

COLCHESTER GLOBAL GOVERNMENT BOND PIE FUND

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2024**

COLCHESTER GLOBAL GOVERNMENT BOND PIE FUND

TABLE OF CONTENTS

	Page
Directory	1
Statement by the Manager	2
Financial Statements	
Statement of Profit or Loss and Other Comprehensive Income	3
Statement of Changes in Unitholders' Funds	4
Statement of Financial Position	5
Statement of Cash Flows	6
Notes to the Financial Statements	7 - 18
Independent Auditor's Report	19

COLCHESTER GLOBAL GOVERNMENT BOND PIE FUND

DIRECTORY

THE MANAGER

FundRock NZ Limited
Level 2, 1 Woodward Street
Wellington

This is also the address of the registered office.

THE SUPERVISOR

Public Trust
Level 2, 22 Willeston Street
Private Bag 5902
Wellington 6140, New Zealand

DIRECTORS OF THE MANAGER

Anthony R J Edmonds
Ian H Russon (resigned 1 July 2023)
Jeremy B Valentine
Gareth Fleming
Hugh D Stevens (appointed 1 July 2023)

BANK

ANZ Bank New Zealand Limited ("ANZ")

INVESTMENT MANAGER

Colchester Global Investors (Singapore) Pte Limited

FUND ADMINISTRATOR & CUSTODIAN

BNP Paribas Fund Services Australasia Pty Ltd, New Zealand branch

AUDITOR

PricewaterhouseCoopers
10 Waterloo Quay
PO Box 243
Wellington 6140, New Zealand

CORRESPONDENCE

All correspondence and enquiries about the Colchester Global Government Bond PIE Fund should be addressed to the Manager, FundRock NZ Limited, at the above address.

COLCHESTER GLOBAL GOVERNMENT BOND PIE FUND

FundRock NZ Limited (the "Manager") and Public Trust (the "Supervisor") are parties to a deed dated 1 December 2016 (the "Trust Deed") which sets out the terms and conditions applicable to Colchester Investment Funds (the "Scheme") and funds established by the Manager and the Supervisor within that Scheme.

The Trust Deed provides that each fund is to be established by the Manager and the Supervisor entering into an Establishment Deed setting out the specific terms and conditions relating to that fund.

The Manager resolved to establish a fund on 15 February 2021 to be known as the Colchester Global Government Bond PIE Fund (the "Fund").

STATEMENT BY THE MANAGER

In our opinion, the accompanying financial statements and notes are drawn up in accordance with generally accepted accounting practice in New Zealand and present fairly the financial position of the Fund as at 31 March 2024, and of the results of its financial performance and cash flows for the year ended on that date in accordance with the requirements of the Trust Deed dated 1 December 2016 and the Establishment Deed dated 15 February 2021.

It is believed that there are no circumstances that may materially and adversely affect any interest of the Unitholders.

For and on behalf of:
FundRock NZ Limited



.....

Director **Anthony Edmonds**



.....

Director **Jeremy Valentine**

This Statement was approved for signing at a meeting of the Directors on 17 July 2024.

COLCHESTER GLOBAL GOVERNMENT BOND PIE FUND

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2024

	Note	2024 \$'000	2023 \$'000
INCOME			
Interest income		23	3
Net changes in fair value of financial assets and financial liabilities at fair value through profit or loss		<u>2,854</u>	<u>31</u>
TOTAL INCOME/(LOSS)		<u>2,877</u>	<u>34</u>
EXPENSES			
Management fees	11	<u>421</u>	<u>143</u>
TOTAL EXPENSES		<u>421</u>	<u>143</u>
NET PROFIT/(LOSS)		<u>2,456</u>	<u>(109)</u>
Other comprehensive income		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME/(LOSS)		<u>2,456</u>	<u>(109)</u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

COLCHESTER GLOBAL GOVERNMENT BOND PIE FUND**STATEMENT OF CHANGES IN UNITHOLDERS' FUNDS
FOR THE YEAR ENDED 31 MARCH 2024**

	Note	2024 \$'000	2023 \$'000
UNITHOLDERS' FUNDS AT THE BEGINNING OF THE YEAR		39,930	7,976
Net profit/(loss) and other comprehensive income for the year		<u>2,456</u>	<u>(109)</u>
Total comprehensive income/(loss)		2,456	(109)
Subscriptions from Unitholders		44,757	34,113
Redemptions by Unitholders		(13,718)	(1,337)
Distributions to Unitholders		<u>(1,775)</u>	<u>(713)</u>
		29,264	32,063
UNITHOLDERS' FUNDS AT THE END OF THE YEAR	8b	<u>71,650</u>	<u>39,930</u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

