



Lifestages KiwiSaver Scheme
Financial Statements
for the year ended 31 March 2017

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Lifestages KiwiSaver Scheme



Directory

For the year ended 31 March 2017

Fund Manager: Funds Administration New Zealand Limited

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Statement of Changes in Net Assets

for the year ended 31 March 2017

		KiwiSaver Scheme	
		2017	2016
		12 months	12 months
Notes		\$	\$
Income			
Interest Income		538,010	505,396
Dividend Income		7,223,719	2,470,424
Net Change in Fair Value of Investments	10	8,575,803	2,076,087
Other Income		110,533	75,498
Net Investment Income		16,448,065	5,127,405
Expenses			
Fees Paid to Auditor	15	34,813	16,373
General Expenses		671,713	485,205
Manager Fees		1,841,084	1,157,696
Trustees Fees		126,623	83,728
Total Expenses		2,674,233	1,743,002
Change in Net Assets before Membership Activities		13,773,832	3,384,403
Membership Activities			
Members Contributions		22,525,617	15,792,099
Employer Contributions		11,027,777	7,190,886
Crown Contributions and Fee Subsidies		4,675,476	3,682,509
Transfers in from other schemes		16,187,530	70,762,880
Other Income		77,040	48,388
Withdrawals		(6,645,882)	(5,021,594)
Withdrawal for first home purchase		(2,300,005)	(1,709,926)
Withdrawal for mortgage diversion		(4,558)	(4,895)
Withdrawal for significant hardship		(282,455)	(141,173)
Withdrawal for serious illness		(314,550)	(208,247)
Withdrawal on death		(304,328)	(164,162)
Withdrawal for permanent emigration		(72,769)	(37,093)
Transfer to other schemes		(11,701,426)	(5,476,524)
Administration fees	6	(390,510)	(299,078)
PIE tax attributable to members	9	(994,671)	(481,128)
Net Membership Activities		31,482,286	83,932,942
Net Change in Members' Benefits		45,256,118	87,317,345
Members Funds at the Beginning of the Financial Year		217,385,330	130,067,985
Members' Funds at the End of the Financial Year		262,641,448	217,385,330

Statement of Financial Position


as at 31 March 2017

	Notes	KiwiSaver Scheme	
		2017	2016
		\$	\$
Assets			
Cash			
Trade and Other Receivables	7	23,349,747	5,973,028
Financial Assets	11	314,894	1,159,293
Total Assets		240,335,977	210,993,323
Liabilities			
Accounts Payable	8	418,157	284,540
PIE tax payable on behalf of members	9	941,013	455,774
Total Liabilities (excluding Net Assets attributable to Members)		1,359,170	740,314
Net Assets Attributable to Members		262,641,448	217,385,330

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

 8 June 2017
Director Date

Statement of Cash Flows

for the year ended 31 March 2017

	Notes	KiwiSaver Scheme	
		2017	2016
		12 months	12 months
		\$	\$
Cash Flows from Operating Activities			
Interest Income		501,288	520,452
Dividends		8,098,179	2,643,628
Other Income		117,194	172,380
Proceeds from sale of Investment Assets		129,300,452	53,134,319
Purchase of Investment Assets		(150,067,303)	(141,679,217)
Operating expenses paid		(2,542,422)	(1,730,897)
Net Cash used in Operating Activities	12	(14,592,612)	(86,939,335)
Cash Flows from Financing Activities			
Net Membership Activities		31,969,331	83,808,891
Net Cash from Financing Activities		31,969,331	83,808,891
Net Increase/(Decrease) in Cash		17,376,719	(3,130,444)
Cash at the beginning of the Financial Year		5,973,028	9,103,472
Cash at the end of the Financial Year		23,349,747	5,973,028

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

Notes to the financial statements

for the year ended 31 March 2017

1. REPORTING ENTITIES

The Lifestages KiwiSaver Scheme (the "Scheme") is the reporting entity. The Scheme is regulated by the Financial Markets Authority ("FMA") and therefore are governed by the Financial Markets Conduct Act 2013 ("FMC Act 2013"). The Scheme transitioned into the FMC Act 2013 regime on 16 November 2016.

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

- > Lifestages Growth Portfolio
- > Lifestages Capital Stable Portfolio
- > Lifestages Income Fund
- > Lifestages High Growth Fund

Collectively these Portfolios and Funds are referred to throughout these financial statements as the "Scheme".

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

The Scheme is a defined contribution superannuation scheme under the KiwiSaver Act 2006 and a profit oriented entity. The Scheme is domiciled and registered in New Zealand and it's registered office is 51 Don Street, Invercargill.

