

**Salt Listed Funds
Financial Statements
For the year ended 31 March 2023**

Manager's Statement


In the opinion of the Manager, the accompanying Financial Statements are drawn up so as to present fairly the financial position of the Salt Listed Funds as at 31 March 2023 and the results for the year ended on that date in accordance with the requirements of the Master Trust Deed dated 12 October 2018.

The directors are of the opinion that the Salt Listed Funds will be able to pay its debts as and when they fall due.

Director



Salt Investment Funds Limited



29 June 2023

Additional Unitholder Information

Notice of Trust Deed Amendment

Under clause 31.2 of the Trust Deed governing the Salt Listed Funds, the Manager, Salt Investment Funds Limited, is required to advise unitholders in summary form of any amendments to the Trust Deed.

There has been no amendment to the Trust Deed dated 12 October 2018 during the year covered by the Financial Statements.

Statement of Comprehensive Income

\$	For the year ended 31 March	Note	Carbon Fund	
			2023	2022
Income				
			47,024	5,357
			-	(3,950)
			(27,605,076)	31,732,350
			116,955	(64,895)
			<u>(27,441,097)</u>	<u>31,668,862</u>
Expenses				
		10.2	1,080,457	582,533
			8,238	2,551
			<u>1,088,695</u>	<u>585,084</u>
			<u>(28,529,792)</u>	<u>31,083,778</u>
		6	7,979,714	(8,701,356)
			<u>(20,550,078)</u>	<u>22,382,422</u>
Earnings per unit				
		7	(45.47)	78.72

These statements are to be read in conjunction with the accompanying notes.

Statement of Change in Net Assets Attributable to Unitholders

\$	For the year ended 31 March	Note	Carbon Fund	
			2023	2022
	Net assets attributable to Unitholders at the beginning of the year		<u>99,698,691</u>	<u>13,542,004</u>
	Proceeds from units issued		2,199,217	63,774,265
	Repurchased units	10.4	<u>(2,716,843)</u>	<u>-</u>
	Net (decrease)/increase from transactions in units		<u>(517,626)</u>	<u>63,774,265</u>
	Total comprehensive (loss)/income for the year attributable to Unitholders		<u>(20,550,078)</u>	<u>22,382,422</u>
	Net assets attributable to Unitholders at the end of the year	5.2	<u>78,630,987</u>	<u>99,698,691</u>

Units	For the year ended 31 March	Carbon Fund	
		2023	2022
	Units on issue at the beginning of the year	45,377,758	10,300,243
	Units issued	<u>980,614</u>	<u>35,077,515</u>
	Units on issue at the end of the year	<u>46,358,372</u>	<u>45,377,758</u>

These statements are to be read in conjunction with the accompanying notes.


Statement of Financial Position

\$ As at 31 March	Note	Carbon Fund	
		2023	2022
Current assets			
Cash and cash equivalents		4,108,267	7,533,237
Investment in Carbon Credits	8	75,880,833	101,536,566
Financial assets at fair value through profit or loss	8	8,645	8,936
Total assets		79,997,745	109,078,739
Current liabilities			
Financial liabilities at fair value through profit or loss		-	26,528
Related party payables	10.2	80,527	87,575
Total current liabilities		80,527	114,103
Non-current liabilities			
Deferred income tax liability	6	1,286,231	9,265,945
Total non-current liabilities		1,286,231	9,265,945
Total liabilities		1,366,758	9,380,048
Unitholders' Funds		78,630,987	99,698,691


These statements are to be read in conjunction with the accompanying notes.

The Directors of Salt Investment Funds Limited authorised these Financial Statements for issue on 29 June 2023.

Director



Director



Statement of Cash Flows

\$ For the year ended 31 March	Note	2023	Carbon Fund 2022
Cash flows from operating activities			
Purchases of Carbon Credits		(1,902,500)	(56,500,017)
Purchase and settlement of derivative financial instruments		43,876	(47,303)
Interest income received		47,024	5,357
Operating expenses paid		<u>(1,095,743)</u>	<u>(509,823)</u>
Net cash outflow from operating activities	11	<u>(2,907,343)</u>	<u>(57,051,786)</u>
Cash flows from financing activities			
Proceeds from units issued		2,199,216	63,774,265
Repurchased units	10.4	<u>(2,716,843)</u>	<u>-</u>
Net cash (outflow)/inflow from financing activities		<u>(517,627)</u>	<u>63,774,265</u>
Net (decrease)/increase in cash and cash equivalents		(3,424,970)	6,722,479
Cash and cash equivalents at the beginning of the year		7,533,237	814,708
Foreign exchange (loss)/gain on cash and cash equivalents		<u>-</u>	<u>(3,950)</u>
Cash and cash equivalents at the end of the year		<u>4,108,267</u>	<u>7,533,237</u>

These statements are to be read in conjunction with the accompanying notes.