COLCHESTER GLOBAL GOVERNMENT BOND PIE FUND

**STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2024**

	Note	As at 31 March 2024 \$'000	As at 31 March 2023 \$'000
ASSETS			
Cash and cash equivalents		305	104
Receivables	4	563	1
Financial assets at fair value through profit or loss			
Investment securities		<u>71,472</u>	<u>40,182</u>
TOTAL ASSETS		<u>72,340</u>	<u>40,287</u>
LIABILITIES			
Payables	5	<u>690</u>	<u>357</u>
TOTAL LIABILITIES		690	357
UNITHOLDERS' FUNDS	8b	<u>71,650</u>	<u>39,930</u>
TOTAL LIABILITIES AND UNITHOLDERS' FUNDS		<u>72,340</u>	<u>40,287</u>

For and on behalf of the Manager, FundRock NZ Limited, who authorised the issue of the Financial Statements on 17 July 2024.



Director **Anthony Edmonds**



Director **Jeremy Valentine**

The accompanying notes form part of and should be read in conjunction with these financial statements.

COLCHESTER GLOBAL GOVERNMENT BOND PIE FUND

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2024

	Note	Year ended 2024 \$'000	Year ended 2023 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest income		21	2
Realisation of investment securities		12,584	706
Operating expenses		(348)	(92)
Purchase of investment securities		<u>(41,020)</u>	<u>(32,950)</u>
Net cash outflow from operating activities	9	(28,763)	(32,334)
CASH FLOWS FROM FINANCING ACTIVITIES			
Subscriptions from Unitholders		44,197	34,122
Redemptions by Unitholders		(13,689)	(1,337)
Distributions to Unitholders	7	<u>(1,544)</u>	<u>(461)</u>
Net cash inflow from financing activities		28,964	32,324
Net increase/(decrease) in cash and cash equivalents held		201	(10)
Cash and cash equivalents at beginning of the year		<u>104</u>	<u>114</u>
Cash and cash equivalents at the end of the year		<u>305</u>	<u>104</u>
Cash and cash equivalents comprise of:			
Cash at bank		<u>305</u>	<u>104</u>
Cash and cash equivalents at the end of the year		<u>305</u>	<u>104</u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

COLCHESTER GLOBAL GOVERNMENT BOND PIE FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

1. GENERAL INFORMATION

The Fund is a for-profit managed investment fund domiciled in New Zealand and established under the Financial Market Conduct Act 2013 ("FMC Act").

The Fund was established under a Master Trust Deed dated 1 December 2016, and an Establishment Deed dated 15 February 2021, and commenced operations on 21 April 2021.

The investment objective of the Fund is to achieve favourable income and capital returns from a globally diversified portfolio of primarily sovereign debt or debt-like securities and currencies. An associated objective is the preservation and enhancement of principal.

The benchmark of the Fund is the FTSE World Government Bond Index hedged into New Zealand dollars.

2. BASIS OF PREPARATION

Reporting Period

These financial statements of the Fund are for the year ended 31 March 2024, with comparatives for the year ended 31 March 2023.

Statement of Compliance

The financial statements have been prepared in accordance with the Trust Deed and New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). The financial statements comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS"), and other applicable Financial Reporting Standards, as appropriate for a for-profit entity.

The financial statements also comply with International Financial Reporting Standards Accounting Standards (IFRS Accounting Standards) as issued by the International Accounting Standards Board.

Measurement Base

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss.

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 Fund's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are material to the financial statements are disclosed below.

The financial statements are prepared in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated.

FundRock NZ Limited is the Manager of the Fund. The Manager enters into fund hosting arrangements with various investment managers. The arrangements involve the issuing and managing of funds, under the Manager's Managed Investment Scheme licence, on behalf of an investment manager who wants to provide investors with access to their investment solutions. The Manager contracts with other service providers to provide the services required to be provided directly to the Fund. This includes investment management, supervision, custody, fund administration and audit services. In respect of these services the Manager is acting as an agent of the Fund.

COLCHESTER GLOBAL GOVERNMENT BOND PIE FUND**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2024****3. SUMMARY OF MATERIAL ACCOUNTING POLICIES**

The principal accounting policies applied in the preparation of these financial statements are set out below:

There have been no material changes in accounting policies during the year. All policies have been applied on a basis consistent with those used in the prior period.

New Standards and amendments to existing standards effective 1 April 2023

The Fund has adopted the amendment to NZ IAS 1 Presentation of Financial Statements effective from financial year 2024. It replaces the requirement for entities to disclose “significant” accounting policies with a requirement to disclose “material” accounting policies.

