



**Lifestages KiwiSaver Scheme**  
**Financial Statements**  
for the year ended **31 March 2023**

# Lifestages KiwiSaver Scheme

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# Lifestages KiwiSaver Scheme



## Directory

For the year ended 31 March 2023

**Manager:** Funds Administration New Zealand Limited

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**Directors**

DUSTON, Graham David  
ELLISON, Philip Ross Norman (appointed 26 July 2022)  
MULVEY, Gregory John  
SKILLING, Michael James William  
YOUNG, Derek Richmond

**Supervisor:** Trustees Executors Limited

Level 11, 51 Shortland Street  
Auckland, 1010  
PO Box 4197, Shortland Street  
Auckland, 1140

**Registry:** Trustees Executors Limited

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42-52 Willis Street  
PO Box 10519, Wellington 6143

**Auditor:** KPMG

Level 9, Maritime Tower  
10 Customhouse Quay  
Wellington, 6011  
PO Box 996, Wellington 6140

**Solicitors:** Dentons Kensington Swan

89 the Terrace  
PO Box 10246, Wellington 6143

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125 The Terrace  
Wellington 6140

## Statement of Changes in Net Assets

\$	Lifestages KiwiSaver Scheme		
For the year ended 31 March	Notes	2023	2022
<b>Income</b>			
Interest Income		1,294,057	708,004
Dividend Income		7,700,063	40,296,914
Net Change in Fair Value of Investments		(13,951,605)	(35,461,605)
Foreign exchange losses on financial assets at amortised cost		(4,384)	(967)
Other Income		125,512	313,150
<b>Net Investment Income</b>		<b>(4,836,357)</b>	<b>5,855,496</b>
<b>Expenses</b>			
Fees Paid to Auditor	14	20,829	19,838
General Expenses		493,703	432,494
Manager Fees		3,234,332	3,359,006
Supervisor Fees	6	178,425	257,701
<b>Total Expenses</b>		<b>3,927,289</b>	<b>4,069,039</b>
<b>Change in Net Assets before Membership Activities</b>		<b>(8,763,646)</b>	<b>1,786,457</b>
<b>Membership Activities</b>			
Member Contributions		35,717,096	44,775,581
Employer Contributions		17,212,061	15,313,383
Crown Contributions		5,774,436	5,566,830
Transfers from other schemes		8,099,900	11,181,864
Other Income		2,058	935
Withdrawals for retirement		(23,351,525)	(13,715,179)
Withdrawal for first home purchase		(2,708,620)	(4,999,644)
Withdrawal for mortgage diversion		(6,195)	(5,620)
Withdrawal for significant hardship		(463,384)	(368,994)
Withdrawal for serious illness		(483,206)	(508,122)
Withdrawal on death		(1,054,300)	(561,396)
Withdrawal for permanent emigration		(134,189)	(134,998)
Other Withdrawals		(203,823)	(243,511)
Transfer to other schemes		(14,012,446)	(21,724,126)
Administration fees	6	(261,116)	(393,970)
PIE tax attributable to members	9	(2,734,202)	(1,026,637)
<b>Net Membership Activities</b>		<b>21,392,545</b>	<b>33,156,396</b>
Net Change in Members' Benefits		12,628,899	34,942,853
Members' Funds at the Beginning of the Financial Year		497,721,856	462,779,003
<b>Members' Funds at the End of the Financial Year</b>		<b>510,350,755</b>	<b>497,721,856</b>

The accompanying notes form an integral part of these financial statements.



## Statement of Financial Position

\$		Lifestages KiwiSaver Scheme	
As at 31 March	Notes	2023	2022
<b>Assets</b>			
Cash		20,285,174	11,851,606
Trade and Other Receivables	7	1,299,372	1,159,635
Financial Assets	10	491,892,500	486,136,120
<b>Total Assets</b>		<b>513,477,046</b>	<b>499,147,361</b>
<b>Liabilities</b>			
Accounts Payable	8	525,959	428,830
PIE tax payable on behalf of members	9	2,600,332	996,675
<b>Total Liabilities (excluding Net Assets attributable to Members)</b>		<b>3,126,291</b>	<b>1,425,505</b>
<b>Net Assets Attributable to Members</b>		<b>510,350,755</b>	<b>497,721,856</b>

The accompanying notes form an integral part of these financial statements.