Notes to the Financial Statements

1. General information

Reporting Entities

The reporting entity included in these Financial Statements is Salt Listed Funds, consisting of the Carbon Fund, that is referred to throughout these Financial Statements as "the Fund". The Fund is a for-profit fund registered in New Zealand and established under the Financial Markets Conduct Act 2013 ("The Act").

The Fund was created under a Master Trust Deed and an Establishment Deed, both dated 12 October 2018. Salt Investment Funds Limited (the "Manager") and The New Zealand Guardian Trust Company Limited (the "Supervisor") are party to the Deeds. The Fund commenced operations on 8 November 2018.

The Fund's units are quoted on the NZX Main Board operated by NZX Limited (under code "CO2"). The Fund is a managed investment scheme with the aim to provide investors with a total return exposure to movements in the price of Carbon Credits. The Fund has the ability to buy Carbon Credits in emissions trading schemes in New Zealand and offshore. As a result, the Fund may also provide exposure to the price of Carbon Credits offshore.

The Fund's investment activities are managed by Salt Investment Funds Limited. The registered office for Salt Investment Funds Limited is Level 3, The Imperial Buildings, 44 Queen Street, Auckland. The Fund is domiciled in New Zealand.

These Financial Statements were authorised for issue by the Board of Directors of the Manager on 29 June 2023.

Statutory Base

The Financial Statements have been prepared in accordance with the Act and the Master Trust Deed.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these Financial Statements are set out below. These policies have been consistently applied throughout the year presented, unless otherwise stated.

2.1 Basis of preparation

The Financial Statements have been prepared in accordance with the requirements of the Financial Reporting Act 2013, the Master Trust Deed and Generally Accepted Accounting Practice in New Zealand (NZ GAAP). These Financial Statements comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), and other applicable Financial Reporting Standards, as appropriate for for-profit entities. The Financial Statements also comply with International Financial Reporting Standards (IFRS). The Financial Statements have been prepared under the historical cost convention, as modified by the revaluation of assets and liabilities at fair value (including derivative financial instruments and Carbon Credits).

The Financial Statements are prepared for the year end 31 March 2023. Comparative figures are for the year ended 31 March 2022.

Standards and amendments to existing standards effective 1 April 2022 impacting the Fund

There are no standards, amendments to standards or interpretations that are effective for the year beginning on 1 April 2022 that have a material effect on the Financial Statements of the Fund.

There are no standards, amendments to standards or interpretations that are issued but not yet effective that will have a material effect on the Financial Statements of the Fund.

2.2 Investment in Carbon Credits and financial instruments

(a) Classification

Assets

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

(i) Investment in Carbon Credits

Investment in Carbon Credits are treated as inventory at fair value less costs to sell using the broker-trader exemption in NZ IAS 2 Inventories. This exempts inventories being measured at the lower of cost and net realisable value, as the Manager's intention is to buy and sell Carbon credits and generate a profit from the fluctuations in price in the near future. Gains and losses arising from changes in the fair value of investment in Carbon Credits are recognised in the Statement of Comprehensive Income.

(ii) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss can be either designated as such upon initial recognition or mandatorily measured at fair value in accordance with NZ IFRS 9 *Financial Instruments*. The portfolio of financial assets is managed and performance is evaluated on a fair value basis. As there are no financial instruments designated at fair value upon initial recognition in the Fund, all financial assets measured at fair value are those mandatorily measured at fair value. Financial assets at fair value through profit or loss comprise forward foreign exchange contracts that have a positive fair value at year end.

(iii) Financial assets at amortised cost

(a) **Cash and cash equivalents** include cash at bank.

(b) **Receivables** are amounts representing assets owing to the Fund and may include amounts due for interest and amounts due for securities sold that have been contracted for, but not yet delivered by the end of the accounting year.

Notes to the Financial Statements

2. Summary of significant accounting policies (continued)

2.2 Investment in Carbon Credits and financial instruments (continued)

Liabilities

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss can be either designated as such upon initial recognition or measured at fair value in accordance with NZ IFRS 9. As there are no financial instruments designated at fair value upon initial recognition in the Fund, all financial liabilities measured at fair value are those mandatorily measured at fair value. The portfolio of financial liabilities is managed and performance is evaluated on a fair value basis. Financial liabilities at fair value through profit or loss comprise of forward foreign exchange contracts that have a negative fair value at year end.

(ii) Financial liabilities at amortised cost

(a) **Payables** are amounts representing liabilities and accrued expenses owed by the Fund at year end and may include related party fees and amounts due to brokers for purchase of unsettled securities at year end.

(b) Recognition, measurement and derecognition

(i) Investment in Carbon Credits

The Fund recognises investment in Carbon Credits on the date it becomes a party to the contractual agreement. Investment in Carbon Credits are initially recognised at fair value. Transaction costs are expensed as incurred in the Statement of Comprehensive Income.