There have been no material changes in accounting policies during the year. All other policies have been applied on a basis consistent with those used in the prior period.

Issued but not yet effective accounting standards

NZ IFRS 18 Presentation and Disclosure in Financial Statements (NZ IFRS 18) was issued in May 2024 as replacement for NZ IAS 1 Presentation of Financial Statements (NZ IAS 1) and applies to an annual reporting period beginning on or after 1 January 2027. Most of the presentation and disclosure requirements would largely remain unchanged together with other disclosures carried forward from NZ IAS 1. NZ IFRS 18 primarily introduces the following:

- a defined structure for the statements of comprehensive income by classifying items into one of the five categories: operating, investing, financing, income taxes and discontinued operations. Entities will also present expenses in the operating category by nature, function, or a mix of both, based on facts and circumstances;
- disclosure of management-defined performance measures in a single note together with reconciliation requirements; and
- additional guidance on aggregation and disaggregation principles (applied to all primary financial statements and notes).

The Manager is currently assessing the impact of adopting the standard.

Other than above, there are no new standards, amendments to standards or interpretations that are not yet effective and have been early adopted that are expected to have a material effect on the Financial Statements of the Fund.

Climate Related Disclosures

FundRock is a Climate Reporting Entity pursuant to the provisions of the Financial Markets Conduct Act 2013, as modified by the Financial Sector (Climate-related Disclosures and Other Matters) Amendment Act 2021. Climate-related disclosures for the Funds will be prepared in accordance with Aotearoa New Zealand Climate Standards issued by External Reporting Board and will be available at the Climate-Related Disclosures Register.

The impacts of climate change have a high degree of uncertainty associated with them. FundRock and the investment manager have used and will continue to use scenario analysis and climate-related metrics (such as carbon emissions) to identify, assess, and monitor climate-related risks and opportunities for the Funds. FundRock has not attempted to quantify the impacts (or expected impacts) of said risks and opportunities because this poses substantial technical challenges; nonetheless, FundRock understands that expected impacts may be significant.

For more details on climate-related risks and opportunities for the Funds and how FundRock manages them, please refer to the Climate-Related Statements.

COLCHESTER GLOBAL GOVERNMENT BOND PIE FUND**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2024****3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)****Investment Entity**

The Fund has multiple investors and holds a single investment.

The Fund has been deemed to meet the definition of an investment entity per *NZ IFRS 10 Consolidated Financial Statements* as the following conditions exist:

- The Fund has obtained funds for the purpose of providing investors with investment management services.
- The Fund's business purpose, which was communicated directly to investors, is investing solely for returns from capital appreciation and investment income, through the unit trust investments.
- The performance of unit trust investments is measured and evaluated on a fair value basis.

The Fund is considered to meet the definition of an investment entity, hence, it qualifies as an investment entity.

Functional and presentation currency

The Manager considers the New Zealand dollar the currency that most accurately represents the economic effect of the underlying transactions, events and conditions. The New Zealand dollar is the currency in which the Fund measures its performance and reports its results, as well as the currency in which it receives subscriptions from Unitholders.

Income Recognition*Distributions*

Distribution income is recognised when the right to receive payment is established, it is probable that the economic benefits associated with the distribution will flow to the Fund, and the amount of the distribution can be measured reliably.

Interest

Interest income is recognised as the interest accrues (using the effective interest method, which is the rate or method that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

Changes in fair value of investments

Net gains or losses on investment securities at fair value through profit or loss are calculated as the difference between the fair value at sale, or at period end, and the fair value at the previous valuation point or cost. This includes both realised and unrealised gains and losses, but does not include interest and distribution income.

COLCHESTER GLOBAL GOVERNMENT BOND PIE FUND**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2024****3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)****Financial Instruments***Classification***Assets**

The Fund classifies its investments based on both the Fund's business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Fund is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. The Fund does not hold any debt securities. Consequently, all investments are measured at fair value through profit or loss.

The Fund's policy requires the Investment Manager and the Board of Directors to evaluate the information about these financial assets and liabilities on a fair value basis together with other related financial information.

The Fund does not make short sales in which a borrowed security is sold in anticipation of a decline in the market value of that security, nor does it make use of short sales for various arbitrage transactions.

Recognition, Derecognition and Measurement

Purchases and sales of investments are recognised on the trade date – the date on which the Fund commits to purchase or sell the investment. Financial assets at fair value through profit or loss (FVTPL) are initially recognised at fair value. Transaction costs are expensed in profit or loss.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership.