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



Director



Director

26/07/2023

Date

## Statement of Cash Flows

\$	Lifestages KiwiSaver Scheme			
	For the year ended 31 March	Note	2023	2022
<b>Cash Flows from Operating Activities</b>				
Interest Income			1,288,383	846,906
Dividends			7,718,267	39,957,796
Other Income			139,238	315,493
Proceeds from sale of Investment Assets			133,172,574	296,707,058
Purchases of Investment Assets			(152,880,559)	(369,544,066)
Operating expenses paid			(3,830,160)	(4,107,594)
<b>Net Cash used in Operating Activities</b>		11	<b>(14,392,257)</b>	<b>(35,824,407)</b>
<b>Cash Flows from Financing Activities</b>				
Net Membership Activities			22,830,209	31,968,950
<b>Net Cash from Financing Activities</b>			<b>22,830,209</b>	<b>31,968,950</b>
Net Increase/(Decrease) in Cash			8,437,952	(3,855,457)
Cash at the beginning of the Financial Year			11,851,606	15,708,030
Effect of exchange rate fluctuations			(4,384)	(967)
<b>Cash at the end of the Financial Year</b>			<b>20,285,174</b>	<b>11,851,606</b>

The accompanying notes form an integral part of these financial statements.

## Notes to the Financial Statements

For the year ended 31 March 2023

### 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 portfolio and funds that make up the Lifestages KiwiSaver Scheme. The portfolio and funds whose information is reported and presented collectively within the Financial Statements are as follows:

- > Lifestages Capital Stable Portfolio (wound up with effect 15th July 2021)
- > Lifestages Income Fund
- > Lifestages High Growth Fund

Collectively this portfolio and funds are referred to throughout these Financial Statements as the "Scheme", or individually the "Funds" or "Fund".

The Manager 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 26 July 2023.

### 2. STATUTORY BASE

These Financial Statements have been prepared in accordance with the Trust Deed, dated 30 April 2007 (and subsequently consolidated 13 April 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 2023

### 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. The Manager has concluded that judgements made in the application of New Zealand Accounting Standards did not have a significant effect on the Financial Statements.

No other estimates with a significant risk of material adjustments in the next year are 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) Goods and Services Tax (GST)

The Scheme is not registered for GST. All items in the Statement of Changes in Net Assets and the Statement of Financial Position are stated inclusive of GST, where applicable.

### h) Members' Accrued Benefits

The 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 Members' 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 2023

### i) Financial Instruments Measurement

#### (i) Classification

##### (i.i) Financial Assets

Financial assets are recognised initially at fair value. After initial recognition, financial assets are measured at fair value or amortised cost, determined on the basis of both (a) the Scheme's business model for managing the financial assets; and (b) the contractual cash flow characteristics of the financial asset.

##### **Financial assets at fair value through the profit or loss**

Financial Assets at fair value through profit or loss can be either designated as such upon initial recognition or measured at fair value in accordance with NZ IFRS 9. The portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Scheme is primarily focused on fair value information and uses that information to assess the assets' performance and make decisions. The contractual cash flows of the Scheme's debt securities are solely principal and interest, however, the debt securities other than term deposits, are neither held for the purpose of collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental in achieving the Scheme's business model. As a result these debt securities are classified as financial assets at fair value through profit or loss.

Financial assets at fair value through profit or loss comprise of equities, funds/unit trusts, and fixed interest securities.

##### **Financial assets at amortised cost**

- Cash and cash equivalents include call deposits with banks.

- Unsettled investment sales included in trade and other receivables, are receivable for securities sold but not yet settled on the statement of net assets at balance date. The unsettled trade receivable is held for collection.

- Receivables, other than unsettled investment sales, include interest receivable, dividends receivable, distributions receivable and contributions receivable.

- Term Deposits are debt instruments where the business model is held for collection only; the contractual terms only give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding. Further the "hold to collect" model will be applied for these financial assets due to the following: collection of contractual cash flows is not incidental, there's no intention to sell these assets and they are used to effectively manage cash reserves. On this basis, the fair value option will not be applied and are classified as financial assets at amortised cost.

##### (i.ii) Financial Liabilities

##### **Financial liabilities at amortised cost**

- Payables are amounts representing liabilities and accrued expenses owing by the Scheme at balance date. These amounts include related party fees payable and redemptions payable.