Subsequent to initial recognition, investment in Carbon Credits are measured at fair value less costs to sell. Gains and losses arising from changes in the fair value are recognised in the Statement of Comprehensive Income.

Investment in Carbon Credits are derecognised when the rights to receive cash flows from the investment has expired or the Fund has transferred substantially all of the risks and rewards of ownership. Any gain or loss arising on derecognition of the investment in Carbon Credits is included in the Statement of Comprehensive Income in the year the item is derecognised.

(ii) Financial assets and financial liabilities at fair value through profit or loss

The Fund recognises financial assets and liabilities at fair value through profit or loss on the date it becomes a party to the contractual agreement. Financial assets and liabilities at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed as incurred in the Statement of Comprehensive Income.

Subsequent to initial recognition, all financial assets and liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value are recognised in the Statement of Comprehensive Income.

Financial assets at fair value through profit or loss are derecognised when the rights to receive cash flows from the assets have expired or the Fund has transferred substantially all of the risks and rewards of ownership. Financial liabilities at fair value through profit or loss are derecognised when the obligation under the liability is discharged, cancelled or expires. Any gain or loss arising on derecognition of the asset or liability at fair value through profit or loss is included in the Statement of Comprehensive Income in the year the item is derecognised.

(iii) Financial assets and financial liabilities at amortised cost

The Fund recognises financial assets and liabilities at amortised cost on the date it becomes a party to the contractual agreement. Financial assets at amortised cost are initially recognised at fair value less transaction costs (if any). Financial liabilities at amortised cost are initially recognised at fair value plus transaction costs (if any).

Subsequent to initial recognition, all financial assets and liabilities at amortised cost are measured at amortised cost (and for financial assets less any impairment). Any impairment charge is recognised in the Statement of Comprehensive Income. At each reporting date, the Fund measures the loss allowance of all financial assets at amortised cost at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Fund measures the loss allowance at an amount equal to 12 month expected credit losses. If the credit risk increases to the point that it is considered to be credit impaired, interest income is calculated based on the gross carrying amount adjusted for the loss allowance. A significant increase in credit risk is defined by the Manager as any contractual payment which is more than 30 days past due or a counterparty credit rating which has fallen below BBB/Baa. Any contractual payment which is more than 90 days past due is considered credit impaired.

Financial assets at amortised cost are derecognised when the rights to receive cash flows from the assets have expired or the Fund has transferred substantially all of the risks and rewards of ownership. Financial liabilities at amortised cost are derecognised when the obligation under the liability is discharged, cancelled or expires.

(c) Fair value estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value in an active market

The fair value of assets and liabilities traded in active markets are based on quoted market prices at the Balance Date. The quoted market price used by the Fund is the last traded market price for assets where the last traded prices fall within the bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager will determine the point within the bid-ask spread that is most representative of fair value.

Notes to the Financial Statements

2. Summary of significant accounting policies (continued)

2.2 Investment in Carbon Credits and financial instruments (continued)

Fair value in an inactive or unquoted market

The fair value of assets and liabilities that are not traded in an active market is derived and determined from quoted prices in markets not considered to be active or, from inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly, or from inputs that are not based on observable market data. The Fund uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Valuation techniques used include the use of recent arm's length market transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity-specific inputs.

The fair value of a forward contract is determined as the net present value of estimated future cash flows, discounted at appropriate market rates as at the valuation date.

2.3 Repurchased units

The Fund is able to acquire its own units through the NZX Main Board in the same way as other unitholders. Refer to note 2.4.

Where the Fund purchases its own units, the consideration paid, including any directly attributable incremental costs, is deducted from net assets attributable to unitholders until the units are canceled or disposed of.

No gain or loss is recognised in the profit or loss on the holding, purchase or sale of the units. Where such units are subsequently sold, any consideration received, net of any directly attributable transaction costs and the related income tax effects, is included in net assets attributable to unitholders.

2.4 Net assets attributable to unitholders

The Fund issues units, which provide the Unitholder with a beneficial equity interest in the Fund. The units are issued based on the Fund's net asset value per unit at the time of issue. As stipulated in the Trust Deed, each unit represents an individual share in the Fund and does not extend to a right in the underlying assets of the Fund. There are no separate classes of units within the Fund and each unit has the same rights attaching to it as all other units in the Fund.

Applications to the Manager for units in the Fund are issued at the unit price. The unit price is calculated by dividing the Fund's net asset value by the number of units on issue in accordance with the Trust Deed and Product Disclosure Document. Units can also be purchased on the NZX Main Board at the quoted price under the ticker 'CO2' through an NZX Participant. The quoted price on the NZX Main Board may differ from the unit price and may be traded at a discount or premium to the unit price. Units in the Fund can be sold through NZX Participants if there are interested buyers. Units in the Fund are generally not redeemable for cash.

