



Lifestages KiwiSaver Scheme
Financial Statements
for the year ended 31 March 2019

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Lifestages KiwiSaver Scheme



Directory

For the year ended 31 March 2019

Fund Manager: Funds Administration New Zealand Limited

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Statement of Changes in Net Assets

for the year ended 31 March 2019

		KiwiSaver Scheme	
		2019	2018
	Notes	\$	\$
Income			
Interest Income		3,209,411	1,455,414
Dividend Income		3,397,465	4,977,123
Net Change in Fair Value of Investments	10	13,336,051	6,892,958
Other Income		82,388	28,350
Net Investment Income		20,025,315	13,353,845
Expenses			
Fees Paid to Auditor	15	28,077	29,669
General Expenses		583,386	785,575
Manager Fees		2,396,955	2,205,058
Supervisor Fees	6	172,417	155,966
Total Expenses		3,180,835	3,176,268
Change in Net Assets before Membership Activities		16,844,480	10,177,577
Membership Activities			
Members Contributions		26,723,864	25,769,422
Employer Contributions		13,197,649	12,354,006
Crown Contributions and Fee Subsidies		5,361,952	5,004,081
Transfers in from other schemes		13,860,757	15,091,962
Other Income		37,487	37,405
Withdrawals		(10,050,023)	(6,876,840)
Withdrawal for first home purchase		(4,315,330)	(4,397,336)
Withdrawal for mortgage diversion		(5,268)	(4,969)
Withdrawal for significant hardship		(366,352)	(336,117)
Withdrawal for serious illness		(271,772)	(214,898)
Withdrawal on death		(424,239)	(649,332)
Withdrawal for permanent emigration		(57,174)	(108,497)
Transfer to other schemes		(15,872,527)	(13,261,471)
Administration fees	6	(407,502)	(407,656)
PIE tax attributable to members	9	(1,784,818)	(1,233,159)
Net Membership Activities		25,626,704	30,766,601
Net Change in Members' Benefits		42,471,184	40,944,178
Members Funds at the Beginning of the Financial Year		303,585,626	262,641,448
Members' Funds at the End of the Financial Year		346,056,810	303,585,626

Statement of Financial Position

as at 31 March 2019

	Notes	KiwiSaver Scheme	
		2019	2018
		\$	\$
Assets			
Cash		8,681,103	9,011,085
Trade and Other Receivables	7	1,473,276	580,093
Financial Assets	11	338,555,860	295,854,484
Total Assets		348,710,239	305,445,662
Liabilities			
Accounts Payable	8	1,004,037	674,907
PIE tax payable on behalf of members	9	1,649,392	1,185,129
Total Liabilities (excluding Net Assets attributable to Members)		2,653,429	1,860,036
Net Assets Attributable to Members		346,056,810	303,585,626

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

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



Director



Director

20/06/2019
Date

Statement of Cash Flows

for the year ended 31 March 2019

	Notes	KiwiSaver Scheme	
		2019 12 months \$	2018 12 months \$
Cash Flows from Operating Activities			
Interest Income		2,334,680	995,129
Dividends		3,397,465	5,172,209
Other Income		63,936	28,350
Proceeds from sale of Investment Assets		107,159,094	95,099,856
Purchase of Investment Assets		(136,524,419)	(143,725,405)
Operating expenses paid		(3,040,749)	(2,920,888)
Net Cash used in Operating Activities	12	(26,609,993)	(45,350,749)
Cash Flows from Financing Activities			
Net Membership Activities		26,280,011	31,012,087
Net Cash from Financing Activities		26,280,011	31,012,087
Net (Decrease)/Increase in Cash		(329,982)	(14,338,662)
Cash at the beginning of the Financial Year		9,011,085	23,349,747
Cash at the end of the Financial Year		8,681,103	9,011,085

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 2019

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 is 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 (the Manager passed a resolution to wind up the Growth Portfolio with effect from 19 February 2019. This was completed on the 20th March 2019).
- > 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", or individually the "Funds" or "Fund".

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 its registered office is 51 Don Street, Invercargill.

These Financial Statements were authorised for issue by the Directors on 20 June 2019.

2. STATUTORY BASE

These Financial Statements have been prepared in accordance with the consolidated Trust Deed, dated 13/04/2018, 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.

