

# Foundation Series Funds

Financial Statements

For the year ended 31 March 2023

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# Directory

<b>The Manager</b>	FundRock NZ Limited (previously known as Implemented Investment Solutions Limited) Level 2, Woodward House 1 Woodward Street PO Box 25003 Wellington, New Zealand 6140	<b>Investment Manager</b>	InvestNow Saving and Investment Service Limited Level 2, Woodward House 1 Woodward Street PO Box 25003 Wellington, New Zealand 6140
<b>Directors of the Manager</b>	Anthony Edmonds Ian Russon Jeremy Valentine Gareth Fleming	<b>The Supervisor</b>	Public Trust Level 8, 22 Willeston Street Private Bag 5902 Wellington, New Zealand 6140
<b>Administration Manager</b>	Adminis NZ Limited Level 1 125 Featherston Street PO Box 25555 Wellington, New Zealand 6140	<b>Auditor</b>	KPMG 10 Customhouse Quay PO Box 996 Wellington, New Zealand 6140
<b>Correspondence</b>	All correspondence and enquiries to the Supervisor about the Funds should be addressed to the Supervisor, Public Trust, at the above address.		



# Independent Auditor's Report

To the unitholders of:

- Foundation Series Total World Fund
- Foundation Series US 500 Fund
- Foundation Series Balanced Fund
- Foundation Series Growth Fund

Collectively Foundation Series Funds (the 'funds')

## Report on the audit of the financial statements

### Opinion

In our opinion, the financial statements of the funds on pages 6 to 23:

- present fairly in all material respects the fund'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 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 comprehensive income, changes in funds attributable to unit holders and cash flows for the year then ended; and
- notes, including a summary of significant accounting policies.

### 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 fund 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.

Other than in our capacity as auditor we have no relationship with, or interests in, the Fund. Subject to certain restrictions, partners and employees of our firm may also deal with the fund on normal terms within the ordinary course of trading activities of the business of the fund. These matters have not impaired our independence as auditor of the fund. The firm has no other relationship with, or interest in, the fund.

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## 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 total assets for the funds. We chose the benchmark because, in our view, this is a key measure of the fund's performance.

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## 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

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The key audit matter	How the matter was addressed in our audit
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<b>Valuation and existence of investments for Foundation Series Diversified Funds</b>	
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Refer to Note 2 Summary of significant accounting policies and Note 5 Financial assets and liabilities at fair value through profit and loss (for existence and valuation) of the financial statements.	
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The fund's portfolio of investments is the most significant asset making up in excess of 95% of total assets. These comprise liquid investments including unlisted unit trusts and listed exchange traded funds (ETFs).	
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The investment portfolio in total, due to its materiality in the context of the financial statements as a whole, is our most significant area of audit focus.	
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	Our audit procedures included:
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|  | <ul style="list-style-type: none"><li>• documenting and understanding the processes in place to record investment transactions and to value the portfolio. This included evaluating the control environment in place at the administration manager by obtaining and reading a report issued by an independent auditor on the design and operation of those controls;</li><li>• agreeing the valuation of unlisted unit trusts to confirmations received from the investment manager;</li><li>• agreeing the 31 March 2023 valuation of listed ETFs to externally quoted prices;</li><li>• agreeing investment holdings to confirmations received from the custodian; and</li><li>• checking the accuracy of fair value hierarchy disclosure as disclosed in the financial statements.</li></ul> |
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## Other information

The Manager, on behalf of the fund, are responsible for the other information included in the entity's financial statements. Other information includes the Directory. Our opinion on the financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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## Use of this independent auditor's report

This independent auditor's report is made solely to the unitholders 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.

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## Responsibilities of the Manager for the financial statements

The Manager, on behalf of the fund, 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 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.
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## 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 Gavin Silva.

For and on behalf of

A handwritten signature of the KPMG firm, written in blue ink. The letters 'KPMG' are written in a stylized, cursive-like font.

KPMG  
Wellington  
21 July 2023

# Statements of comprehensive income

for the year ended 31 March 2023

in New Zealand Dollars

	Note	Foundation Series Total World Fund	Foundation Series US 500 Fund	Foundation Series Balanced Fund		Foundation Series Growth Fund	
		5 months 2023 \$	5 months 2023 \$	2023 \$	2022 \$	2023 \$	2022 \$
<b>Income</b>							
Interest income - amortised cost		3	12	2,529	182	3,479	282
Distribution income		45,179	36,460	260,728	108,355	329,812	124,794
Fee rebates		-	-	22,710	9,774	34,408	14,399
Net gains/(losses) on financial assets at fair value through profit or loss	4	364,652	218,983	(628,025)	(143,484)	(319,775)	(69,426)
Other foreign currency gains, net		995	6,359	-	-	-	-
<b>Total income/(loss)</b>		<b>410,829</b>	<b>261,814</b>	<b>(342,058)</b>	<b>(25,173)</b>	<b>47,924</b>	<b>70,049</b>
<b>Expenses</b>							
Management fees	8	-	-	12,959	5,992	27,004	11,662
Supervisor fees	8	-	-	2,810	1,128	3,857	1,794
<b>Total expenses</b>		<b>-</b>	<b>-</b>	<b>15,769</b>	<b>7,120</b>	<b>30,861</b>	<b>13,456</b>
<b>Net profit/(loss) attributable to unit holders</b>		<b>410,829</b>	<b>261,814</b>	<b>(357,827)</b>	<b>(32,293)</b>	<b>17,063</b>	<b>56,593</b>
Other comprehensive income		-	-	-	-	-	-
<b>Total comprehensive income/(loss) for the year attributable to unit holders</b>		<b>410,829</b>	<b>261,814</b>	<b>(357,827)</b>	<b>(32,293)</b>	<b>17,063</b>	<b>56,593</b>

This statement is to be read in conjunction with the notes to the financial statements.