These Financial Statements were authorised for issue by the Directors on 8 June 2017.

2. STATUTORY BASE

These financial statements have been prepared in accordance with the Trust Deed and the FMC Act 2013 and KiwiSaver Act 2006.

3. BASIS OF PREPARATION

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ("NZ GAAP"). They comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS") as appropriate for profit-oriented entities. The Financial Statements also comply with International Financial Reporting Standards ("IFRS").

The financial statements have been prepared on the historical cost basis, as modified by the revaluation of financial assets at fair value through profit or loss. The methods used to measure fair values are disclosed further below. The accrual basis of accounting has been applied, as has the going concern assumption.

The Scheme has not adopted any new or revised standards in preparing the financial statements for the year ended 31 March 2017

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 2018. The Scheme plans to adopt this standard for the financial year ending 31 March 2019. This standard will replace the existing standard NZ IAS 39: *Financial Instruments Recognition and Measurement*, the requirements regarding the classification and measurement of financial liabilities have been retained, as well as the requirements for determining when the financial liabilities are derecognised. Under the new standard, changes in fair value of financial liabilities at fair value through profit or loss due to changes in credit risk will be recognised directly in the Statement of Comprehensive Income. The standard also establishes two primary measurement categories for financial assets: amortised cost and fair value, with classification depending on an entity's business model and the contractual cash flow characteristics of the financial asset. The adoption of this standard may result in additional or amended disclosures and is not expected to have an effect on the Scheme's reported result or financial position.

NZ IFRS 15: Revenue from contracts with customers is effective for the periods beginning on or after 1 January 2018. The Scheme

Notes to the financial statements

for the year ended 31 March 2017

will adopt this amendment for the year ending 31 March 2018. This standard addresses recognition to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. The adoption of this amended standard may result in additional or amended disclosures and its impact on the Scheme's reported result or financial position has not yet been assessed.

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

4 SIGNIFICANT ACCOUNTING POLICIES

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

a) Functional and Presentation Currency

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

b) Use of Estimates and Judgements

The preparation of these Financial Statements in conformity with NZ IFRS requires management to make judgements, estimates and assumptions that affect 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.

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 have 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.

c) Foreign Currency

Transactions in foreign currencies are translated at the foreign currency exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to New Zealand Dollars at the foreign currency closing exchange rate ruling at the balance sheet date. Foreign currency exchange differences relating to investments at fair value through profit or loss are included in gains or losses on investments.

d) Income

i) 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.

e) Expenses

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

f) 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.

Notes to the financial statements

for the year ended 31 March 2017

g) **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.

h) **Financial Instruments Measurement**

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.

i) **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.

j) **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.

k) **Changes in Accounting Policies**

There have been no changes in accounting policies during the 12 months to 31 March 2017.

Notes to the financial statements

for the year ended 31 March 2017

5. 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 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 Supervisor.

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 \$7,244,807.

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 New Zealand and International Bond Investments, which are noted in Note 11. The benchmark movement of International Equity, Australasian Equity, Infrastructure and Property investments ranges from 10-20%. The benchmark movement of New Zealand and International Bond investments ranges from 1-3%. The impact of movements in these ranges is noted in the table below.

MARKET PRICE RISK		2017		2016	
	Movement:	10%	20%	10%	20%
		\$	\$	\$	\$
International and Australasian Equities, Infrastructure & Property Investments:		12,673,595	25,347,189	9,682,701	19,365,401
	Movement:	1%	3%	1%	3%
		\$	\$	\$	\$
New Zealand & International Bonds:		534,502	1,603,506	439,496	1,318,489

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

Notes to the financial statements

for the year ended 31 March 2017

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 International Managed 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:

FOREIGN EXCHANGE RISK			
<i>As at 31 March 2017</i>			
International Managed Funds		AUD	NZD
		36,659,189	40,099,750
<i>As at 31 March 2016</i>			
International Managed Funds		AUD	NZD
		23,544,213	26,081,990

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			
		2017	2016
		\$	\$
5% Appreciation		(1,909,512)	(1,242,001)
5% Depreciation		2,110,510	1,372,736

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			
		2017	2016
	Movement:	100bp	100bp
		\$	\$
KiwiSaver Scheme		834,996	773,423

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 (i.e. as prices) or indirectly (i.e. derived from prices)
- > Level 3 inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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 the balance date.

Notes to the financial statements

for the year ended 31 March 2017

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.