In accordance with the Trust Deed, the Manager has full discretion as to whether to distribute any net income of the Fund. Although the Manager does not currently intend to make distributions, they may do so in the future, from the income or capital of the Fund.

2.5 Investment income

Interest income

Interest income on assets held at amortised cost is included in profit or loss in the Statement of Comprehensive Income on an accruals basis using the effective interest rate method.

Net gains and losses on investment in Carbon Credits and financial instruments at fair value through profit or loss

Realised and unrealised gains and losses are reflected in the Statement of Comprehensive Income. Unrealised gains or losses include the change in net market value of investments held at the end of the reporting period and the reversal of prior periods' unrealised gains or losses on investments that have been realised in the current period. Realised gains or losses are calculated based on the gross sale proceeds and the weighted average cost of the investments sold.

2.6 Expenses

All expenses, including the management fees, are recognised in the Statement of Comprehensive Income on an accruals basis.

2.7 Foreign currency translation

(a) Functional and presentation currency

Items included in the Fund's Financial Statements are measured using the currency of the primary economic environment in which it operates (the "functional currency"). The functional currency for the Fund is the New Zealand dollar, which reflects the currency in which the Fund competes for funds and is regulated. The subscriptions and redemptions of the units are denominated in New Zealand dollars. The performance of the Fund is measured in New Zealand dollars. The Manager considers the New Zealand dollar as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The Financial Statements are presented in New Zealand dollars, which is also the Fund's presentation currency, and the figures have been rounded to the nearest dollar.

Notes to the Financial Statements

2. Summary of significant accounting policies (continued)

2.7 Foreign currency translation (continued)

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency assets and liabilities are translated into the functional currency using the exchange rate prevailing at the balance date.

Foreign exchange gains and losses resulting from translation are included in the Statement of Comprehensive Income.

Foreign exchange gains and losses relating to cash and cash equivalents are presented in the Statement of Comprehensive Income within 'net foreign currency gain/(loss)'.

Foreign exchange gains and losses relating to the financial assets carried at fair value through profit or loss are presented in the Statement of Comprehensive Income within 'Net gain/(loss) on financial assets at fair value through profit and loss'.

Foreign exchange gains and losses relating to the investment in Carbon Credits are presented in the Statement of Comprehensive Income within 'Net (loss)/gain on Carbon Credits'.

2.8 Income tax

The Fund is domiciled in New Zealand and is registered as a listed Portfolio Investment Entity ('PIE').

The Fund is liable for tax at the prevailing company tax rate (28%) on taxable interest and dividends and gains and losses from its investments after the deduction of management fees and other deductible expenses. The Fund pays tax to cover the tax liability in full.

Deferred tax is recognised in respect of temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets are recognised to the extent that it is probable that the underlying tax loss will be utilised against future taxable income.

The current and deferred income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. The Manager periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2.9 Goods and services tax ("GST")

The Fund is not registered for GST. The Statement of Comprehensive Income and Statement of Cash Flows have been prepared so that all components are stated inclusive of GST where applicable. All items in the Statement of Financial Position are stated inclusive of GST where applicable.

3. Critical accounting estimates and judgements

The Fund makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates of the carrying value of assets and liabilities are regularly evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Refer to notes 2.2(c) and 5.3 for further information on fair value estimation. For the Fund's investments in Carbon Credits, quoted market prices are readily available.

The financial statements have been prepared based upon conditions existing as at 31 March 2023. For investments classified as level 1 in accordance with NZ IFRS 13 fair value hierarchy, the measurement of these investments was based on quoted market prices.

4. Derivative financial instruments

4.1 Forward foreign exchange contracts

Forward foreign exchange contracts are contractual obligations to buy or sell one currency on a future date in exchange for a second currency at a specified forward foreign exchange rate which is established in an organised market. The forward contracts are agreed between the parties to the contract and are not traded on an exchange. The Fund's open positions in forward contracts at balance date are outlined below:

\$ As at 31 March	Carbon Fund	
	2023	2022
Forward exchange contracts (notional value in NZ\$)		
Sell AUD/Buy NZD	4,081,511	3,251,328
Forward exchange contracts (fair value in NZ\$)		
Sell AUD/Buy NZD	8,645	(17,592)

Notes to the Financial Statements

5. Financial risk management

5.1 Financial risk factors

The Fund's activities expose it to a variety of financial risks: market risk (including currency risk, cash flow interest rate risk and price risk), credit risk and liquidity risk, arising from the financial instruments held and investment in Carbon Credits. The Fund's overall risk management programme seeks to maximise the returns derived for the level of risk to which the Fund is exposed and seeks to minimise potential adverse effects on the Fund's financial performance.

All investments present a risk of loss of capital. The Fund holds only long positions in Carbon Credits where the maximum loss of capital is limited to the fair value of those positions.