# Statements of financial position

as at 31 March 2023

in New Zealand Dollars

		Foundation Series Total World Fund	Foundation Series US 500 Fund	Foundation Series Balanced Fund	Foundation Series Growth Fund	
	Note	2023 \$	2023 \$	2023 \$	2022 \$	2023 \$
						2022 \$
<b>Assets</b>						
Cash and cash equivalents	3	208,270	412,885	192,193	141,708	190,527
Financial assets at fair value through profit or loss	5	13,104,844	8,605,679	13,246,206	10,697,126	14,387,264
Other receivables	6	-	28,651	5,269	4,392	127,538
PIE tax receivable		-	-	598	-	-
<b>Total assets</b>		<b>13,313,114</b>	<b>9,047,215</b>	<b>13,444,266</b>	10,843,226	<b>27,543,279</b>
<b>Liabilities</b>						
Other payables	7	210,702	436,069	3,290	-	-
Related party payables	8	-	-	1,689	3,903	6,656
PIE tax payable		497	726	-	20	360
<b>Total liabilities</b>		<b>211,199</b>	<b>436,795</b>	<b>4,979</b>	3,923	<b>4,272</b>
<b>Net assets</b>		<b>13,101,915</b>	<b>8,610,420</b>	<b>13,439,287</b>	10,839,303	<b>27,539,007</b>
Represented by:						
<b>Net assets attributable to unit holders</b>		<b>13,101,915</b>	<b>8,610,420</b>	<b>13,439,287</b>	10,839,303	<b>27,539,007</b>

These financial statements were authorised for issue by the Manager, FundRock NZ Limited:



Director Anthony Edmonds

Date 21 / 07 / 2023



Director Jeremy Valentine

Date 21 / 07 / 2023

This statement is to be read in conjunction with the notes to the financial statements.

# Statements of changes in funds attributable to unit holders

for the year ended 31 March 2023

in New Zealand Dollars

	Foundation Series Total World Fund		Foundation Series US 500 Fund		Foundation Series Balanced Fund		Foundation Series Growth Fund	
	5 months 2023		5 months 2023		2023	2022	2023	2022
	\$		\$		\$	\$	\$	\$
<b>Net assets attributable to unit holders at the start of the year</b>	-		-		<b>10,839,303</b>	1,821,326	<b>14,698,313</b>	3,285,038
Applications	12,706,292		8,413,463		4,072,867	9,455,986	15,845,131	12,494,276
Redemptions	(14,709)		(64,131)		(1,115,654)	(405,696)	(3,021,757)	(1,137,234)
Unit holders tax	(497)		(726)		598	(20)	257	(360)
<b>Net increase from unit holder transactions</b>	<b>12,691,086</b>		<b>8,348,606</b>		<b>2,957,811</b>	9,050,270	<b>12,823,631</b>	11,356,682
Total comprehensive income/(loss) for the year	410,829		261,814		(357,827)	(32,293)	17,063	56,593
<b>Net assets attributable to unit holders at the end of the year</b>	<b>13,101,915</b>		<b>8,610,420</b>		<b>13,439,287</b>	10,839,303	<b>27,539,007</b>	14,698,313
	2023		2023		2023	2022	2023	2022
	Units		Units		Units	Units	Units	Units
<b>Units on issue at the start of the year</b>	-		-		<b>10,113,964</b>	1,744,199	<b>12,983,575</b>	3,066,541
Units issued	12,508,261		8,388,982		3,980,668	8,744,151	15,067,485	10,921,241
Units redeemed	(14,801)		(64,188)		(1,095,451)	(374,386)	(2,868,268)	(1,004,207)
<b>Units on issue at the end of the year</b>	<b>12,493,460</b>		<b>8,324,794</b>		<b>12,999,181</b>	10,113,964	<b>25,182,792</b>	12,983,575

This statement is to be read in conjunction with the notes to the financial statements.

# Statements of cash flows

for the year ended 31 March 2023

in New Zealand Dollars

	Note	Foundation Series Total World Fund	Foundation Series US 500 Fund	Foundation Series Balanced Fund		Foundation Series Growth Fund	
		5 months 2023 \$	5 months 2023 \$	2023 \$	2022 \$	2023 \$	2022 \$
<b>Cash was provided from</b>							
Sale of investments		-	1,174	245,566	126,884	1,156,167	248,760
Interest income		3	12	2,529	182	3,479	282
Fee rebate income		-	-	20,750	6,996	29,119	10,197
Distribution income		45,386	7,992	260,728	108,355	329,812	124,794
<b>Cash was provided to</b>							
Purchase of investments		(12,529,011)	(7,950,191)	(3,421,588)	(9,171,413)	(14,156,884)	(11,580,036)
Operating expenses		-	-	(17,983)	(3,676)	(34,353)	(7,684)
<b>Net cash outflow from operating activities</b>	9	<b>(12,483,622)</b>	<b>(7,941,013)</b>	<b>(2,909,998)</b>	<b>(8,932,672)</b>	<b>(12,672,660)</b>	<b>(11,203,687)</b>
<b>Cash flows from financing activities</b>							
Proceeds from units issued		12,706,292	8,413,463	4,072,867	9,455,986	15,845,131	12,494,276
Redemptions		(14,709)	(64,131)	(1,112,364)	(405,696)	(3,020,649)	(1,137,971)
PIE tax paid		-	-	(20)	(33)	(316)	(138)
<b>Net cash inflow from financing activities</b>		<b>12,691,583</b>	<b>8,349,332</b>	<b>2,960,483</b>	<b>9,050,257</b>	<b>12,824,166</b>	<b>11,356,167</b>
<b>Net cash inflow</b>		<b>207,961</b>	<b>408,319</b>	<b>50,485</b>	<b>117,585</b>	<b>151,506</b>	<b>152,480</b>
<b>Net cash and cash equivalents at the beginning of the year</b>		<b>-</b>	<b>-</b>	<b>141,708</b>	<b>24,123</b>	<b>190,527</b>	<b>38,047</b>
Foreign exchange gains on cash and cash equivalents		309	4,566	-	-	-	-
<b>Net cash and cash equivalents at the end of the year</b>		<b>208,270</b>	<b>412,885</b>	<b>192,193</b>	<b>141,708</b>	<b>342,033</b>	<b>190,527</b>