Subsequent to initial recognition, all financial assets at FVTPL are measured at fair value. Gains and losses arising from changes in the fair value of the 'financial assets or financial liabilities at fair value through profit or loss' category are presented in the Statement of Profit or Loss and Other Comprehensive Income within 'net changes in fair value of financial assets and financial liabilities at fair value through profit or loss' in the period in which they arise.

Fair value estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date. The fair value of units held by the Fund in managed investment funds is determined by reference to the latest net asset value ("NAV") unit prices at the close of business on the reporting date established by the underlying investment fund manager. Where the last sale price falls outside of the bid-ask spread for a particular security, bid price will be used to value the investment.

Financial Assets and Financial Liabilities Measured at Amortised Cost

Financial assets at amortised cost comprise cash and cash equivalents and receivables. These include cash at bank and call deposits, accrued interest and dividends, and proceeds expected from sale transactions where the trade date and settlement date spanned the reporting date. The carrying value closely approximates their fair value.

Subsequent to initial recognition, receivables are measured at amortised cost using the effective interest method less any impairment losses. The effective interest method calculates the amortised cost of a financial asset or financial liability and allocates the interest income or interest expense, including any fees and directly related transaction costs that are an integral part of the effective interest rate, over the expected life of the financial asset or financial liability so as to achieve a constant yield on the financial asset or financial liability.

(i) Cash and Cash Equivalents

Cash and cash equivalents in the Statement of Financial Position comprise cash at bank, demand deposits and short-term deposits in banks that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, with an original maturity of three months or less. Bank overdrafts are shown in current liabilities in the Statement of Financial Position.

COLCHESTER GLOBAL GOVERNMENT BOND PIE FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

(ii) Receivables

Receivables include amounts where settlement has not yet occurred, and include outstanding settlements on the sale of investments. Receivables are measured initially at fair value and subsequently at amortised cost. Amounts are generally received within thirty days of being recorded as receivables. Given the short-term nature of most receivables, the carrying amount approximates fair value.

(iii) Payables

Payables are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Fund, and include outstanding settlements on the purchase of investments. Payables are measured initially at fair value and subsequently at amortised cost. Amounts are generally paid within thirty days of being recorded as payables. Given the short-term nature of most payables, the carrying amount approximates fair value.

Impairment of Financial Assets at Amortised Cost

In accordance with *NZ IFRS 9: Financial Instruments*, the Fund applies an expected credit losses (ECL) provision on all of its receivables, either on a 12-month or lifetime basis.

The Fund holds only receivables with no financing component and which have maturities of less than 12 months at amortised cost and, as such, has chosen to apply an approach similar to the simplified approach for expected credit losses (ECL) under *NZ IFRS 9: Financial Instruments* to all its receivables. Therefore, the Fund does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL at the reporting date.

With the short time period and nature of the financial assets, accrued interest, dividends and receivables from sale of investments are measured at amortised cost, the Fund does not anticipate any expected credit losses for these assets.

Expenses

All expenses are recognised on an accrual basis.

Taxation

Income taxation

The Fund has elected to become a Portfolio Investment Entity ("PIE") for the purposes of the Income Tax Act 2007.

Tax treatment applicable to a PIE:

Under current taxation law the Fund pays no income tax on the taxable income of the Fund and all taxable income and associated tax credits applicable are allocated to investors, in proportion to the units they hold on the days when taxable income and credits arise.

The Fund is responsible for deducting tax from each investor's allocation using each investor's Prescribed Investor Rate ("PIR") and pays the tax to the taxation authorities on behalf of the investor, capped at a maximum of 28%. PIE tax assets or liabilities for the current period are measured at the amount expected to be recovered or paid to the taxation authorities on behalf of the investors based on the investors' current period's income and their PIR.

The Fund calculates and deducts tax based on each investor's PIR and pays the tax to the taxation authorities on behalf of the investor. The PIE tax liabilities, at the end of the year, are due for payment on the last day of the next month.

Goods and services tax (GST)

The Fund is not registered for GST and consequently all components of the financial statements are stated inclusive of GST where applicable.

COLCHESTER GLOBAL GOVERNMENT BOND PIE FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

Distributions to Unitholders

Distributions may be made from the Fund in accordance with the terms of the Trust Deed, the Establishment Deed and the relevant Fund's distribution policy. Amounts that are not distributed remain invested as part of the assets of the Fund. Proposed distributions to unitholders are recognised in the Statement of Changes in Unitholders' Funds when they are appropriately authorised and no longer at the discretion of the Fund Manager.