The Fund uses different methods to measure and manage the various types of risk to which it is exposed; these methods are explained below.

5.1.1 Market risk

(a) Price risk

The Fund's aim is to provide investors with a total return exposure to the price of carbon credits. The Fund gains its exposure to the price of carbon credits through purchasing and holding carbon credits on New Zealand's and offshore emissions trading schemes. The price of carbon credits is affected by many factors including weather conditions, development of fuel switching and storage possibilities and public sentiment.

The table below summarises the sensitivity of the Fund's Net Assets Attributable to Unitholders to Carbon Credit price movements, including the effect of movements in foreign currency exchange rates as at 31 March. If the prices in which the Fund invest in at the year end had increased or decreased by 20% (which represents the Manager's best estimate of a reasonable possible shift in prices with regard to historical volatility during the past 5 years) (31 March 2022: 5%), with all other variables held constant, this would have increased/decreased Comprehensive Income and Net Assets attributable to Unitholders by approximately:

\$ As at 31 March	Carbon Fund	
	2023	2022
20% increase in prices (2022: 5%)	15,176,167	5,077,275
20% decrease in prices (2022: 5%)	(15,176,167)	(5,077,275)

(b) Foreign exchange risk

The Fund operates internationally and holds both monetary and non-monetary assets denominated in currencies other than New Zealand dollars, the functional currency. Foreign currency risk, as defined in NZ IFRS 7 *Financial Instruments: Disclosures*, arises as the value of future transactions, recognised monetary assets and monetary liabilities denominated in currencies other than the functional currency fluctuate due to changes in foreign exchange rates. NZ IFRS 7 considers the foreign exchange exposure relating to non-monetary assets and liabilities to be a component of market price risk not foreign currency risk.

Foreign exchange risk management is undertaken by the Manager who adopts a policy of generally being fully hedged while retaining the right to be partially hedged or unhedged.

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

\$ As at 31 March	Carbon Fund	
	2023	2022
Monetary assets/(liabilities)		
Australian Dollar	(4,067,852)	(3,265,476)

This amount is the total notional amount of forward foreign currency contracts open at year end.

The table below summarises the impact on the Statement of Comprehensive Income and Net Assets Attributable to Unitholders on monetary assets and liabilities, had the exchange rates between the New Zealand dollar and the foreign currencies increased or decreased by 5% with all other variables held constant. The analysis is based on an exchange rate movement of 5% which represents the Manager's best estimate of a reasonable possible shift in exchange rates with regard to historical volatility.

\$ As at 31 March	Carbon Fund	
	2023	2022
Monetary assets/(liabilities)		
Exchange rates increased by 5%	193,707	155,499
Exchange rates decreased by 5%	(214,097)	(171,867)

Notes to the Financial Statements

5. Financial risk management (continued)

5.1 Financial risk factors (continued)

(c) Cash flow and fair value interest rate risk

Interest rate risk arises from the effects of fluctuations in the prevailing levels of markets interest rates on the fair value of financial assets and liabilities and future cash flows. The Fund may hold cash and cash equivalents that expose the Fund to cash flow interest rate risk. The interest rate risk arising from cash and cash equivalents is managed by the Manager.

The table below summarises the sensitivity of the Fund's Net Assets Attributable to Unitholders to interest rate movements. The analysis is based on an interest rate movement of 1% (31 March 2022: 1%), which represents the Manager's best estimate of a reasonable shift in interest rates having regard to historical volatility. If the interest rates at 31 March had increased or decreased by these amounts with all other variables held constant, this would have increased/decreased Comprehensive Income and Net Assets attributable to Unitholders by approximately:

\$ As at 31 March	Carbon Fund	
	2023	2022
1% increase in interest rates (31 March 2022: 1%)	41,083	75,332
1% decrease in interest rates (31 March 2022: 1%)	(41,083)	(75,332)

5.1.2 Credit risk

Credit risk is the potential risk of financial loss resulting from the failure of counterparties to honour fully the terms and conditions of a contract with the Fund. The Fund is primarily exposed to credit risk through its investment activities. All transactions in Carbon Credits are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of Carbon Credits sold is only made once the broker has received payment. Payment is made on purchase once the securities and Carbon Credits have been received by the broker. The trade will fail if either party fails to meet its obligations. The maximum credit risk of financial instruments and investment in Carbon Credits is considered to be the carrying value.

The Fund's cash holdings are invested with Westpac which is rated as AA- by Standard & Poor's.

The Fund restricts its exposure to credit losses on derivatives by entering into International Swaps and Derivatives Association ("ISDA") arrangements with their counterparties with whom they undertake derivative transactions. The arrangements do not result in an offset of the Statement of Financial Position assets and liabilities as transactions are usually settled on a gross basis. However, the credit risk associated with favourable contracts is reduced by the arrangement to the extent that if an event of default occurs, all amounts with the counterparty are terminated and settled on a net basis. The overall exposure to credit risk on derivative instruments subject to such arrangements can change substantially within a short period, as it is affected by each transaction subject to the arrangement.