This statement is to be read in conjunction with the notes to the financial statements.

# Notes to the financial statements

## 1. GENERAL INFORMATION

### Reporting entity

The following are the Foundation Series Funds (the "Funds"), unit trusts registered in New Zealand, that are included in these financial statements:

- Foundation Series Balanced Fund
  - Foundation Series Growth Fund
- ) together the "Diversified Funds"
- Foundation Series Total World Fund
  - Foundation Series US 500 Fund
- ) together the "Core Equity Funds"

The Foundation Series Balanced Fund and Foundation Series Growth Fund were established on 1 May 2020 and commenced operations on 2 September 2020. The Foundation Series Total World Fund and Foundation Series US 500 Fund were established on 20 September 2022 and commenced operations on 7 November 2022.

The Funds are governed by a Master Trust Deed dated 1 December 2016 between FundRock NZ Limited (the "Manager") and Public Trust (the "Supervisor") and an Establishment Deed dated 1 December 2016 (together, the "Trust Deed"). The Funds are for-profit entities.

The Investment Manager is InvestNow Saving and Investment Service Limited (the "Investment Manager"). The Investment Manager defines the Funds' investment mandate and selects an appropriate investment manager(s) for that mandate, reviews the mandates and investment manager(s) performance and provides promotion and distribution support to the Funds.

The financial statements for the Foundation Series Balanced Fund and the Foundation Series Growth Fund are for the year ended 31 March 2023, with comparatives for the year ended 31 March 2022. The financial statements for the Foundation Series Total World Fund and the Foundation Series US 500 Fund are for the 5 month period ended 31 March 2023, with no comparatives.

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### Separate funds

The purpose of these Funds is to provide access for investors to specific investment markets whilst achieving an adequate and cost effective diversification of assets. The Trust Deed provides that each Fund is a separate and distinct Fund with separate assets and liabilities governed by the terms and conditions of the Trust Deed. The Funds each have their own objectives as set out in the Product Disclosure Statement ("PDS"). The Investment Manager sets the investment policy and investment guidelines for each Fund and obtains the Supervisor's approval to any material change to the guidelines.

The aim of the Foundation Series Balanced Fund is to provide investors with the potential for mid-range long-run returns by investing in a diversified portfolio with a balance of income and growth assets. The investment objective of the Foundation Series Balanced Fund is to perform broadly in line with the return of its investment benchmark before fees and tax over the long-term.

The aim of the Foundation Series Growth Fund is to provide investors with the potential for high long-run returns by investing in a diversified portfolio weighted towards growth assets but with some income asset exposure. The investment objective of the Foundation Series Growth Fund is to perform broadly in line with the return of its investment benchmark before fees and tax over the long-term.

The aim of the Foundation Series Total World Fund is to provide investors with high long-run returns by investing in an underlying Exchange Traded Fund ("ETF") that invests in shares of large, mid-sized and small companies listed on international stockmarkets. The investment objective of the Foundation Series Total World Fund is to perform broadly in line with the return of its investment benchmark before fees and tax over the long-term.

The aim of the Foundation Series US 500 Fund is to provide investors with high long-run returns by investing in an underlying ETF that invests in shares of the largest companies listed on exchanges in the United States. The investment objective of the Foundation Series US 500 Fund is to perform broadly in line with the return of its investment benchmark before fees and tax over the long-term.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Statutory Base	The financial statements for the Funds have been prepared in accordance with the Trust Deed and the Financial Markets Conduct Act 2013 ("FMCA").
Basis of preparation	<p>The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand and other legislative requirements as appropriate for for-profit entities. The financial statements comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS"), and other New Zealand accounting standards and authoritative notices applicable to entities that apply NZ IFRS. The financial statements also comply with International Financial Reporting Standards ("IFRS").</p> <p>The financial statements have been prepared under the historical cost basis, as modified by the revaluation of financial instruments at fair value through profit or loss. The methods used to measure fair value are discussed further below. The accrual basis of accounting has been applied, as has the going concern assumption.</p> <p>The assets and liabilities in the financial statements have been presented in order of their liquidity. All assets and liabilities either have a maturity of less than a year or have no fixed maturity and are therefore considered current assets/liabilities.</p>
New standards and amendments to existing standards effective in the current year	There are no new or amended standards for the year ended 31 March 2023 that have had a material impact on the financial statements.
New accounting standards and interpretations not adopted	No other standards and amendments to existing standards and interpretations that are not yet in effect are expected to have a material impact on the financial statements of the Funds.
Significant accounting estimates and judgements	<p>The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires the Manager to exercise its judgment in the process of applying the Funds' accounting policies.</p> <p>The investments of the Funds have been valued at the relevant redemption price established by underlying investment managers, therefore the Manager has not made any material accounting estimates or judgements in relation to the carrying value of these assets.</p>
Functional and presentation currency	The financial statements are presented in New Zealand dollars, which is the Funds' functional currency. All amounts have been rounded to the nearest dollar.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

## Financial instruments

**(a) Classification***Financial assets at fair value through profit or loss*

The Funds classify their investments in listed ETFs and New Zealand unlisted unit trusts as financial assets at fair value through profit or loss. The Funds classify their investments based on both the Funds' business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The Funds' investment strategies, policies and guidelines are established by the Manager. The portfolio of financial assets is managed and performance is evaluated on a fair value basis in accordance with the Funds' investment strategies.