Unitholders have the choice to automatically reinvest their distributions. The reinvestment is made on the first available ex distribution net asset value price for the Fund.

Redeemable Units and Net Assets Attributable to Unitholders

Ownership interests in the Fund are in the form of redeemable units in accordance with *NZ IAS 32: Financial Instruments: Presentation* and which are exposed to variable returns from changes in the fair value of the Fund's net assets. Units issued by the Fund provide the Unitholder the right to request redemption for cash at the value proportionate to the Unitholder's share in the Fund's net asset value. The Unitholders' Funds meet the definition of a "puttable instrument" in accordance with *NZ IAS 32: Financial Instruments: Presentation* and is classified as equity.

The redeemable units can be put back to the Fund at any time for cash equal to a proportionate share of the Fund's net assets value if the Unitholders exercise their right to relinquish the units. The redemption unit price is based on different valuation principles to that applied in financial reporting. This is explained in more detail in note 8.

Presentation of Cash Flows

For the purposes of the Statement of Cash Flows, proceeds from the sale and purchase of investments at fair value through profit or loss are considered operating activities. The sale and purchase of investment securities maintain the operating capability of the Fund even though the investments may not be acquired specifically for resale or trading.

Critical Accounting Estimates and Assumptions

Fair value of financial assets and liabilities

The investments of the Fund have been valued at the net asset value price, therefore there are no accounting estimates or assumptions required in the valuation of the carrying amounts of these assets. Where an investment is unlisted the value is based on the relevant redemption price established by underlying investment managers.

4. RECEIVABLES

	2024	2023
	\$'000	\$'000
Accrued investment income	3	1
Outstanding application	560	-
	563	1

5. PAYABLES

	2024	2023
	\$'000	\$'000
Outstanding redemption	29	-
Due to Manager	106	48
Distribution payable	531	300
Other expenses payable	24	9
	690	357

COLCHESTER GLOBAL GOVERNMENT BOND PIE FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

6. AUDIT FEES

Pricewaterhouse Coopers fees for the year ended 31 March 2024 amounted to \$23,438 (31 March 2023: \$21,250) excluding GST.

7. NON-CASH TRANSACTIONS

Differences in cash flows from financing activities as per the Statement of Cash Flows and Statement of Changes in Unitholders' Funds is due to accruals.

The amount of distribution outstanding at year end refer to note 5.

8. UNITHOLDERS' FUNDS

8a. Units on issue

	2024 '000	2023 '000
Units on issue at the beginning of the year	45,455	8,540
Subscriptions from Unitholders	52,504	38,424
Redemptions by Unitholders	<u>(15,688)</u>	<u>(1,509)</u>
Units on issue at the end of the year	<u>82,271</u>	<u>45,455</u>

8b. Units in dollar value

	2024 \$'000	2023 \$'000
Unitholders' Funds at the end of the year	<u>71,650</u>	<u>39,930</u>
Unit price NAV at the end of the year	<u>71,683</u>	<u>39,800</u>

The unit price Net Asset Value ("NAV") is calculated using last sale price and the latest available prices at the close of business on the last business day of the reporting period. The NAV or the funds attributable to Unitholders as per the Statement of Financial Position is based on the last sale price as at the last business day of the reporting period. Therefore, the difference in the NAV between the unit price and the financial statements is due to price valuation and timing, if any.

Redeemable Units and Capital Risk Management

The Fund issues redeemable units. The net asset value of the units is shown in the Statement of Financial Position as Unitholders' Funds. Each Unitholder is entitled to payment based on the value of the Unitholder's share in the Fund's net asset value on the redemption date. The Fund has no restrictions or specific capital requirements on the subscription and redemption of units.

The relevant movements are shown on the Statement of Changes in Unitholders' Funds. In accordance with the objectives outlined in the Accounting Policies and the risk management policies in Note 12.

Each unit in the Fund ranks equally and provides Unitholders with a beneficial interest of the Fund. Unitholders have various rights under the Trust Deed of the Fund, including the rights to:

- Have their units redeemed
- Receive the Unitholders' funds of the Fund upon termination of the Fund, and
- Receive distributions distributed by the Fund

COLCHESTER GLOBAL GOVERNMENT BOND PIE FUND

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2024

9. RECONCILIATION OF NET PROFIT/(LOSS) TO NET CASH FLOW FROM OPERATING ACTIVITIES

	2024	2023
	\$'000	\$'000
Net profit/(loss)	2,456	(109)
<i>Adjustments for:</i>		
Payments for the purchase of investments	(41,020)	(32,950)
Proceeds from the sale of investments	12,584	706
Net settlement of derivatives	-	-
Net changes in fair value of financial assets and financial liabilities at fair value through profit or loss	(2,854)	(31)
<i>Changes in assets and liabilities:</i>		
Increase in receivables	(2)	(1)
Increase in payables	73	51
Net cash (outflow) from operating activities	<u>(28,763)</u>	<u>(32,334)</u>