6. RELATED PARTIES

a) Manager and Supervisor

Funds Administration New Zealand Limited, as the Manager of the Scheme, is entitled to be paid out of the Scheme a fee equal to 0.75% p.a. of the Gross Asset Value of the Capital Stable Portfolio, 0.90% p.a. of the Gross Asset Value of the Growth Portfolio, 0.65% p.a. of the Gross Asset Value of the Income Fund and 0.85% p.a. of the Gross Asset Value of the High Growth Fund calculated weekly and paid monthly.

Trustees Executors Limited, the Trustee of the Scheme, also undertakes Custodial services for the Scheme. Trustees Executors Limited is entitled to fees from the each of the Capital Stable Portfolio, the Growth Portfolio, the Income Fund the High Growth Fund ("the Fund") as follows:

> Supervisor Fees

- >> 0.06% per annum on the fund's Gross Asset Value less than \$100 million
- >> 0.05% per annum on the fund's Gross Asset Value over \$100 million

> Custody Fees

- >> 0.03% per annum on the fund's Gross Asset Value

In addition, for the KiwiSaver Scheme, an administration fee of \$2 per member, per month, was charged directly to each member's accounts. 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.

	KiwiSaver Scheme	
	2017	2016
	\$	\$

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

Funds Administration New Zealand Limited

Management fee expense	1,841,084	1,157,696
Management fee payable	170,071	122,854

Trustees Executors Limited:

Supervisor fee expense	126,623	83,728
Supervisor fee payable	12,461	9,880
Custody fee expense	72,733	43,637
Custody fee payable	6,870	5,427
Administration Fees	390,510	299,078

Notes to the financial statements

for the year ended 31 March 2017

b) Investments by the Scheme in related parties

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

	KiwiSaver Scheme	
	2017	2016
Lifestages World Equity Portfolio		
Units	19,450,743	19,080,452
Market Value	\$ 40,927,826	\$ 35,243,483
Lifestages Australasian Equity Portfolio		
Units	12,677,338	12,555,577
Market Value	\$ 27,147,935	\$ 24,916,242
Lifestages Deposit Portfolio		
Units	53,024,841	65,580,427
Carrying Value	\$ 53,024,841	\$ 65,580,427
Lifestages World Bond Portfolio		
Units	13,857,285	13,493,983
Market Value	\$ 19,256,167	\$ 18,098,859
The Scheme holds deposits in Southland Building Society	\$ -	\$ 2,000,000

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.

Notes to the financial statements

for the year ended 31 March 2017

7. TRADE AND OTHER RECEIVABLES

	KiwiSaver Scheme	
	2017	2016
	\$	\$
Accrued money market interest	119,808	83,086
Dividends receivable	195,086	1,069,546
Other income receivable	-	6,661
Total Trade and other Receivables	314,894	1,159,293

8. ACCOUNTS PAYABLE

	KiwiSaver Scheme	
	2017	2016
	\$	\$
Management fees	170,071	122,854
Audit fees	21,980	11,139
Other	192,752	118,999
Members withdrawals Payable	33,354	31,548
Total Accounts Payable	418,157	284,540

9. 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	
	2017	2016
	\$	\$
PIE tax payable on behalf of members at balance date	(941,013)	(455,774)
PIE tax paid on behalf of members during the year	(53,658)	(25,354)
PIE Tax Attributable to Members for the Year	(994,671)	(481,128)

10. NET CHANGE IN FAIR VALUE OF INVESTMENTS

	KiwiSaver Scheme	
	2017	2016
	\$	\$
<i>Designated at fair value through profit or loss</i>		
Net change in fair value of financial assets		
New Zealand Fixed Interest PIE funds	(44,540)	(10,002)
New Zealand Equity PIE funds	360,745	104,396
International Fixed Interest PIE funds	657,308	435,270
International Equity PIE funds	6,966,037	1,551,360
International Managed Funds	636,253	(4,937)
Total Net Change in Fair Value of Investments	8,575,803	2,076,087

Notes to the financial statements

for the year ended 31 March 2017

11. FINANCIAL ASSETS

	KiwiSaver Scheme	
	2017	2016
	\$	\$
Financial Assets held to Maturity		
Term Deposits		
New Zealand Multi Class Cash PIE funds	7,125,000	4,636,250
	53,024,841	65,580,427
Financial Assets designated at Fair Value		
New Zealand Fixed Interest PIE funds	13,228,101	9,946,053
New Zealand Equity PIE funds	7,240,310	4,221,971
International Fixed Interest PIE funds	19,256,167	18,098,862
International Equity PIE funds	68,075,761	60,159,725
International Managed Funds	72,385,797	48,350,035
Total Financial Assets	240,335,977	210,993,323

The Scheme holds a 63.4% (2016: 63.0%) interest in the Lifestages World Equity Portfolio and 39.4% (2016: 44.4%) in the Lifestages World Bond Portfolio and 65.4% (2016: 65.0%) 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 Supervisor. 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.