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 credit loss. The Manager considers the probability of default to be close to zero as the financial assets and investment in Carbon Credits have a low risk of default. As a result, no loss allowance has been recognised, as any such impairment would be wholly insignificant to the Fund.

5.1.3 Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

Liquidity management is designed to ensure that the Fund has the ability to generate sufficient cash in a timely manner to meet their financial commitments and normal level of redemptions. The Fund has a benchmark liquidity level which is monitored and maintained given normal investment conditions. Liquidity risk is managed by investing in Carbon Credits that are traded in an active market and can be readily disposed to enable the Fund to meet liabilities as they fall due.

Other payables and amounts due to brokers are due for settlement within one month of the end of the reporting period. The table below shows the net undiscounted contractual cash outflows for the Fund's financial liabilities:

\$ As at 31 March	Carbon Fund	
	2023	2022
Financial liabilities at fair value through profit or loss		
Less than 7 days	-	26,528
Related party payables		
7 days to 1 month	80,527	87,575

Notes to the Financial Statements

5. Financial risk management (continued)

5.2 Capital risk management

The Fund's capital is represented by Net Assets attributable to Unitholders. The Fund's objectives when managing capital are to provide returns for Unitholders through both capital growth and income. Investment decisions are guided by the mandate included in the product disclosure statement and statement of investment policies and objectives. The Fund strives to invest the subscriptions of Unitholder funds in investments that meet the Fund's objectives.

During the year the Fund repurchased units. The units held by the Fund are deducted from Net Assets attributable to unitholders. Refer to note 10.3 for further details.

The Fund has a minimum initial investment of \$5,000. Thereafter the investor may invest in \$1,000 increments. The Fund will quote the units on the NZX Main Board, thus units can be sold through NZX Participants (such as a broker) or financial adviser. Investments in the Fund are generally not redeemable for cash. The Manager may vary minimum amounts from time to time at its discretion.

5.3 Fair value estimation

NZ IFRS 13 *Fair Value Measurement* requires the Fund to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- * Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- * Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- * Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement.

The determination of what constitutes 'observable' requires significant judgement by the Manager. The Manager considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable and provided by independent sources that are actively involved in the relevant market.

The following table analyses within the fair value hierarchy the Fund's assets and liabilities (by class) measured at fair value at year end:

\$ As at 31 March	Carbon Fund	
	2023	2022
Level 1 Assets		
Carbon Credits	<u>75,880,833</u>	<u>101,536,566</u>
Total Level 1 Assets	<u>75,880,833</u>	<u>101,536,566</u>
Level 2 Assets		
Forward foreign exchange contracts	<u>8,645</u>	<u>8,936</u>
Total Level 2 Assets	<u>8,645</u>	<u>8,936</u>
Total assets at fair value through profit or loss	<u>75,889,478</u>	<u>101,545,502</u>
Level 2 Liabilities		
Forward foreign exchange contracts	<u>-</u>	<u>26,528</u>
Total Level 2 Liabilities	<u>-</u>	<u>26,528</u>
Total liabilities at fair value through profit or loss	<u>-</u>	<u>26,528</u>

The valuation of all of the Fund's holdings of Carbon Credits are based on quoted market prices in active markets, and therefore classified within level 1. The Fund does not adjust the quoted price for these instruments.

Investments classified within Level 2 trade in markets that are not considered to be active but are valued based on alternative pricing sources supported by observable inputs. The Manager exercises judgement and makes estimates based on the quantity and quality of pricing sources used. Where no market data is available, the Manager may price positions using its own models, which are usually based on valuation methods and techniques generally recognised as standard within the industry. The Fund's forward foreign exchange contracts are valued indirectly from observable market data and are therefore classified within level 2.

There were no transfers between levels during the year (31 March 2022: nil).

Financial instruments not carried at fair value but for which fair value is disclosed

The carrying value of the Fund's assets and liabilities carried at amortised cost and cash and cash equivalent represent or approximate fair value.

Notes to the Financial Statements

6. Taxation

\$	Carbon Fund	
As at 31 March	2023	2022
Tax expense comprises:		
Deferred tax expense	(7,979,714)	8,701,356
Total tax expense	(7,979,714)	8,701,356

The prima facie income tax expense on operating profit before tax reconciles to the tax expense in the Financial Statements as follows:

\$	Carbon Fund	
As at 31 March	2023	2022
Operating (loss)/profit before tax	(28,529,792)	31,083,778
Income tax using the statutory income tax rate 28%	(7,988,342)	8,703,458
<i>Adjusted for:</i>		
Foreign exchange unrealised gain on Australian dollar denominated Carbon Credits	6,346	(2,102)
Brokerage expenses not deductible	2,282	-
Tax expense as per Statement of Comprehensive Income	(7,979,714)	8,701,356

\$	Carbon Fund	
As at 31 March	2023	2022
Deferred tax liability		
Opening balance	(9,265,945)	(564,589)
Credited/(charged) to profit or loss	7,979,714	(8,701,356)
Closing balance	(1,286,231)	(9,265,945)

The balance comprises temporary differences attributable to Carbon Credits.