10. CLASSIFICATION OF FINANCIAL INSTRUMENTS

	Financial liabilities at fair value through profit or loss	Financial assets at fair value through profit or loss	2024 Financial assets at amortised cost	Financial liabilities at amortised cost	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
ASSETS					
Cash and cash equivalents	-	-	305	-	305
Receivables	-	-	563	-	563
Investment securities at fair value through profit or loss	-	71,472	-	-	71,472
Total Assets	<u>-</u>	<u>71,472</u>	<u>868</u>	<u>-</u>	<u>72,340</u>
LIABILITIES					
Payables	-	-	-	690	690
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>690</u>	<u>690</u>

	Financial liabilities at fair value through profit or loss	Financial assets at fair value through profit or loss	2023 Financial assets at amortised cost	Financial liabilities at amortised cost	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
ASSETS					
Cash and cash equivalents	-	-	104	-	104
Receivables	-	-	1	-	1
Investment securities at fair value through profit or loss	-	40,182	-	-	40,182
Total Assets	<u>-</u>	<u>40,182</u>	<u>105</u>	<u>-</u>	<u>40,287</u>
LIABILITIES					
Payables	-	-	-	357	357
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>357</u>	<u>357</u>

COLCHESTER GLOBAL GOVERNMENT BOND PIE FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

11. RELATED PARTY TRANSACTIONS

A party is related to the Fund if:

- (i) directly or indirectly through one or more of its intermediaries, it controls, is controlled by, or is under common control with the Fund;
- (ii) it has an interest in or relationship with the Funds that gives it significant influence over the Fund;
- (iii) the Fund has an interest in or relationship with the party that gives significant influence over the party; or
- (iv) they are a member of the key management personnel.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the entity. This includes the Board and members of senior leadership team of; the Manager, Investment Manager, and the Supervisor. No key management personnel held units in the Fund as at any time during the financial year 31 March 2024 (31 March 2023: Nil).

The following are considered to be related parties of the Fund: FundRock NZ Limited (Manager of the Fund), Colchester Global Investors (Singapore) Pte Limited (Investment Manager of the Fund), Public Trust (supervisor of the Fund), Apex Investment Administration (NZ) Limited (registry provider for the Fund and shares the same parent company as the Manager).

Management fees

As outlined in the Fund's Product Disclosure Statement ("PDS"), the Fund incurs Annual Fund Charges capped at 0.77% (31 March 2023: 0.77%) of the net asset value including GST. The Fixed Annual Fund Charges include any fees within underlying funds or securities that the Fund may invest into, as well as fees paid to the Investment Manager, the Supervisor, the Auditor, the Custodian and the Administration Manager, bank charges and other various costs and expenses incurred. Where there is a shortfall, the Manager will pay the shortfall on behalf of the Fund and will recover the shortfall from the Investment Manager.

The Supervisor of the Fund is Public Trust. For the year ended 31 March 2024 the Supervisor fees charged to the Fund amounted to \$23,000 (31 March 2023: \$20,990).

The registry provider for the Fund is Apex Investment Administration (NZ) Ltd. For the year ended 31 March 2024 the total fee charged to the Fund amounted to \$9,247 (31 March 2023: \$7,778).

During the year, no other funds managed by the Manager invested in the Fund (31 March 2023: nil); the Fund did not hold investments in any funds that were managed by the Manager (31 March 2023: nil).

The Colchester Global Government Bond PIE Fund invests into units of the Colchester Global Bond Enhanced Currency Fund, which is managed by Colchester Global Investors (Singapore) Pte Limited, a related party of the Fund.

	Colchester Global Government Bond PIE Fund	
Colchester Global Bond Enhanced Currency Fund	2024	2023
	\$'000	\$'000
Opening value	40,182	7,907
Purchase of investments	41,020	32,950
Sale of investments	(12,584)	(706)
Change in fair value	2,854	31
Closing value	71,472	40,182

COLCHESTER GLOBAL GOVERNMENT BOND PIE FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

12. FINANCIAL RISK MANAGEMENT

Strategy in Using Financial Instruments

The investment objective is to achieve favourable income and capital returns from a globally diversified portfolio of primarily sovereign debt or debt like securities and currencies. An associated objective is the preservation and enhancement of principal.