#### (ii) Recognition, derecognition and measurement

##### **Financial assets at fair value through the profit or loss**

The Scheme recognises financial assets at fair value through the profit or loss on the date it becomes party to the contractual agreement. Financial assets at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed as incurred in the Statements of Changes in Net Assets. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or the Funds have transferred substantially all of the risks and rewards of ownership. This occurs upon maturity or disposal of the asset. Subsequent to initial recognition, all financial assets at fair value through the profit or loss are measured at fair value. Gains and losses arising from changes in the fair value are recognised in the Statements of Changes in Net Assets when they arise. Any gain or loss arising on derecognition of the financial asset at fair value through profit or loss is included in the Statements of Changes in Net Assets in the period the item is derecognised. Gains or losses are calculated as the difference between the disposal proceeds and the carrying amount of the item. Interest and dividend income are separately recognised in the Statements of Changes in Net Assets. Purchases and sales of investments are recognised on the trade date, the date on which the Scheme commits to purchase or sell the investment.

##### **Financial assets and liabilities at amortised cost**

The Scheme recognises financial assets and liabilities at amortised cost on the date it becomes party to the contractual agreement. Financial assets and liabilities at amortised cost are initially recognised at fair value. Financial assets at amortised cost are derecognised when the rights to receive cash flows from the investments have expired or the Scheme has transferred substantially all of the risks and rewards of ownership. This occurs upon maturity or disposal of the asset. Financial liabilities at amortised cost are derecognised when the obligation under the liability is discharged, cancelled or expires. Subsequent to initial recognition, all financial assets and liabilities at amortised cost are measured at amortised cost at each reporting date, the Scheme shall measure the loss allowance of the financial assets at amortised cost at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. Significant

## Notes to the Financial Statements

For the year ended 31 March 2023

financial difficulties of the counterparty, probability that the counterparty will enter bankruptcy or financial reorganisation, and default in payments are all criteria considered in determining the expected credit loss. If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the gross carrying amount adjusted for the loss allowance. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Scheme shall measure the loss allowance at an amount equal to 12 month expected credit losses.

### **(iii) Fair value estimation**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at measurement date of the principal or, in its absence, the most advantageous market to which the Scheme had access at that date. The fair value of a liability reflects its non-performance risk.

#### ***Fair value in an active market***

The fair value of financial assets traded in active markets is based on their quoted market prices at the balance date without any deduction for estimated future selling costs. Financial assets are priced at last traded price. Where the last sale price falls outside of the bid-ask spread for a particular stock, bid price will be used to value the investment.

#### ***Fair value in an inactive or unquoted market***

The fair value of financial assets that are not traded in an active market is determined by using valuation techniques. The Funds use a variety of methods and make assumptions that are based on market conditions existing at each balance date. Valuation techniques used include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity-specific inputs.

Fair value classifications of the Scheme's financial assets are detailed in Note 10.

### **j) Related parties**

A party is related to the Scheme if:

- directly or indirectly through one or more of its intermediaries, it controls, is controlled by, or is under common control with, the Scheme; or
- it is a parent, subsidiary or fellow subsidiary of a party; or
- it has an interest in or relationship with the Scheme that gives it significant influence over the Scheme; or
- the Scheme has an interest in or relationship with the party that gives it significant influence over the party; or
- they are a member of the Manager's key management personnel.

### **k) Changes in Accounting Policies**

The accounting policies adopted have been applied to all years presented.

## Notes to the Financial Statements

For the year ended 31 March 2023

### 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. These risks are managed under the Scheme's Statement of Investment Policy and Objectives ("SIPO"), and are monitored by the Manager.

Asset allocation is determined by the Scheme's Manager who manages the assets to achieve the investment objectives. Divergence from target asset allocations and the composition of the funds is monitored by the Scheme's 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 counterparty fails 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 SIPO adopted by the Manager and approved by the Supervisor.

The Scheme's investments have a material exposure to the Southland Building Society, these are considered to be without significant risk.

The maximum exposure for the Scheme to credit risk is represented by 'Total Assets' set out in the Statement of Financial Position.

#### b) Market Price Risk

Price risk is the risk that the fair value or future cash flows of non-monetary financial instruments will fluctuate because of changes in market prices, whether those changes are caused by factors specific to an issuer or factors affecting all similar financial instruments traded in the market.

Non-monetary financial instruments which potentially subject the Scheme to price risk are investments in listed equities and funds and unlisted unit trusts. All investments in unit trusts present a risk of loss of capital often due to factors beyond the Manager's control such as competition, regulatory changes, commodity price changes and changes in the general economic climate domestically and internationally. The Manager of the underlying unit trusts advised that the risk is moderated through stock selection and diversification of unit trust investments, daily monitoring of the unit trusts' market position and adherence to the unit trusts' investment policy. The unitised investments have underlying securities comprising domestic, international equity instruments and fixed interest securities that are subject to price risk.