There are no 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.

Notes to the Financial Statements

for the year ended 31 March 2019

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 Statements. 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 attributed to the members.

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 Member's share in the Scheme's net asset value, provided they meet the requirements of the KiwiSaver Act 2006.

Notes to the Financial Statements

for the year ended 31 March 2019

h) Financial Instruments Measurement

Classification

i) Recognition and initial measurement

The Scheme initially recognises financial assets at fair value through profit or loss (FVTPL) on the trade date, which is the date on which the Scheme becomes a party of the contractual provisions of the equity. Other financial assets are recognised on the date on which they are originated.

ii) Classification and subsequent measurement

On initial recognition the Scheme classifies financial assets as measured at amortised cost or FVTPL.

Financial Assets are not reclassified subsequent to their initial recognition unless the Manager changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI).

All financial assets not classified as measured at amortised cost as described above are measured at FVTPL.

Financial Assets at amortised cost are subsequently measured at amortised cost using the effective interest method. Interest income and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial assets at FVTPL are subsequently measured at fair value. Net gains and losses, including any dividend income, are recognised in profit or loss.

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

The Scheme adopted NZ IFRS 9 Financial Instruments from 1 April 2018. IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

IFRS 9 Financial Instruments sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

Classification and measurement of financial assets and liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale.

For an explanation of how the Scheme classifies and measures financial instruments and accounts for related gains and losses under IFRS 9, see note 4 (h).

There are no recognition or measurement changes as a result of adopting NZ IFRS 9. The impact of adopting NZ IFRS 9 on the classification of the Scheme's financial assets is that the Scheme now classifies cash at bank and other receivables as financial assets at amortised cost (previously these were classified as loans and receivables).

Except for the changes above there have been no other changes in accounting policies during the 12 months to 31 March 2019.

Notes to the Financial Statements

for the year ended 31 March 2019

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 it invests. The most important types of financial risk to which the Scheme is 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 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 adopted by the Manager and approved by the Supervisor.

The Scheme's investments have a material exposure to the Southland Building Society, ANZ National Bank Limited, and Nelson Building Society. These are considered to be without significant risk.

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 on changes in net assets is noted in the table below.

MARKET PRICE RISK	2019		2018	
<i>Movement:</i>	10%	20%	10%	20%
	\$	\$	\$	\$
International and Australasian Equities, Infrastructure & Property Investments:	16,456,597	32,913,193	14,868,379	29,736,758
<i>Movement:</i>	1%	3%	1%	3%
	\$	\$	\$	\$
New Zealand & International Bonds:	869,899	2,609,697	636,707	1,910,121

Notes to the Financial Statements

for the year ended 31 March 2019

c) Liquidity and Cash Flow Risk

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

- > ensuring that there is no significant exposure to illiquid or thinly traded financial instruments; and
- > applying limits to ensure there is no concentration of liquidity risk to a particular counter party or market.

Investments in other unit trusts have no maturity dates and can be redeemed at any time. However, these assets are regarded as long-term investments in line with the Scheme's objectives.

Payables have no contractual maturities but are typically settled within 30 days. Receivables outstanding at balance date are due to be settled within one year.

d) Foreign Exchange Risk

The investment activities of the Scheme expose it to currency risk, which is the possibility of losing money owing to changes in foreign currency exchange rates. The currency risk is managed in accordance with the Scheme's Investment Guidelines.

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	KiwiSaver Scheme	
<i>As at 31 March 2019</i>	AUD	NZD
International Managed Funds	70,847,171	73,791,453
<i>As at 31 March 2018</i>	AUD	NZD
International Managed Funds	47,851,943	50,857,639

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	2019	2018
	\$	\$
5% Appreciation	(3,513,879)	(2,421,798)
5% Depreciation	3,883,761	2,676,713

Notes to the Financial Statements

for the year ended 31 March 2019

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	2019	2018
<i>Movement:</i>	100bp	100bp
	\$	\$
KiwiSaver Scheme	956,811	925,111

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.

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 Scheme's objectives when managing capital is to invest Members' funds in accordance with the Scheme's Statement of Investment Policies and Objectives.