The Manager and investment manager are primarily focused on fair value information and use that information to assess the assets' performance and to make decisions. The Funds have not taken the option to irrevocably designate any equity securities as fair value through other comprehensive income.

*Financial assets and liabilities at amortised cost*

The Funds' cash and cash equivalents and other receivables are classified as financial assets at amortised cost based on the Funds' business models for managing those financial assets and the contractual cash flow characteristics.

Financial liabilities at amortised cost comprise related party payables and other payables.

**(b) Recognition**

Purchases and sales of investments are recognised on the trade date, the date on which the Funds commit to purchase or sell the investment. Financial assets at fair value through profit or loss are initially recognised at fair value and, subsequent to initial recognition, measured at fair value. Gains and losses arising from changes in fair value are recognised in the Statements of Comprehensive Income when they arise. Interest, dividend and distribution income are separately recognised in the Statements of Comprehensive Income. Transaction costs are expensed as incurred in the Statements of Comprehensive Income.

**(c) Fair Value Measurement**

'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 the measurement date in the principal or, in its absence, the most advantageous market to which the Funds had access at that date. The fair value also includes non-performance risk.

*Fair value in an active market*

The fair value of investments traded in active markets is based on their quoted market prices at the balance date without any deduction for estimated future selling costs. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume. The quoted market price used for listed equities is the current last sale price except where this price falls outside the bid-ask spread, in which case the bid price is used.

*Fair value of unlisted unit trusts*

The fair value of investments in unlisted unit trusts is determined using the last available redemption unit prices for those funds at balance date. The Manager of the Funds may make adjustments based on considerations such as the liquidity of the underlying investments and any restrictions on redemptions.

**(d) Derecognition**

Financial assets are derecognised upon maturity or disposal of the asset. Any gain or loss arising on derecognition of the asset is recognised in the Statements of Comprehensive Income in the year the item is derecognised. Gains or losses are calculated as the difference between the disposal proceeds and the carrying amount of the item.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Fair value hierarchy	<p>Fair value measurements are categorised into a three level hierarchy that reflects the significance of the inputs used in making the measurements. Transfers between levels of the fair value hierarchy (if any) are deemed to have occurred at the beginning of the period.</p> <p><i>Level one - fair value in an active market</i> The fair value of financial assets traded in active markets for the same instruments based on their quoted market prices at balance date without any deduction for estimated future selling costs. Generally, a level one category asset will have the most independent, reliable basis for measurement.</p> <p><i>Level two - fair value in an inactive or unquoted market using valuation techniques and observable market data</i> The fair value of financial assets that are not traded in an active market is determined using valuation techniques for which all significant inputs are based on observable market data. The Funds' investments in unlisted unit trusts are valued at fair value which is based on the latest available redemption prices of the units in each respective underlying fund. The Manager reviews the details of the reported information obtained from each of the underlying investments and considers:</p> <ul style="list-style-type: none"> <li>- the liquidity of the Fund's holding in that investment, or it's underlying investments;</li> <li>- the value date of the net asset value ("NAV") provided; and</li> <li>- any restrictions on withdrawals.</li> </ul> <p><i>Level three - fair value in an inactive or unquoted market using valuation techniques without observable market data</i> The fair value of financial assets that are not traded in an active market is determined using valuation techniques for which any significant input is not based on observable market data.</p>
Foreign currencies	<p>Transactions denominated in foreign currencies are recognised at the exchange rates at the date of the transactions. Monetary assets and liabilities at balance date denominated in foreign currencies are translated at the foreign currency exchange rates at that date. Realised and unrealised exchange gains and losses on financial assets at amortised cost during the financial year are recognised in the Statements of Comprehensive Income within 'Other foreign currency (losses)/gains, net'.</p>
Income recognition	<p>Interest income is recognised in the Statements of Comprehensive Income as the interest accrues using the effective interest rate method. Interest income is earned on short term deposits, bank balances and margin accounts.</p> <p>Dividend and distribution income is recognised in the Statements of Comprehensive Income when the Funds' right to receive payment is established.</p> <p>Dividend and interest income is disclosed net of any foreign tax credits and resident withholding taxes deducted at source, as these tax credits are allocated to unit holders under the PIE regime.</p> <p>Fee rebate income is received from underlying investment managers as a discount to the standard fee charged to the unlisted unit trusts and reflected in their unit prices. Fee rebates are accrued daily, based on the fair value of unlisted unit trusts and recognised in the Statements of Comprehensive Income when the Funds' right to receive payment is established.</p> <p>Foreign exchange gains and losses on cash and cash equivalents, other receivables, and other payables are recognised in the Statements of Comprehensive Income within 'Other foreign currency (losses)/gains, net'.</p> <p>Any unrealised gains or losses arising from the revaluation of investments and any realised gains or losses from the sale of investments during the year are included in the Statements of Comprehensive Income.</p>