For direct investments in equities the Manager moderates risk through careful stock selection and diversification, regular monitoring of the Scheme's market position and adherence to the Scheme's investment policies.

The maximum market risk resulting from financial instruments is determined by their fair value.

Where non-monetary financial instruments are denominated in currencies other than NZD, the price initially expressed in foreign currency and then converted to NZD will also fluctuate because of changes in foreign exchange rates. In addition, where the Scheme holds unit trusts which in turn invest in securities denominated in foreign currencies, the value of the unit trust will be affected by fluctuations in foreign exchange rates. Paragraph (d) 'Foreign exchange risk' sets out how this component of price risk is managed and measured.



## Notes to the Financial Statements

For the year ended 31 March 2023

### Sensitivity Analysis

The variable of 5%, 10% and 20% has been applied. If investments in financial instruments subject to price risk at that date increased/decreased by this variable, with all other variables held constant, this would have had the following impact on the Statement of Changes in Net Assets:

\$	Lifestages KiwiSaver Scheme	
	2023	2022
<b>As at 31 March</b>		
<b>Equities, unit trusts and unlisted securities</b>		
<b>Carrying amount</b>	465,784,105	438,919,419
Impact of a -5% change in prices	(23,289,205)	(21,945,971)
Impact of a 5% change in prices	23,289,205	21,945,971
Impact of a -10% change in prices	(46,578,411)	(43,891,942)
Impact of a 10% change in prices	46,578,411	43,891,942
Impact of a -20% change in prices	(93,156,821)	(87,738,884)
Impact of a 20% change in prices	93,156,821	87,738,884

Members' Funds would be impacted by the same amount less the PIE tax adjustment that would be attributed to members.

### 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 counterparty or market.

Investments in 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

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Scheme is exposed to currency risk primarily through holding foreign currency denominated cash and cash equivalents, trade and other receivables. The currency risk is managed in accordance with the Scheme's SIPO.

At balance date the Scheme had the following foreign currency exposures due to holdings of monetary assets (expressed in NZD equivalents):

\$	Lifestages KiwiSaver Scheme	
	2023	2022
<b>As at 31 March</b>		
<b>Monetary Assets</b>		
Australian Dollar (AUD)	494,544	142,112
United States Dollar (USD)	280,226	345,622
Swiss Franc (CHF)	68,059	59,473
Euro (EUR)	498	-



## Notes to the Financial Statements

For the year ended 31 March 2023

The table below summarises the impact on the Statement of Change in Net Assets on Monetary Assets at balance date, had the exchange rates between the New Zealand dollar and the foreign currency increased or decreased by 5%, with all other variables held constant. The analysis is based on the Manager's best estimate of a possible shift in exchange rates with regard to historical volatility.

\$	Lifestages KiwiSaver Scheme	
	2023	2022
<b>As at 31 March</b>		
<b>Monetary Assets</b>		
<i>Exchange rate increased by 5%</i>		
<i>Australian dollar (AUD)</i>	(23,550)	(6,767)
<i>United States Dollar (USD)</i>	(13,344)	(16,458)
<i>Swiss Franc (CHF)</i>	(3,241)	(2,832)
<i>Euro (EUR)</i>	(24)	-
<i>Exchange rate decreased by 5%</i>		
<i>Australian dollar (AUD)</i>	26,028	7,479
<i>United States Dollar (USD)</i>	14,749	18,190
<i>Swiss Franc (CHF)</i>	3,582	3,130
<i>Euro (EUR)</i>	26	-

At balance date the Scheme had the following foreign currency exposures due to holdings of non monetary assets (expressed in NZD equivalents):

\$	Lifestages KiwiSaver Scheme	
	2023	2022
<b>As at 31 March</b>		
<b>Non Monetary Assets</b>		
<i>Australian Dollar (AUD)</i>	49,888,961	50,419,843
<i>United States Dollar (USD)</i>	81,882,192	81,876,515
<i>Swiss Franc (CHF)</i>	2,876,111	3,606,679
<i>Euro (EUR)</i>	3,083,429	-

The table below summarises the impact on the Statement of Change in Net Assets on Monetary Assets at balance date, had the exchange rates between the New Zealand dollar and the foreign currency increased or decreased by 5%, with all other variables held constant. The analysis is based on the Manager's best estimate of a possible shift in exchange rates with regard to historical volatility.