Notes to the Financial Statements

for the year ended 31 March 2019

6. RELATED PARTIES

a) Manager and Supervisor

Management Fees and operating costs in accordance with the Trust Deed have been paid by the Scheme to the Manager. 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 (up to 20th March 2019), 0.55% p.a. of the Gross Asset Value of the Income Fund and 0.80% p.a. of the Gross Asset Value of the High Growth Fund calculated daily and paid monthly.

Trustees Executors Limited, the Supervisor 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 and 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	
	2019	2018
	\$	\$

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

Funds Administration New Zealand Limited

Management fee expense	2,396,955	2,205,058
Management fee payable	179,364	199,323

Trustees Executors Limited:

Supervisor fee expense	172,417	155,966
Supervisor fee payable	13,796	15,358
Custody fee expense	97,401	86,737
Custody fee payable	7,525	8,377
Administration Fees	407,502	407,656

Notes to the Financial Statements

for the year ended 31 March 2019

b) Investments by the Scheme in related parties

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

	KiwiSaver Scheme	
	2019	2018
Lifestages World Equity Portfolio		
Units	8,600,649	18,286,915
Market Value	\$ 20,849,694	\$ 41,745,462
Lifestages Australasian Equity Portfolio		
Units	5,629,639	12,903,089
Market Value	\$ 14,361,982	\$ 29,577,752
Lifestages World Bond Portfolio		
Units	14,211,138	14,211,138
Market Value	\$ 20,613,639	\$ 20,094,180
The Scheme holds deposits in Southland Building Society	\$ 71,500,000	\$ 67,500,000

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 Limited are disclosed above. All such transactions were carried out in the ordinary course of the Scheme's activities.

Notes to the Financial Statements

for the year ended 31 March 2019

7. TRADE AND OTHER RECEIVABLES

	KiwiSaver Scheme	
	2019	2018
	\$	\$
Accrued money market interest	1,454,824	580,093
Management fee rebates receivable	18,452	-
Total Trade and other Receivables	1,473,276	580,093

8. ACCOUNTS PAYABLE

	KiwiSaver Scheme	
	2019	2018
	\$	\$
Management fees	179,364	199,323
Audit fees	28,074	27,368
Other	572,831	413,492
Members withdrawals Payable	223,768	34,724
Total Accounts Payable	1,004,037	674,907

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	
	2019	2018
	\$	\$
PIE tax payable on behalf of members at balance date	(1,649,392)	(1,185,129)
PIE tax paid on behalf of members during the year	(135,426)	(48,030)
PIE Tax Attributable to Members for the Year	(1,784,818)	(1,233,159)

Notes to the Financial Statements

for the year ended 31 March 2019

10. NET CHANGE IN FAIR VALUE OF INVESTMENTS

	KiwiSaver Scheme	
	2019	2018
	\$	\$
<i>Designated at fair value through profit or loss</i>		
Net change in fair value of financial assets		
New Zealand Fixed Interest PIE funds	563,585	296,600
New Zealand Property PIE funds	384,778	-
New Zealand Equity PIE funds	1,806,983	1,049,459
International Fixed Interest PIE funds	519,460	338,013
International Equity PIE funds	5,155,601	5,547,452
International Managed Funds	4,905,644	(338,566)
Total Net Change in Fair Value of Investments	13,336,051	6,892,958

11. FINANCIAL ASSETS

	KiwiSaver Scheme	
	2019	2018
	\$	\$
Financial Assets at Amortised Cost*		
Term Deposits	87,000,000	83,500,000
Financial Assets Designated at Fair Value Through Profit or Loss		
New Zealand Fixed Interest PIE funds	19,773,091	16,652,312
New Zealand Property PIE funds	3,990,787	-
New Zealand Equity PIE funds	18,981,915	10,555,703
International Fixed Interest PIE funds	20,613,639	20,094,180
International Equity PIE funds	35,211,677	71,323,213
International Managed Funds	152,984,751	93,729,076
Total Financial Assets	338,555,860	295,854,484

* In the prior year these assets were classified as "held to maturity".