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Expenses	Expenses include management fees and supervisor fees which are accrued for daily, based on the Funds' net asset value ("NAV"). All other expenses, including investment accounting fees, custody fees, audit fees and other fees are paid for by the Manager out of the management fee.
Cash and cash equivalents	Cash and cash equivalents comprise cash balances and short-term deposits with an original maturity of 90 days or less and are initially measured at fair value. Subsequent to initial recognition, all cash and cash equivalents are measured at amortised cost.
Other payables	Other payables include liabilities and accrued expenses owed by the Funds that are unpaid at balance date. Under NZ IFRS 9 - Financial Instruments ("NZ IFRS 9"), payables are initially recognised at fair value and subsequently stated at amortised cost using the effective interest method.
Related party payables	Payables to related parties include accrued expenses owed to related parties which are unpaid at balance date. Under NZ IFRS 9, related party payables are initially recognised at fair value and subsequently stated at amortised cost using the effective interest method.
Taxation	<p>The Funds are Portfolio Investment Entities ("PIEs"). Under the PIE regime income is effectively taxed in the hands of the unit holders and therefore the Funds have no tax expense. Accordingly, no income tax expense is recognised in the Statements of Comprehensive Income.</p> <p>Under the PIE regime, the Manager attributes the taxable income of the Funds to unit holders in accordance with the proportion of their interest in the overall Funds. The income attributed to each unit holder is taxed at the unit holder's prescribed investor rate ("PIR") which is currently capped at 28%. Any PIE tax payable/refundable on full withdrawals is paid/received by the Manager on behalf of unit holders and deducted from or added to the withdrawal proceeds paid. Units are cancelled/issued to the value of the tax paid/refunded upon determination of the unit holders' annual PIE tax liabilities/assets at 31 March each year.</p> <p>At 31 March each year, the unit holders' net tax position is accrued and the value of unit holders' funds is adjusted to reflect the impact of tax payable/receivable on the value of the unit holders' interest in the Funds. Unit holders' PIE tax amounts disclosed in the Statements of Changes in Funds Attributable to Unit Holders include withdrawals to meet unit holder tax liabilities and application representing unit holder tax refunds under the PIE regime.</p> <p>The PIE tax attributable to unit holders at balance date is calculated on the basis of the tax laws enacted or substantively enacted at balance date.</p>
Goods and Services tax	The Funds are not registered for GST and consequently all components of the financial statements are stated inclusive of GST where appropriate.
Statements of cash flows	<p>Definitions of the terms used in the Statements of Cash Flows are:</p> <p>(a) Operating activities comprise all transactions and other events that are not financing activities and includes purchases and sales of investments.</p> <p>(b) Financing activities are those activities that result in changes in the size and composition of unit holders' funds. This includes elements of unit holders' funds not falling within the definition of cash. Distributions paid in relation to unit holders' funds are included in financing activities.</p>

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**Applications and redemptions** Applications received for units in the Funds are recorded net of any entry fees payable prior to the issue of units in the Fund. Redemptions from the Funds are recorded gross of any exit fees payable after the cancellation of the units redeemed. Units are issued and redeemed at the holder's option at the unit price for that day. The unit price for each Fund is determined as the net asset value ("NAV") divided by the number of units on issue.

**Unit holders' funds** The units issued by the Funds are puttable instruments and meet the definition of an equity instrument, defined as:

- (a) unit holders are entitled to a pro rata share of the Funds' net assets in the event of the Funds' liquidation;
- (b) it is in the class of instruments that is subordinate to all other classes of instruments;
- (c) all units have identical rights and are puttable;
- (d) apart from the contractual obligation of the issuer to redeem the instrument for cash or another financial asset, the instrument does not include any other features that would require classification as a liability;
- (e) the total expected cash flows attributable to the instrument over its life is based substantially on the profit or loss, the change in the recognised net assets or the change in fair value of the recognised and unrecognised net assets of the Fund over the life of the instrument.

The Funds issue redeemable units which are redeemable at the holder's option and are classified as equity and reported as unit holders' funds.

**Related parties** A party is related to the Funds if:

- (a) directly or indirectly through one or more of its intermediaries, it controls, is controlled by, or is under common control with, the Funds;
- (b) it is a parent, subsidiary or fellow subsidiary of a party defined in (a) above;
- (c) it has an interest in or relationship with the Funds that gives it significant influence or control over the Funds;
- (d) it is controlled by or may be significantly influenced by another party which also has control or significant influence over the Funds;
- (e) the Funds have an interest in or relationship with the party that gives significant influence over the party; or
- (f) it is an entity or member of a group which provides key management personnel services to the Funds.

**3. CASH AND CASH EQUIVALENTS**

	Foundation Series Total World Fund		Foundation Series US 500 Fund		Foundation Series Balanced Fund		Foundation Series Growth Fund	
	2023 \$		2023 \$		2023 \$	2022 \$	2023 \$	2022 \$
<b>Cash and cash equivalents</b>								
Cash - New Zealand dollars	6		11		192,193	141,708	342,033	190,527
Margin account - New Zealand dollars	208,152		412,882		-	-	-	-
Margin account - United States dollars	112		(8)		-	-	-	-
<b>Total cash and cash equivalents</b>	<b>208,270</b>		<b>412,885</b>		<b>192,193</b>	<b>141,708</b>	<b>342,033</b>	<b>190,527</b>

