	–	–	–	–
Unit Trusts – International Bonds	–	–	–	–
Unit Trusts – Mortgages	–	–	–	2,031,957
Unit Trusts – Corporate Bonds	24,211,992	–	930,571	–
Unit Trusts – Income	–	–	12,937,778	11,796,502
Total	24,211,992	–	13,868,349	13,828,459
Financial Liabilities Held for Trading				
Interest Rate Swaps	–	294,990	–	–
Total	–	294,990	–	–

<i>World Equity Portfolio</i>		<i>Australasian Equity Portfolio</i>		<i>Deposit Portfolio</i>		<i>World Bond Portfolio</i>	
2012	2011	2012	2011	2012	2011	2012	2011
\$	\$	\$	\$	\$	\$	\$	\$
59	–	72	–	1,481,970	592,138	44	–
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
59	–	72	–	1,481,970	592,138	44	–
21,702	17,337	15,680	14,314	–	–	8,495	–
–	18,475	–	28,997	–	–	25,988	–
6,483	6,703	6,483	6,703	–	–	6,483	–
10,872	6,605	12,124	8,847	10,034	8,929	4,003	–
86	37	(25)	–	–	–	–	–
39,143	49,157	34,262	58,861	10,034	8,929	44,969	–
(280,929)	817,386	(783,579)	346,875	906,003	389,594	499,633	–
(59)	–	(72)	–	(889,832)	(341,647)	(44)	–
–	2,905	–	–	–	–	–	–
(10,014)	(21,300)	(24,599)	34,103	1,105	4,327	44,969	–
–	–	–	–	–	–	–	–
(4,756,374)	(2,148,617)	(1,683,740)	(2,117,193)	(6,302,773)	(22,069,409)	(10,408,477)	–
715,744	(1,054,274)	732,851	(175,606)	–	–	(608,261)	–
–	–	–	–	2,118,722	2,067,473	–	–
(4,331,632)	(2,403,900)	(1,759,139)	(1,911,821)	(4,166,775)	(19,949,662)	(10,472,180)	–
<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>1 Month</i>
(715,744)	1,054,274	(732,851)	175,606	–	–	608,261	–
–	–	–	–	–	–	–	–
(715,744)	1,054,274	(732,851)	175,606	–	–	608,261	–
2012	2011	2012	2011	2012	2011	2012	2011
\$	\$	\$	\$	\$	\$	\$	\$
–	–	13,588,347	12,637,457	–	–	–	–
19,275,234	15,234,605	–	–	–	–	–	–
–	–	–	–	–	–	11,016,738	–
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
19,275,234	15,234,605	13,588,347	12,637,457	–	–	11,016,738	–
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–

Notes to the financial statements (cont) for the year ended 31 March 2012

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 2012 (31 March 2011: Nil).

14. 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 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.

	<i>Corporate Bond Portfolio</i>		<i>Income Portfolio</i>		<i>World Equity Portfolio</i>		<i>Australasian Equity Portfolio</i>		<i>World Bond Portfolio</i>	
	2012 <i>12 Months</i> \$	2011 <i>12 Months</i> \$	2012 <i>12 Months</i> \$	2011 <i>12 Months</i> \$	2012 <i>12 Months</i> \$	2011 <i>12 Months</i> \$	2012 <i>12 Months</i> \$	2011 <i>12 Months</i> \$	2012 <i>12 Months</i> \$	2011 <i>1 Month</i> \$
Audit Fees	6,529	6,749	6,529	6,749	6,529	6,749	6,529	6,749	6,483	–
Prospectus related Fees	1,413	1,964	787	627	939	675	699	554	532	–
Total Auditors Remuneration	7,942	8,713	7,316	7,376	7,468	7,424	7,228	7,303	7,015	–



Independent auditor's report

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

Report on the financial statements

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

- Lifestages Corporate Bond Portfolio;
- Lifestages Income Portfolio;
- Lifestages World Equities Portfolio;
- Lifestages Australasian Equities 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 2012, 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 Trusts' 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 Trusts' 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 services to the Unit Trusts in relation to the registered prospectuses. Subject to certain restrictions, partners and employees of our firm may also deal with the Unit Trusts on normal terms within the ordinary course of trading activities of the business of the Unit Trusts. These matters have not impaired our independence as auditor of the Unit Trusts. The firm has no other relationship with, or interest in, the Unit Trusts.

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 Trusts as at 31 March 2012 and of their 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 the Unit Trusts as far as appears from our examination of those records.

31 July 2012

Wellington

stages



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