The Scheme holds a 49.4% (2018: 64.4%) interest in the Lifestages World Equity Portfolio and 38.5% (2018: 38.1%) in the Lifestages World Bond Portfolio and 48.8% (2018: 66.4%) 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. 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 2019

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

	KiwiSaver Scheme	
	2019	2018
	\$	\$
Net Change in Benefits Accrued	42,471,184	40,944,178
Increase in Accounts Receivable	(893,183)	(265,199)
Increase in Accounts Payable	140,086	255,380
Increase in cost of Investment Assets	(29,365,325)	(48,625,549)
Net Movement In Members Contributions & Withdrawals	(26,280,011)	(31,012,087)
Adjustment for Non Cash Items:		
Change in Fair Value of Financial Instruments	(13,336,051)	(6,892,958)
Less items classified as Financing Activities		
Movements in Payables Attributable to Financing Activities	653,307	245,486
Net Cash Outflows used in Operating Activities	(26,609,993)	(45,350,749)

13. MEMBERS' FUNDS

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

	Capital Stable Portfolio	
	2019	2018
	Number of Units	Number of Units
Units on Issue at the Start of the Year	45,934,238	45,689,270
Issue of Units for the Year	3,635,407	4,614,413
Redemption of Units for the Year	(4,588,622)	(4,369,445)
Units on Issue at the End of the Year	44,981,023	45,934,238

	Growth Portfolio	
	2019	2018
	Number of Units	Number of Units
Units on Issue at the Start of the Year	26,752,383	26,349,130
Issue of Units for the Year	(24,651,459)	2,428,093
Redemption of Units for the Year	(2,100,924)	(2,024,840)
Units on Issue at the End of the Year	-	26,752,383

Notes to the Financial Statements

for the year ended 31 March 2019

	Income Fund	
	2019 Number of Units	2018 Number of Units
Units on Issue at the Start of the Year	61,768,344	49,319,332
Issue of Units for the Year	18,390,847	19,378,928
Redemption of Units for the Year	(8,157,352)	(6,929,916)
Units on Issue at the End of the Year	72,001,839	61,768,344

	High Growth Fund	
	2019 Number of Units	2018 Number of Units
Units on Issue at the Start of the Year	52,346,176	38,607,965
Issue of Units for the Year	55,137,886	17,558,809
Redemption of Units for the Year	(6,190,004)	(3,820,598)
Units on Issue at the End of the Year	101,294,058	52,346,176

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 2019 (31 March 2018: 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, Supervisor Reporting Fees of nil (31 March 2018: \$1,380) were included in the general expenses of the Scheme.

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 17:

- i. present fairly in all material respects the scheme's financial position as at 31 March 2019 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 and International Financial Reporting Standards.

We have audited the accompanying financial statements which comprise:

- the statement of financial position as at 31 March 2019;
- the statements of 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)'). 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.



Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole. The materiality for the financial statements as a whole was set at 1% of net assets of the scheme. We chose the benchmark because, in our view, this is a key measure of the scheme's performance and the main objective of the scheme is to obtain capital growth taking into account both capital and income returns.



Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the members as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the financial statements as a whole and we do not express discrete opinions on separate elements of the financial statements

The key audit matter

How the matter was addressed in our audit

Existence and valuation of investments

Investments are the scheme's main assets, and existence and valuation at fair value of those investments is the most important aspect of preparing the financial statements.

We do not consider the scheme's investments to be at high risk of significant misstatement, or be subject to a significant level of judgement, because they comprise cash deposits and fund-to-fund investments held by one custodian.

However, due to their materiality in the context of the financial statements as a whole, they are considered to be the area which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our audit.

Our audit procedures included:

- documenting and understanding the processes in place to record investment transactions and to value the investments. This included evaluating the control environment in place at the third party service providers by obtaining and reading the service organisation reports issued by an independent auditor;
- agreeing investment holdings to the confirmation received from the custodian;
- agreeing the valuation of fund-to-fund investments to independent third party pricing sources; and
- checking the accuracy of fair value hierarchy disclosure in the financial statements.

We did not identify any material differences in relation to the existence and valuation of investments.



Use of this independent auditor's report

This independent auditor's 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 independent auditor's 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) and 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:

<http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-2/>

This description forms part of our independent auditor's report.

The engagement partner on the audit resulting in this independent auditor's report is **David Gates**.

For and on behalf of

KPMG
Wellington

20 June 2019