**4. NET GAINS/(LOSSES) ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	Foundation Series Total World Fund		Foundation Series US 500 Fund		Foundation Series Balanced Fund		Foundation Series Growth Fund	
	5 months 2023 \$		5 months 2023 \$		2023 \$	2022 \$	2023 \$	2022 \$
<b>Financial instruments at fair value through profit or loss</b>								
Unlisted unit trusts	-		-		(628,025)	(143,484)	(319,775)	(69,426)
Listed ETFs	364,652		218,983		-	-	-	-
<b>Total net gains/(losses) on financial assets at fair value through profit or loss</b>	<b>364,652</b>		<b>218,983</b>		<b>(628,025)</b>	<b>(143,484)</b>	<b>(319,775)</b>	<b>(69,426)</b>

**5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	Foundation Series Total World Fund		Foundation Series US 500 Fund		Foundation Series Balanced Fund		Foundation Series Growth Fund	
	2023 \$		2023 \$		2023 \$	2022 \$	2023 \$	2022 \$
<b>Financial assets at fair value through profit or loss</b>								
Unlisted unit trusts	-		-		13,246,206	10,697,126	27,190,503	14,387,264
Listed ETFs	13,104,844		8,605,679		-	-	-	-
<b>Total financial assets at fair value through profit or loss</b>	<b>13,104,844</b>		<b>8,605,679</b>		<b>13,246,206</b>	<b>10,697,126</b>	<b>27,190,503</b>	<b>14,387,264</b>

**5(A). FAIR VALUE HIERACHY**

Level 1 fair value determination	The fair value of listed ETFs are valued using quoted market prices in an active market and are included within level 1 of the fair value hierarchy.
Level 2 fair value determination	The fair value of units held by the Funds' in unlisted unit trusts is determined by reference to published unit prices calculated by those funds' administration managers and are included within level 2 of the fair value hierarchy.
	There have been no transfers between the levels of the fair value hierarchy.

**6. OTHER RECEIVABLES**

	Foundation Series Total World Fund		Foundation Series US 500 Fund		Foundation Series Balanced Fund		Foundation Series Growth Fund	
	2023 \$		2023 \$		2023 \$	2022 \$	2023 \$	2022 \$
Fee rebates receivable	-		-		5,269	3,309	10,530	5,241
Dividends receivable	-		28,651		-	-	-	-
Unsettled trades	-		-		-	1,083	-	122,297
<b>Total other receivables</b>	-		28,651		5,269	4,392	10,530	127,538

All other receivable balances are current assets. Other receivables are classified as financial assets at amortised cost under NZ IFRS 9.

**7. OTHER PAYABLES**

	Foundation Series Total World Fund		Foundation Series US 500 Fund		Foundation Series Balanced Fund		Foundation Series Growth Fund	
	2023 \$		2023 \$		2023 \$	2022 \$	2023 \$	2022 \$
Unsettled trades	210,702		436,069		-	-	-	-
Redemptions payable	-		-		3,290	-	1,108	-
<b>Total other payables</b>	210,702		436,069		3,290	-	1,108	-

All other payable balances are current liabilities.

**8. RELATED PARTIES**

Related parties comprise the Manager, the Supervisor and their related entities.

**Manager and Supervisor fees**

As outlined in the Diversified Funds' PDS, the Diversified Funds incur total annual fund charges (including fees charged by the managers of the underlying investments) of 0.37% per annum of NAV (including GST). The Supervisor fee is partly paid for by the Diversified Funds at 0.0175% of NAV per annum, with the remainder of the annual fund charge paid to the Manager ("management fees"). The Manager uses management fees to pay for investment management, custody, investment accounting, audit, other fees and the remainder of the Supervisor fees. The total annual fund charges are accrued daily and paid monthly in arrears. Supervisor fees paid by the Manager for the year ended 31 March 2023 were \$9,625.

Total Management fees and Supervisor fees paid by the Diversified Funds for the period are disclosed in the Statements of Comprehensive Income.

As outlined in the Core Equity Funds' PDS, the Manager is entitled to entry and exit fees, payable by the unitholder, when applications and redemptions are actioned on the Core Equity Funds. The fees are calculated at 0.50% of each application or redemption. Entry and exit fees paid to the Manager for the year totalled \$105,320.

**8. RELATED PARTIES - CONTINUED**

Related party payables	Foundation Series Total World Fund		Foundation Series US 500 Fund		Foundation Series Balanced Fund		Foundation Series Growth Fund	
	2023 \$		2023 \$		2023 \$	2022 \$	2023 \$	2022 \$
Management fees payable	-		-		1,689	3,503	3,164	6,056
Supervisor fees payable	-		-		-	400	-	600
<b>Total related party payables</b>	<b>-</b>		<b>-</b>		<b>1,689</b>	<b>3,903</b>	<b>3,164</b>	<b>6,656</b>

All related party payable balances are current liabilities.

Related party holdings in the Funds      Holdings in the Funds by directors and key management personnel of the Manager, Investment Manager and their immediate family members are:

	Foundation Series Total World Fund		Foundation Series US 500 Fund		Foundation Series Balanced Fund		Foundation Series Growth Fund	
	5 months 2023 Units		5 months 2023 Units		2023 Units	2022 Units	2023 Units	2022 Units
<b>Opening units</b>	-		-		153,030	517,802	252,594	228,439
Applications	31,754		24,483		10,887	14,336	27,140	24,752
Ceased being a related party	-		-		-	(378,740)	-	-
Redemptions	-		-		(114,250)	(368)	(108,481)	(597)
<b>Closing units</b>	<b>31,754</b>		<b>24,483</b>		<b>49,667</b>	<b>153,030</b>	<b>171,253</b>	<b>252,594</b>
	2023 \$		2023 \$		2023 \$	2022 \$	2023 \$	2022 \$
<b>Opening fair value</b>	-		-		164,005	540,699	285,952	244,716
Applications	33,236		25,146		11,065	15,557	29,267	28,043
Ceased being a related party	-		-		-	(405,903)	-	-
Redemptions	-		-		(114,032)	(385)	(113,704)	(642)
Change in fair value	64		177		(9,689)	14,037	(14,239)	13,835
<b>Closing fair value</b>	<b>33,300</b>		<b>25,323</b>		<b>51,349</b>	<b>164,005</b>	<b>187,276</b>	<b>285,952</b>