\$	Lifestages KiwiSaver Scheme	
	2023	2022
<b>As at 31 March</b>		
<b>Monetary Assets</b>		
<i>Exchange rate increased by 5%</i>		
<i>Australian dollar (AUD)</i>	(2,375,673)	(2,400,951)
<i>United States Dollar (USD)</i>	(3,899,152)	(3,898,881)
<i>Swiss Franc (CHF)</i>	(136,958)	(171,747)
<i>Euro (EUR)</i>	(146,830)	-
<i>Exchange rate decreased by 5%</i>		
<i>Australian dollar (AUD)</i>	2,625,733	2,653,674
<i>United States Dollar (USD)</i>	4,309,589	4,309,290
<i>Swiss Franc (CHF)</i>	151,374	189,825
<i>Euro (EUR)</i>	162,286	-

## Notes to the Financial Statements

For the year ended 31 March 2023

### 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. Surplus cash is held in interest bearing New Zealand and foreign bank accounts. The Scheme is therefore exposed to the risk of gains or losses or changes in interest income from movements in both New Zealand and foreign interest rates. The interest rate risk disclosures have been prepared on the basis of the Scheme's direct investments and not on a look-through basis for investments held indirectly through unitised investments investing into interest bearing securities. Therefore, 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.

Instrument maturities based on contractual maturity days, are presented in the table below.

A variable 100 basis points was selected for interest rate risk as this is a reasonably possible movement based on historic trends. A change of interest rates of 100 basis points would result in the change to net income as noted below:

\$	Lifestages KiwiSaver Scheme	
	2023	2022
<b>As at 31 March</b>		
<b>Financial Assets at amortised cost</b>		
Current		
Cash and cash equivalents	20,285,174	11,851,606
0-1 year		
Term deposits	24,000,000	43,000,000
1+ year		
Term deposits	-	2,000,000
<b>Financial Assets at fair value through profit or loss</b>		
1+ year		
Fixed Interest Securities	2,108,395	2,216,701

### i) Cash flow sensitivity analysis

A change in interest rates impacts the cash flow of the Scheme's cash and cash equivalents by increasing or decreasing the amount of interest received. A variable of 100 basis point (1%) was selected as this is a reasonably expected movement based on the past overnight cash rate movements. The one year cash flow sensitivity to a 100 basis points movement in interest rates (based on assets held at balance date), with all other variables held constant, is shown in the following table:

\$	Lifestages KiwiSaver Scheme	
	2023	2022
<b>As at 31 March</b>		
Cash and cash equivalents		
Increase of 1%	202,852	118,516
Decrease of 1%	(202,852)	(118,516)
Term Deposits		
Increase of 1%	240,000	450,000
Decrease of 1%	(240,000)	(450,000)

## Notes to the Financial Statements

For the year ended 31 March 2023

### ii) Fair value interest rate risk

A change in rates impacts the fair value of the Scheme's corporate bonds. Fair value changes impact on the net profit, or unit holders' funds, only where the instruments are carried at fair value. A variable of 100 basis points (1%) was selected as this is a reasonably expected movement based on recent rate trends. The following table shows the impact on fair values to reasonable possible changes in yields on corporate bonds as at 31 March with all other variables held constant:

\$	Lifestages KiwiSaver Scheme	
	2023	2022
<b>As at 31 March</b>		
Financial instruments at fair value through profit or loss		
Increase of 1%	21,084	22,167
Decrease of 1%	(21,084)	(22,167)

### 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.
- > Level 2 inputs other than quoted prices included within Level 1 that are observable for the assets, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- > Level 3 inputs for the assets that are not based on observable market data (unobservable inputs).

The following tables analyses within the fair value hierarchy the Scheme's financial assets measured at fair value subsequent to initial recognition, grouped into levels 1 to 2 based on the degree to which the fair value is observable. There are no level 3 financial assets.

\$	Lifestages KiwiSaver Scheme	
	2023	2022
<b>As at 31 March</b>		
<b>Level 1 Assets at fair value through profit or loss</b>		
Listed Equities	165,066,302	166,517,357
<b>Level 2 Assets at fair value through profit or loss</b>		
Fixed Interest Securities	2,108,395	2,216,701
Listed Funds/Trusts	41,518,737	43,892,913
Unlisted Funds/Trusts	259,199,066	228,509,149

The fair value of listed equities is determined using quoted market prices in an active market. This measurement falls within level 1 of the fair value hierarchy.