7. Earnings per unit

The basic earnings per units (EPU) is calculated by dividing total comprehensive income for the year attributable to Unitholders by the weighted average number of units on issue during the year.

The Fund's diluted EPU is the same as the basic EPU since the Fund has not issued any instrument with dilutive potential.

As at 31 March	Carbon Fund	
	2023	2022
Total comprehensive income for the year attributed to Unitholders	(20,550,078)	22,382,422
Weighted average number of units	45,191,780	28,433,042
Basic and diluted earnings per unit (cents per unit)	(45.47)	78.72

8. Investment in Carbon Credits and financial assets and liabilities at fair value through profit or loss

\$	Carbon Fund	
As at 31 March	2023	2022
Assets measured at fair value through profit or loss		
Investment in Carbon Credits	75,880,833	101,536,566
Forward foreign exchange contracts	8,645	8,936
Total assets at fair value through profit or loss	75,889,478	101,545,502
Liabilities measured at fair value through profit or loss		
Forward foreign exchange contracts	-	26,528
Total liabilities at fair value through profit or loss	-	26,528

Notes to the Financial Statements

9. Assets and liabilities by category

\$ As at 31 March	2023	Carbon Fund 2022
Investments at fair value through profit or loss		
Investment in Carbon Credits	75,880,833	101,536,566
Forward foreign exchange contracts	8,645	8,936
Total investments at fair value through profit or loss	75,889,478	101,545,502
Financial assets at amortised cost		
Cash and cash equivalents	4,108,267	7,533,237
Total financial assets at amortised cost	4,108,267	7,533,237
	79,997,745	109,078,739
Financial liabilities at fair value through profit or loss		
Financial liabilities at fair value through profit or loss	-	26,528
Total financial liabilities at fair value through profit or loss	-	26,528
Financial liabilities at amortised cost		
Related party payables	80,527	87,575
Total financial liabilities at amortised cost	80,527	87,575
	80,527	114,103

10. Related parties

10.1 General

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

Salt Investment Funds Limited is the Manager of the Fund. The Supervisor of the Fund is The New Zealand Guardian Trust Company Limited, who is also the Custodian of the Fund. Salt Funds Management Limited is the parent entity of the Manager. The Salt Long Short Fund and Salt Sustainable Growth Fund are related parties as they are Funds also managed by the Manager.

10.2 Related party fees

The Fund has transacted with related parties during the year as follows:

\$ For the year ended 31 March	2023	Carbon Fund 2022
Salt Investment Funds Limited	1,080,457	582,533
Management fees	1,080,457	582,533

The Fund owed the following amounts to related parties at balance date:

\$ As at 31 March	2023	Carbon Fund 2022
Salt Investment Funds Limited	80,527	87,575
Management fees payable	80,527	87,575

Under the Trust Deed the management fees payable to Salt Investment Funds Limited are payable monthly in arrears. All balances are unsecured, settled in cash and do not attract interest.

The management fee is deducted from, and reflected in, the value of the Fund. It is calculated and accrued daily as a percentage (31 March 2023 and 31 March 2022: 0.95%) of the daily gross asset value of the Fund (which essentially means net assets but excluding any accruals for fees and expenses).

Notes to the Financial Statements

10. Related parties (continued)

10.2 Related party fees (continued)

The Manager of the Fund has agreed to pay all other fees from the management fees. This includes supervisor fees, custodian fees, administration fees, audit fees, NZ listing fees and other shareholder costs. This decision will be reviewed on an annual basis. The supervisor and custodian fees paid for the current year were \$57,554 (31 March 2022: \$33,095). The audit fees paid for the current year were \$13,250 plus GST (31 March 2022: \$11,500 plus GST). These amounts are not reflected in the Statement of Comprehensive Income.

10.3 Investments by related parties

As at 31 March 2023, Salt Funds Management Limited held 1,601 units, or 0.003% of the Fund (31 March 2022: 79,514 units, 0.17% of the Fund). During the year Salt Funds Management Limited bought 12,064 units and sold 89,977 units in the Fund.

As at 31 March 2023, the Salt Long Short Fund held 757,500 units, or 1.63% of the Fund (no holding on 31 March 2022). During the year, the Salt Long Short Fund bought 975,442 units and sold 217,942 units in the Fund.