**9. RECONCILIATION OF NET PROFIT ATTRIBUTABLE TO UNIT HOLDERS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES**

	Foundation Series Total World Fund		Foundation Series US 500 Fund		Foundation Series Balanced Fund		Foundation Series Growth Fund	
	5 months 2023 \$		5 months 2023 \$		2023 \$	2022 \$	2023 \$	2022 \$
<b>Net profit/(loss) attributable to unit holders</b>	<b>410,829</b>		<b>261,814</b>		<b>(357,827)</b>	(32,293)	<b>17,063</b>	56,593
<b>Adjustments for:</b>								
Purchase of investments	(12,529,011)		(7,950,191)		(3,421,588)	(9,171,413)	(14,156,884)	(11,580,036)
Sale of investments	-		1,174		245,566	126,884	1,156,167	248,760
Net (gains)/losses on financial assets at fair value through profit or loss	(364,652)		(218,983)		628,025	143,484	319,775	69,426
Other foreign currency (gains)/losses, net	(788)		(6,176)		-	-	-	-
<b>Changes in payables and receivables:</b>								
Dividends receivable	-		(28,651)		-	-	-	-
Fee rebates receivable	-		-		(1,960)	(2,778)	(5,289)	(4,202)
Accounts payable	-		-		(2,214)	3,444	(3,492)	5,772
<b>Net cash outflow from operating activities</b>	<b>(12,483,622)</b>		<b>(7,941,013)</b>		<b>(2,909,998)</b>	(8,932,672)	<b>(12,672,660)</b>	(11,203,687)

**10. FINANCIAL RISKS**

## Financial risk factors

The Funds' activities expose them to a variety of financial risks: market risk (including market price risk, currency risk and interest rate risk), credit risk and liquidity risk.

The Funds each have their own investment objectives, strategies and guidelines as outlined in the Establishment Deed and PDS. The Manager sets the investment policy and investment guidelines for each Fund and obtains the Supervisor's approval for any material change to these guidelines. The overall risk management programme seeks to maximise the returns derived for the level of risk to which the Funds are exposed and seeks to minimise potential adverse effects on the Funds' financial performance. The Funds' policy allows them to use derivative instruments to moderate certain risk exposures.

All securities investments present a risk of loss of capital. The maximum loss of capital on unlisted unit trusts and listed ETFs is limited to the fair value of those positions.

**10(A). MARKET RISK**

## Price risk

Market price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

The Funds invest in listed ETFs and other unlisted unit trusts and are susceptible to market price risk arising from uncertainties about future values of those underlying investments.

**10(A). MARKET RISK - CONTINUED**

## Price risk - sensitivity analysis

At 31 March, the net fair value of financial instruments is exposed to price risk. The Manager considers the volatility of the fair value of investments in portfolios to be in the 10% range. This is based on the weighted average of the considered volatility on underlying funds which range from 10.71% - 13.55% (2022: 9.22% - 12.01%). If the price of the Funds' investments increased or decreased by 10%, the Funds' net assets attributable to unit holders and net profit/(loss) would increase or decrease as follows:

	Foundation Series Total World Fund	Foundation Series US 500 Fund	Foundation Series Balanced Fund	Foundation Series Growth Fund
	2023 \$	2023 \$	2023 \$	2022 \$
<b>Financial assets at fair value through profit or loss</b>				
Unlisted unit trusts	-	-	13,246,206	10,697,126
Listed ETFs	13,104,844	8,605,679	-	-
<b>Total</b>	<b>13,104,844</b>	<b>8,605,679</b>	<b>13,246,206</b>	<b>10,697,126</b>
<b>Sensitivity analysis</b>				
10% increase in prices	1,310,484	860,568	1,324,621	1,069,713
10% decrease in prices	(1,310,484)	(860,568)	(1,324,621)	(1,069,713)

## Currency risk

Currency risk is the risk that the value of the financial instruments will fluctuate due to changes in foreign exchange rates.

The Core Equity Funds hold financial instruments denominated in currencies other than New Zealand dollar, the functional currency. They are therefore exposed to currency risk, as the value of the financial instruments denominated in other currencies will fluctuate due to change in exchange rates. The Core Equity Funds may enter into foreign exchange derivatives to hedge the foreign currency risk implicit in the value of the portfolio securities denominated in foreign currency.

The Diversified Funds do not hold financial instruments denominated in currencies other than New Zealand dollar, the functional currency. The Diversified Funds are therefore not exposed to currency risk. The Diversified Funds are, however, exposed indirectly to currency risk through their holdings in unlisted unit trusts.