The fair value of listed and unlisted funds and trusts is determined using the redemption price, based on valuation of its underlying investments, as supplied by the Manager on a daily basis. This measurement basis falls within level 2 of the fair value hierarchy as all significant inputs used to calculate the fair value are based on observable market data.

The fair value of fixed interest securities that are not actively traded on an exchange are determined using valuation techniques. Valuation techniques include benchmark models, net present value techniques, comparison to similar instruments for which market observable prices exist and valuation models. This measurement falls within level 2 of the fair value hierarchy as all significant inputs used to calculate the fair value are based on observable market data.

During the year there were no transfers of investments between levels in the fair value hierarchy.



## Notes to the Financial Statements

For the year ended 31 March 2023

### 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 is classified as a liability.

The amount of Net Assets Attributable to Members can change significantly on a daily basis as the Scheme is subject to daily 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 its 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 SIPO.

## 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. The Manager is paid out of the Scheme a fee equal to 0.75% p.a. (until 15 July 2021) of the Gross Asset Value of the Lifestages Capital Stable Portfolio, 0.50% p.a. of the Gross Asset Value of the Lifestages Income Fund and 0.80% p.a. of the Gross Asset Value of the Lifestages High Growth Fund calculated daily and paid monthly.

The Manager paid a management fee rebate to the Lifestages Capital Stable Portfolio of 0.54% p.a. of the Gross Asset Value of the Capital Stable Portfolio calculated daily and paid on windup of the portfolio.

The Supervisor also undertakes Custodial and Registry services for the Scheme.

In addition, an administration fee of \$2 per member, per month, was charged directly to each Member's account, where applicable. 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. From 1 December 2022 this administration fee ceased.

\$	Lifestages KiwiSaver Scheme	
	2023	2022

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

#### Funds Administration New Zealand Limited

Management fee rebate	-	(173,825)
Management fee expense	3,234,332	3,359,006
Management fee payable	287,737	274,426

#### Trustees Executors Limited:

Supervisor fee expense	178,425	257,701
Supervisor fee payable	27,081	23,238
Custody fee expense	149,550	153,326
Custody fee payable	26,877	12,675
Administration fees	261,116	393,970
Registry fee expense	107,891	-
Registry fee payable	107,891	-

The Directors of the Manager, and their immediate family members held a 0.20% (2022 0.20%) interest in the Scheme.

## Notes to the Financial Statements

For the year ended 31 March 2023

### b) Investments by the Scheme in related parties

During the year various investments were bought or sold by the Scheme where the counterparty was another Fund also managed by the Manager. All such transactions were carried out in the ordinary course of the Scheme's activities and were transacted at the unit price applicable on the transaction date. No brokerage fees were charged.

\$	Lifestages KiwiSaver Scheme	
	2023	2022
Sales of Lifestages Investment Funds products	-	34,644,797
The Scheme held investments in the following Southland Building Society investment products:		
SBS Bank bond 18/03/2027 4.32%	\$ 2,108,395	\$ 2,216,701
Term Deposits	\$ 24,000,000	\$ 29,000,000

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

## 7. TRADE AND OTHER RECEIVABLES

\$	Lifestages KiwiSaver Scheme	
	2023	2022
Accrued interest	376,635	370,961
Dividends receivable	521,097	539,301
Management fee rebates receivable	23,233	36,959
Members' contributions receivable	378,407	212,414
<b>Total Trade and Other Receivables</b>	<b>1,299,372</b>	<b>1,159,635</b>

## 8. ACCOUNTS PAYABLE

\$	Lifestages KiwiSaver Scheme	
	2023	2022
Management fees	287,737	274,426
Audit fees	20,828	19,838
Other	217,394	134,566
<b>Total Accounts Payable</b>	<b>525,959</b>	<b>428,830</b>

## Notes to the Financial Statements

For the year ended 31 March 2023

### 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.

\$	Lifestages KiwiSaver Scheme	
	2023	2022
PIE tax payable on behalf of members at balance date	2,600,332	996,675
PIE tax paid on behalf of members during the year	133,870	29,962
<b>PIE Tax Attributable to Members for the Year</b>	<b>2,734,202</b>	<b>1,026,637</b>