Notes to the financial statements

for the year ended 31 March 2017

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

	KiwiSaver Scheme	
	2017	2016
	\$	\$
Net Change in Benefits Accrued		
Decrease in Accounts Receivable	45,256,118	87,317,345
Increase in Accounts Payable	844,399	285,142
Increase in cost of Investment Assets	131,811	12,105
Net Movement In Members Contributions & Withdrawals	(20,766,851)	(88,544,898)
Adjustment for Non Cash Items:		
Change in Fair Value of Financial Instruments	(8,575,803)	(2,076,087)
Less items classified as Financing Activities		
Movements in Payables Attributable to Financing Activities	487,045	(124,051)
Net Cash Outflows used in Operating Activities	(14,592,612)	(86,939,335)

13. 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.

	Capital Stable Portfolio	
	2017	2016
	Number of Units	Number of Units
Units on Issue at the Start of the Year	43,968,076	39,799,346
Issue of Units for the Year	6,760,683	9,003,746
Redemption of Units for the Year	(5,039,489)	(4,835,016)
Units on Issue at the End of the Year	45,689,270	43,968,076

	Growth Portfolio	
	2017	2016
	Number of Units	Number of Units
Units on Issue at the Start of the Year	24,987,505	19,069,728
Issue of Units for the Year	3,130,380	7,516,492
Redemption of Units for the Year	(1,768,755)	(1,598,715)
Units on Issue at the End of the Year	26,349,130	24,987,505

	Income Fund	
	2017	2016
	Number of Units	Number of Units
Units on Issue at the Start of the Year	38,687,898	-
Issue of Units for the Year	16,662,973	39,118,910
Redemption of Units for the Year	(6,031,539)	(431,012)
Units on Issue at the End of the Year	49,319,332	38,687,898

Notes to the financial statements

for the year ended 31 March 2017

	High Growth Fund	
	2017 Number of Units	2016 Number of Units
Units on Issue at the Start of the Year	25,220,739	-
Issue of Units for the Year	16,485,648	25,423,691
Redemption of Units for the Year	(3,098,422)	(202,952)
Units on Issue at the End of the Year	38,607,965	25,220,739

14. COMMITMENTS AND CONTINGENT LIABILITIES

Other than as disclosed in the Financial Statements or Notes, the Funds have no contingent liabilities or future commitments as at 31 March 2017 (31 March 2016: Nil).

15. 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 nil (31 March 2016: \$1,533) and Trustee Reporting Fees of \$1,150 (31 March 2016: \$1,150) were included in the general expenses of the Scheme. Taxation services were paid for by the Manager of the Scheme: nil (31 March 2016: \$17,829).

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

To the members of Lifestages KiwiSaver Scheme

Report on the financial statements

Opinion

In our opinion, the accompanying financial statements of Lifestages KiwiSaver Scheme (the scheme) on pages 3 to 16:

- i. present fairly in all material respects the scheme's financial position as at 31 March 2017 and its financial performance and cash flows for the year ended on that date; and
- ii. comply with New Zealand Equivalents to International Financial Reporting Standards.

We have audited the accompanying financial statements which comprise:

- the statement of financial position as at 31 March 2017;
- the statements of comprehensive income, changes in net assets and cash flows for the year then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.



Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ("ISAs (NZ)") (ISAE). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the scheme in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the Auditor's Responsibilities for the Audit of the financial statements section of our report.

Other than in our capacity as auditor we have no relationship with, or interests in, the scheme.



Use of this Independent Auditor's Report

This report is made solely to the members as a body. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in the Independent Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members as a body for our audit work, this report, or any of the opinions we have formed.



Responsibilities of the Manager for the financial statements

The Manager, on behalf of the scheme, are responsible for:

- the preparation and fair presentation of the financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards);
- implementing necessary internal control to enable the preparation of a set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.



Auditor's Responsibilities for the Audit of the financial statements

Our objective is:

- to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an Independent Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of these financial statements is located at the External Reporting Board (XRB) website at:

https://www.xrb.govt.nz/Site/Auditing_Assurance_Standards/Current_Standards/Page8.aspx

This description forms part of our Independent Auditor's Report.



KPMG
Wellington

8 June 2017