**10(A). MARKET RISK - CONTINUED**

Currency risk - sensitivity analysis      At 31 March, had the exchange rates between the New Zealand dollar and the foreign currencies increased or decreased by 5% (which is the Manager's assessment of a reasonable movement with regard to historical volatility) with all other variables held constant, the Funds' net assets attributable to Unit Holders and net profit/(loss) would increase or decrease as follows:

	Foundation Series Total World Fund	Foundation Series US 500 Fund	Foundation Series Balanced Fund		Foundation Series Growth Fund	
	2023	2023	2023	2022	2023	2022
	\$	\$	\$	\$	\$	\$
<i>Net monetary assets</i>						
Cash and cash equivalents	112	(8)	-	-	-	-
Other receivables	-	28,651	-	-	-	-
Other payables	-	(24,355)	-	-	-	-
<i>Non monetary assets</i>						
Listed ETFs	13,104,844	8,605,679	-	-	-	-
<b>Total</b>	<b>13,104,956</b>	<b>8,609,967</b>	-	-	-	-
<b>Sensitivity analysis</b>						
USD exchange rates increase by 5%	(624,046)	(409,998)	-	-	-	-
USD exchange rates decrease by 5%	689,735	453,156	-	-	-	-

## Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Funds hold cash in accordance within agreed limits specified in the Investment Mandate for each Fund. Funds are exposed to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flow.

**10(A). MARKET RISK - CONTINUED**

Interest rate risk - sensitivity analysis The following table details the interest rate re-pricing profiles of the financial assets held by the Funds. The table also details, based on exposures at 31 March, the effect of an interest rate increase or decrease by 5.00% (2022: 1.00%) (which is the Manager's assessment of a reasonable movement with regard to the New Zealand Official Cash Rate which has moved at 4.50% over the last twelve months) with all other variables held constant, on the cash flows of cash and cash equivalents, and the related change in net assets attributable to unit holders and net profit/(loss):

	Foundation Series Total World Fund	Foundation Series US 500 Fund	Foundation Series Balanced Fund	Foundation Series Growth Fund
	2023	2023	2023	2022
	\$	\$	\$	\$
<b>Re-pricing profiles</b>				
<b>Cash and cash equivalents</b>				
Up to 90 days	208,270	412,885	192,193	141,708
<b>Total</b>	<b>208,270</b>	<b>412,885</b>	<b>192,193</b>	<b>141,708</b>
<b>Sensitivity analysis</b>				
<b>Impact on cash flow to changes in interest rates</b>				
Interest rates increase by 5.00% (2022: 1.00%)	10,414	20,644	9,610	1,417
Interest rates decrease by 5.00% (2022: 1.00%)	(10,414)	(20,644)	(9,610)	(1,417)

**10(B). LIQUIDITY RISK**

Liquidity risk is the risk that the Funds will not be able to meet their financial obligations as they fall due.

The Funds are exposed to daily redemptions of redeemable units. They therefore invest the majority of their assets in investment funds that can be readily disposed. The Funds will generally retain sufficient cash and cash equivalent balances to satisfy their accrued expenses as they fall due.

The Funds' financial liabilities consist of related party payables which are short term in nature and classified as current liabilities at balance date.

**10(C). CREDIT RISK**

Credit risk represents the risk that counterparty to the financial instrument will fail to perform contractual obligations under a contract and cause the Funds to incur a financial loss. Financial instruments that subject the Funds to credit risk are cash and cash equivalents and other receivables.

With respect to credit risk arising from the financial assets of the Fund, the Funds' exposure to credit risk arises from the default of the counterparty, with the current exposure equal to the fair value of these instruments as disclosed in the Statements of Financial Position. This does not represent the maximum risk exposure that could arise in the future as a result of changes in values, but best represents the current maximum exposure at the reporting date.

There is no material risk of default relating to applications receivable by the Funds (if any) as this receivable has arisen only due to timing between the date of receipt of the funds and when the units are allocated and the receipts processed.

#### 10(C). CREDIT RISK - CONTINUED

The Funds do not use credit derivatives to mitigate credit risk.

The Funds' cash and cash equivalents are held with Bank of New Zealand (S&P Global credit rating: AA-) (2022: same).

At 31 March 2023, all cash and cash equivalents are held with counterparties with high credit ratings and all financial instruments measured at amortised cost are short-term in nature (i.e. no longer than 12 months) and of high credit quality. The Manager considers the probability of default to be close to zero as the counterparties have strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Funds (2022: same).

As at 31 March 2023, there were no financial assets past due or impaired (2022: none).

#### 10(D). CAPITAL RISK MANAGEMENT

The Funds' capital is represented by net assets attributable to unit holders. The Manager's objectives when managing capital are to provide returns for unit holders through capital growth. The Funds do this by investing in diversified asset classes and liquid market instruments.

The Funds strive to invest the subscriptions of unit holder funds in investments that meet each Fund's objectives while maintaining sufficient liquidity to meet unit holder redemptions.

The Funds do not have any externally imposed capital requirements. Units may be redeemed on a daily basis, or such other date as the Manager shall from time to time determine.

#### 11. CONTINGENT LIABILITIES & COMMITMENTS

The Funds have no material commitments or material contingencies at 31 March 2023 (2022: none).

#### 12. AUDIT FEE

KPMG are entitled to a fee for the services it provides as auditor of these financial statements. Total fees paid by the Manager to the auditor for the period ending 31 March 2023 were \$59,506 (2022: \$22,000).

#### 13. EVENTS SUBSEQUENT TO BALANCE DATE

At the date of signing, the Foundation Series US 500 Fund has experienced movement in unit price, in line with recent market volatility. For recent unit price and fund performance, please visit <https://www.fundrock.com/fundrock-new-zealand/frnz-documents-and-reporting/> (noting this information is unaudited).

On 13 April 2023, the Manager, Implemented Investment Solutions Limited, changed its name to FundRock NZ Limited. There are no other significant subsequent events that require adjustment to or disclosure in these financial statements.