### 10. FINANCIAL ASSETS

\$	Lifestages KiwiSaver Scheme	
	2023	2022
<b>Financial Assets at Amortised Cost</b>		
Term Deposits	24,000,000	45,000,000
<b>Financial Assets Designated at Fair Value Through Profit or Loss</b>		
Fixed Interest Securities	2,108,395	2,216,701
Listed Equities	165,066,302	166,517,357
Listed Funds/Trusts	41,518,737	43,892,913
Unlisted Funds/Trusts	259,199,066	228,509,149
<b>Total Financial Assets</b>	<b>491,892,500</b>	<b>486,136,120</b>

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 2023

The following table represents the securities exceeding 5% of the net assets available for benefit at balance date:

\$	Lifestages KiwiSaver Scheme	
As at 31 March	2023	% of net asset value
<b>List of Securities</b>		
Dimensional Two-Year Diversified Fixed Interest Trust NZD Hedged	28,006,912	5.49%
Dimensional Global Bond Sustainability Trust NZD Hedged	33,618,379	6.59%
iShares Global Aggregate Bond UCITS ETF NZD Hedged	41,518,737	8.14%
Harbour NZ Core Fixed Interest Fund	43,403,937	8.50%
Dimensional Global Sustainability Pie Fund NZD Hedged	90,135,462	17.66%

\$	Lifestages KiwiSaver Scheme	
As at 31 March	2022	% of net asset value
<b>List of Securities</b>		
Dimensional Two-Year Diversified Fixed Interest Trust NZD Hedged	41,451,210	8.33%
Harbour NZ Core Fixed Interest Fund	43,621,210	8.76%
iShares Global Aggregate Bond UCITS ETF NZD Hedged	43,892,913	8.82%
Dimensional Global Sustainability Trust NZD Hedged	79,010,172	15.87%

The following table presents the securities exceeding 5% of security type:

\$	Lifestages KiwiSaver Scheme	
As at 31 March	2023	% of security type
<b>Trading securities exceeding 5% of security type</b>		
<b>Term Deposits</b>		
Nelson Building Society Term Deposit 24/07/2023	2,000,000	8.33%
Nelson Building Society Term Deposit 27/11/2023	2,000,000	8.33%
Nelson Building Society Term Deposit 27/02/2024	2,000,000	8.33%
Southland Building Society Term Deposit 21/09/2023	2,000,000	8.33%
Southland Building Society Term Deposit 22/01/2024	2,000,000	8.33%
Southland Building Society Term Deposit 25/03/2024	2,000,000	8.33%
Southland Building Society Term Deposit 24/05/2023	3,000,000	12.50%
Southland Building Society Term Deposit 21/08/2023	3,000,000	12.50%
Southland Building Society Term Deposit 19/10/2023	4,000,000	16.67%
<b>Fixed Interest Securities</b>		
SBS Bank Bond 18/03/2027 4.32%	2,108,395	100.00%
<b>Listed Funds/Trusts</b>		
iShares Global Aggregate Bond UCITS ETF NZD Hedged	41,518,737	100.00%
<b>Unlisted Funds/Trusts</b>		
Kernel Global Infrastructure Fund NZD Hedged	12,466,910	4.81%
Dimensional Australian Sustainability Trust	13,719,747	5.29%
Dimensional Five-Year Diversified Fixed Interest Trust NZD Hedged	16,960,586	6.54%
Schroder Emerging Markets Sustainable Fund	20,887,133	8.06%
Dimensional Two-Year Sustainability Fixed Interest Trust NZD Hedged	28,006,912	10.81%
Dimensional Global Bond Sustainability Trust NZD Hedged	33,618,379	12.97%
Harbour NZ Core Fixed Interest Fund PIE	43,403,937	16.75%
Dimensional Global Sustainability Trust NZD Hedged	90,135,462	34.77%