The Fund's activities expose it to a variety of financial risks: market risk (including market price risk, currency risk and interest rate risk), credit risk and liquidity risk. The Fund's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Fund's financial performance.

12a. Market 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 Fund's overall market positions are monitored on a daily basis by the Investment Manager. The Fund's unit trust investments are susceptible to market price risk arising from uncertainties about future values of the investments.

The overall market exposure was as follows:

	2024	2023
	Fair value	Fair value
	\$'000	\$'000
Unit trust investment	71,472	40,182

The tables below show the sensitivity analysis to a reasonably possible change in market price with all other variables held constant. As at 31 March 2024, the analysis is based on the assumptions that the unit market price movement increased or decreased by 10%. The Manager believes the 10% market price movement assumption to be management's best estimate of reasonable possible change in current market condition.

	2024		2023	
	Profit or loss or Changes in		Profit or loss or Changes in	
	Unitholders' Funds		Unitholders' Funds	
	10% increase	10% decrease	10% increase	10% decrease
	\$'000	\$'000	\$'000	\$'000
Unit trust investments	7,147	(7,147)	4,018	(4,018)

FundRock considers that the market prices of the investments factor in climate change impacts and, as such, no adjustment has been made to balances or transactions in these financial statements as a result of climate changes.

12b. Currency Risk

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

The Fund does not hold any financial instruments denominated in a currency other than the New Zealand dollar, the functional currency, at year end. It is therefore not exposed to currency risk.

12c. 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 majority of the Fund's financial assets are non-interest bearing. As a result, the Fund is not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates. Any excess cash and cash equivalents are invested at short-term market interest rates.

The interest rate risk on cash and cash equivalents is immaterial.

COLCHESTER GLOBAL GOVERNMENT BOND PIE FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

12. FINANCIAL RISK MANAGEMENT (Continued)

12d. Credit Risk

Credit risk represents the risk that a counterparty to the financial instrument will fail to perform contractual obligations under a contract and cause the Fund to incur a financial loss.

With respect to credit risk arising from the financial assets of the Fund, the Fund's 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 Statement 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.

The Fund holds no collateral as security or any other credit enhancements. There are no financial assets that are past due or impaired, or would otherwise be past due or impaired except for the terms having been renegotiated.

The Fund measures credit risk and expected credit losses using probability of default, exposure at default and loss given default. The Manager considers both historical analysis and forward looking information in determining any expected credit loss.

The Fund does not use credit derivatives to mitigate credit risk.

The Fund's cash and cash equivalents balances are held with ANZ (Standard & Poor's ("S&P") credit rating AA-) (31 March 2023: AA-).

12e. Liquidity Risk

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

The Fund is exposed to daily cash redemptions of redeemable units. The Fund invests into the Colchester Global Bond Enhanced Currency Fund ("underlying Fund"), which invests in sovereign debt or debt like securities and currencies, and these can be readily disposed of. The Investment Manager, at their discretion, has the ability to suspend withdrawals from the underlying Fund if they believe that it is in the best interests of investors to do so.

All financial liabilities are expected to be settled within one month.

Liquidity risk for the Fund therefore is considered low.

COLCHESTER GLOBAL GOVERNMENT BOND PIE FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

13. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Fund measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The following table analyses financial instruments measured at fair value at the reporting date by the level in the fair value hierarchy into which the fair value measured at 31 March 2024.

	2024			
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets				
<i>Financial assets at fair value through profit or loss</i>				
Unit trust	-	71,472	-	71,472
	<u>-</u>	<u>71,472</u>	<u>-</u>	<u>71,472</u>
	2023			
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets				
<i>Financial assets at fair value through profit or loss</i>				
Unit trust	-	40,182	-	40,182
	<u>-</u>	<u>40,182</u>	<u>-</u>	<u>40,182</u>

The fair value of units held in unit trust funds is determined by reference to published last sale price being the redemption price established by the underlying fund's manager and are included within level 2.

Due to their short term nature, carrying amounts of cash and cash equivalents, receivables and payables are stated in the Statement of Financial Position approximate their fair value.

Transfers between levels of the fair value hierarchy

There were no transfers between levels in the year ended 31 March 2024 (31 March 2023: none).

14. CONTINGENT LIABILITIES AND COMMITMENTS

The Fund had no material commitments or contingencies at 31 March 2024 (31 March 2023: none).

15. EVENTS SUBSEQUENT TO BALANCE DATE

No significant events occurred after balance date.