As at 31 March 2023, the Salt Sustainable Growth Fund held 543,726 units, or 1.17% of the Fund (31 March 2022: 243,097 units, 0.54% of the Fund). During the year, the Salt Sustainable Growth Fund bought 300,629 units and sold no units in the Fund.

10.4 Repurchased Units

As at 31 March 2023, the repurchased units was 1,304,899 units, which is equal to 2.81% of the Fund (there was no holding on 31 March 2022). The Manager bought these units on the NZX as they were trading at discount to net assets per unit at the time of purchase.

10.5 Directors' interests

At balance date the Directors or related parties of Directors of the Manager had the following holdings in the Fund:

\$	Carbon Fund	
	2023	2022
As at 31 March		
Holdings of the Directors of the Manager and their related parties	709,009	891,308

11. Reconciliation of operating profit/(loss) to net cash outflow from operating activities

\$	Carbon Fund	
	2023	2022
For the year ended 31 March		
Total comprehensive income for the year attributable to Unitholders	(20,550,078)	22,382,422
Adjustments for non-cash items		
Net gain on Carbon Credits	27,535,570	(31,724,843)
Net unrealised changes in the fair value of financial assets and liabilities	(3,574)	10,085
Net foreign currency losses/(gains)	-	3,950
Deferred tax movements	(7,979,714)	8,701,355
Movements in working capital items		
Net change in cost of investments	(1,902,499)	(56,500,016)
Increase in trade and other payables	(7,048)	75,261
	<u>(1,909,547)</u>	<u>(56,424,755)</u>
Net cash (outflow) from operating activities	<u>(2,907,343)</u>	<u>(57,051,786)</u>

12. Net assets per unit

The Fund's net assets per unit is calculated by dividing the net assets attributable to unitholders by the units on issue at the end of the year.

\$	Carbon Fund	
	2023	2022
As at 31 March		
Net assets per unit	1.6962	2.1971

13. Commitments and contingent liabilities

There are no material commitments or material contingencies as at 31 March 2023 (31 March 2022: nil).

14. Events occurring after the balance sheet date

Since the balance sheet date, the Fund has repurchased a further 485,000 units of the Fund, for consideration totalling \$761,750.50. At the date of signing, the Fund holds 1,789,899 units in the Fund.



Independent auditor's report

To the unitholders of Salt Listed Funds, comprising Carbon 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 2023, 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 (IFRS).

What we have audited

The Fund's financial statements comprise:

- the statement of financial position as at 31 March 2023;
 - the statement of comprehensive income for the year then ended;
 - the statement of change in net assets attributable to unitholders for the year then ended;
 - the statement of cash flows for the year then ended; and
 - the notes to the financial statements, which include significant accounting policies and other explanatory information.
-

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)) 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 are the auditor of Salt Investment Funds Limited, the Manager. We have provided the following services to the Manager: controls assurance reporting, agreed upon procedures on the net tangible assets and the audit of other managed investment schemes 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. Other than in our capacity as auditor, we have no other relationships with, or interests in, 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 Investment in Carbon Credits</p> <p>Refer to notes 5.3 and 8 of the financial statements for the Fund's investments in Carbon Credits.</p> <p>This was an area of focus for our audit as it represents the majority of the net assets of the Fund.</p> <p>Valuation</p> <p>The fair value of the Carbon Credits traded in active markets are based on quoted market prices at 31 March 2023 and are categorised as level 1 in the fair value hierarchy.</p> <p>Existence</p> <p>Holdings of Carbon Credits are held by the Fund's custodian (the Custodian) on behalf of the Fund.</p>	<p>We assessed the processes employed by the Manager for recording and valuing the Carbon Credits including the relevant controls operated by a third party service organisation (the Administrator).</p> <p>Our assessment of the business processes included obtaining the internal control report over investment accounting and administration provided by the Administrator. We evaluated the evidence provided by the internal controls report over the design and operating effectiveness of the key controls operated by the Administrator for the year ended 31 March 2023.</p> <p>For the valuation of Carbon Credits we have agreed the market price at 31 March 2023 to third party pricing sources.</p> <p>For existence, we obtained confirmation from the Custodian of the holdings of Carbon Credits held by the Fund as at balance date.</p>

Our audit approach

Overview

<p>Materiality</p>	<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>
<p>Key audit matters</p>	<p>As reported above, we have one key audit matter, being Valuation and Existence of Investment in Carbon Credits</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 and administration (Administrator) and registry services (Registrar) to third party service organisations.

In completing our audit, we performed relevant audit procedures over the control environment of the Custodian, the Administrator, the Registrar and the Manager to support our audit conclusions.

Other information

The Manager is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon which the annual report will refer 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, 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 Vatsana Vanpraseuth.

For and on behalf of:

A handwritten signature in black ink that reads 'PricewaterhouseCoopers'.

Chartered Accountants
29 June 2023

Auckland