## Notes to the Financial Statements

For the year ended 31 March 2023

\$	Lifestages KiwiSaver Scheme	
As at 31 March	2022	% of security type
<b>Trading securities exceeding 5% of security type</b>		
<b>Term Deposits</b>		
Nelson Building Society Term Deposit 05/12/2022	2,500,000	5.56%
Nelson Building Society Term Deposit 27/02/2023	2,500,000	5.56%
Southland Building Society Term Deposit 18/05/2022	4,000,000	8.89%
Kiwibank Term Deposit 21/09/2022	5,000,000	11.11%
Southland Building Society Term Deposit 23/11/2022	5,000,000	11.11%
Southland Building Society Term Deposit 09/10/2022	7,000,000	15.56%
Southland Building Society Term Deposit 07/12/2022	7,000,000	15.56%
<b>Fixed Interest Securities</b>		
SBS Bank Bond 18/03/2027 4.32%	2,220,058	100.00%
<b>Listed Funds/Trusts</b>		
iShares Global Aggregate Bond UCITS ETF NZD Hedged	43,892,913	100.00%
<b>Unlisted Funds/Trusts</b>		
Dimensional Australian Sustainability Trust	14,352,552	6.28%
Dimensional Global Bond Sustainability Trust NZD Hedged	18,792,869	8.22%
Schroder Emerging Markets Sustainable Fund	21,521,801	9.42%
Dimensional Two-Year Diversified Fixed Interest Trust NZD Hedged	41,451,210	18.14%
Harbour NZ Core Fixed Interest Fund PIE	43,621,210	19.09%
Dimensional Global Sustainability Trust NZD Hedged	79,010,172	34.58%

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

\$	Lifestages KiwiSaver Scheme	
	2023	2022
<b>Net Change in Benefits Accrued</b>	12,628,899	34,942,853
Increase in Accounts Receivable	26,256	(197,873)
Increase in Accounts Payable	97,129	(38,555)
Increase in cost of Investment Assets	(19,707,985)	(72,837,008)
Net Movement In Members Contributions & Withdrawals	(22,830,209)	(31,968,950)
<b>Adjustment for Non Cash Items:</b>		
Change in Fair Value of Financial Instruments	13,951,605	35,461,605
Change in foreign exchange losses on cash and cash equivalents	4,384	967
<b>Less items classified as Financing Activities</b>		
Movements in Payables Attributable to Financing Activities	1,437,664	(1,187,446)
<b>Net Cash Outflows used in Operating Activities</b>	<b>(14,392,257)</b>	<b>(35,824,407)</b>



## Notes to the Financial Statements

For the year ended 31 March 2023

### 12. 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.

Lifestages Capital Stable Portfolio		
	2023	2022
	Number of Units	Number of Units
Units on Issue at the Start of the Year	-	38,949,101
Issue of Units for the Year	-	(36,990,335)
Redemption of Units for the Year	-	(1,958,766)
<b>Units on Issue at the End of the Year</b>	<b>-</b>	<b>-</b>

Lifestages Income Fund		
	2023	2022
	Number of Units	Number of Units
Units on Issue at the Start of the Year	211,584,659	110,152,179
Issue of Units for the Year	9,234,381	118,725,562
Redemption of Units for the Year	(23,814,450)	(17,293,082)
<b>Units on Issue at the End of the Year</b>	<b>197,004,590</b>	<b>211,584,659</b>

Lifestages High Growth Fund		
	2023	2022
	Number of Units	Number of Units
Units on Issue at the Start of the Year	156,701,769	129,810,126
Issue of Units for the Year	36,382,087	37,457,794
Redemption of Units for the Year	(12,495,005)	(10,566,151)
<b>Units on Issue at the End of the Year</b>	<b>180,588,851</b>	<b>156,701,769</b>

### 13. 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 2023 (31 March 2022: Nil).

### 14. 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.

### 15. 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 audit of the financial statements

### Opinion

In our opinion, the financial statements of Lifestages Kiwisaver Scheme (the 'scheme') on pages 3 to 20 present fairly, in all material respects:

- i. the scheme's financial position as at 31 March 2023 and its financial performance and cash flows for the year ended on that date in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards issued by the New Zealand Accounting Standards Board.

We have audited the accompanying financial statements which comprise:

- the statement of financial position as at 31 March 2023;
- 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 *International Code of Ethics for Assurance Practitioners (Including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ('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.

Our firm has also provided other services to Funds Administration New Zealand Limited (the 'Manager') for statutory audit and agreed upon procedure engagements. The provision of these services has not impaired our independence as auditor of the scheme. Subject to certain restrictions, partners and employees of our firm may also deal with the scheme on normal terms within the ordinary course of trading activities of the business of the scheme. These matters have not impaired our independence as auditor of the scheme. The firm has no other relationship with, or interest 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





0.98% of net assets of the scheme. We chose the benchmark because, in our view, this is a key measure of the scheme's performance.

## 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

Refer to notes 4i) and 5 of the scheme's financial statements.

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.

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 as disclosed 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, is 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 issued by the New Zealand Accounting Standards Board;
- implementing necessary internal control to enable the preparation of a set of financial statements that is 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

Wellington

26 July 2023