Independent auditor's report

To the unitholders of Colchester Global Government Bond PIE Fund (the Fund)

Our opinion

In our opinion, the accompanying financial statements of the Fund present fairly, in all material respects, the financial position of the Fund as at 31 March 2024, its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards Accounting Standards (IFRS Accounting Standards).

What we have audited

The Fund's financial statements comprise:

- the statement of financial position as at 31 March 2024;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in unitholders' funds for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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)* (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the *International Code of Ethics for Professional Accountants (including International Independence Standards)* issued by the International Ethics Standards Board for Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We have audited the financial statements of certain other funds managed by FundRock NZ Limited, the Manager. In addition, we have reported to the Trustee in respect of certain Wholesale funds managed by the Manager. Subject to certain restrictions, employees of our firm may invest in the Fund on normal terms within the ordinary course of trading activities of the Fund. These services and relationships have not impaired our independence as auditor of the Fund.



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 of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Description of the key audit matter	How our audit addressed the key audit matter
<p>Valuation and existence of financial assets at fair value through profit or loss</p> <p>Refer to note 13 to the financial statements for the reported values of financial assets at fair value through profit or loss.</p> <p>This was an area of focus for our audit as it represents the majority of the unitholders’ funds of the Fund.</p> <p>Valuation</p> <p>The fair value of the financial assets that are not traded in an active market are determined using valuation techniques. The valuation technique depends on the underlying financial assets and includes assumptions that are based on market conditions existing at the reporting date.</p> <p>Such financial assets with inputs to the valuation that are observable either directly or indirectly are categorised as Level 2 in the fair value hierarchy.</p> <p>Existence</p> <p>Holdings of financial assets at fair value through profit or loss are held by the custodian on behalf of the Fund (the Custodian).</p>	<p>We assessed the processes employed by the Manager for recording and valuing the financial assets at fair value through profit or loss including the relevant controls operated by a third party service organisation, the Administrator. Our assessment of the processes included obtaining the internal controls report over investment accounting provided by the Administrator.</p> <p>We evaluated the evidence provided by the internal controls report over the design and operating effectiveness of the relevant controls operated by the Administrator.</p> <p>For financial assets that are not traded in an active market and with inputs that are observable either directly or indirectly, we agreed the redemption price at the reporting date, to the confirmation provided by the unit trust’s administrator. We evaluated the redemption price represents fair value by comparing the redemption price at the reporting date to recent transactions to support the fair value of the unit trust and comparing the Net Asset Value per unit calculated based on the latest audited financial statements of the underlying unit trust to the published unit price on that date to provide evidence on reliability of unit pricing.</p> <p>We obtained confirmation from the Custodian of the holdings of the financial assets at fair value through profit or loss as recognised by the Fund at the reporting date.</p>



Our audit approach

Overview

Materiality	<p>Our materiality for the Fund is calculated based on approximately 1% of unitholders' funds for the Fund.</p> <p>We chose unitholders' funds as the benchmark because, in our view, the objective of the Fund is to provide unitholders with a total return on the Fund's net assets, taking into account both capital and income returns.</p>
Key audit matters	<p>As reported above, we have one key audit matter, being valuation and existence of financial assets at fair value through profit or loss.</p>

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance about whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements of the Fund as a whole as set out above. These, together with qualitative considerations, helped us to determine the scope of our audit, the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements of the Fund as a whole.

How we tailored our audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements of the Fund as a whole, taking into account the structure of the Fund, the Fund's investments and the accounting and registry processes and controls.

The Manager is responsible for the governance and control activities of the Fund. The Fund's investments are held by the Custodian. The Manager has outsourced investment accounting (Administrator) and registry services (Registrar) to third party service providers.



Other information

The Manager is responsible for the other information. The other information comprises the information included in the annual report and climate-related statements, but does not include the financial statements and our auditor's report thereon which the annual report refers to.

Our opinion on the financial statements does not cover the other information and we do not express any form of audit opinion or 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 to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, 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.

Responsibilities of the Manager for the financial statements

The Manager is responsible for the preparation and fair presentation of the financial statements in accordance with NZ IFRS and IFRS Accounting Standards, and for such internal control as the Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Manager is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are 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 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) and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and 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 the financial statements is located at the External Reporting Board's website at:

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

This description forms part of our auditor's report.



Who we report to

This report is made solely to the Fund's unitholders, as a body. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an 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 Fund's unitholders, as a body, for our audit work, for this report or for the opinions we have formed.

The engagement partner on the audit resulting in this independent auditor's report is Christopher Barber.

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants
17 July 2024

Wellington