

Midlands Income Wholesale Fund

**FINANCIAL STATEMENTS
FOR THE PERIOD ENDED
31 March 2024**

Midlands Income Wholesale Fund

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Midlands Income Wholesale Fund

Business Directory

Nature of Business	Midlands Income Wholesale Fund aims to provide a competitive return to its stakeholders by investing in Midlands Smarter PIE Fund (formerly known as Midlands Income Fund).
Registered office of Fund Manager	Midlands Funds Management Limited 1/11 Karamu Road North PO Box 608 Hastings 4156
Directors of the Manager	John McFadyen Rae - Chairman (appointed 23 September 2023) Kenneth Alan Horner Marise Lynne James Dinah Mary Clifford Kennedy Peter James Ellis (ceased 23 September 2023) John Baird Campbell (resigned 17 September 2023)
Supervisor & Trustee	Trustees Executors Limited Level 5 10 Customhouse Quay Wellington
Auditor	PricewaterhouseCoopers New Zealand 6 Albion Street Napier
Accountant	Nexia Hawkes Bay Limited 308 Queen Street East Hastings
Bankers	ANZ Bank New Zealand Limited
Solicitors to the Supervisor	D L A Piper 50-54 Customhouse Quay Wellington
Solicitors to the Manager	Anthony Harper Lawyers Level 5, Chorus House 86 Wyndham Street Auckland

Midlands Income Wholesale Fund

Statement of Comprehensive Income

For the year ended 31 March 2024

	Note	2024 \$	2023 \$
Distribution from Midlands Smarter PIE Fund	4	1,172,301	627,449
Management Fee Rebate	4	118,098	57,561
Total Income		1,290,399	685,010
Expenses	5	-	-
Total Expenses		-	-
Surplus Before Tax		1,290,399	685,010
Tax Expense/(Credit)	7	-	-
Surplus After Tax		1,290,399	685,010
Other Comprehensive Income		-	-
Total Comprehensive Income		1,290,399	685,010

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

Midlands Income Wholesale Fund

Statement of Changes in Equity

For the year ended 31 March 2024

	Investors' Funds £	Retained Earnings £	Total Equity £
Balance at 1 April 2022	6,472,837		6,472,837
Net Surplus/Total Comprehensive Income		695,010	695,010
Transactions with investors			
Units issued during the year	12,695,079	-	12,695,079
Units redeemed during the year	(6,861,100)	-	(6,861,100)
Distributions to investors	-	(695,010)	(695,010)
Balance at 31 March 2023	13,306,816	-	13,306,816
Balance at 1 April 2023	13,306,816	-	13,306,816
Net Surplus/Total Comprehensive Income	-	1,290,399	1,290,399
Transactions with investors			
Units issued during the year	10,456,161	-	10,456,161
Units redeemed during the year	(3,443,265)	-	(3,443,265)
Distributions to investors	-	(1,290,399)	(1,290,399)
Balance at 31 March 2024	20,319,712	-	20,319,712



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

Midlands Income Wholesale Fund Statement of Financial Position

As at 31 March 2024

	Note	2024 \$	2023 \$
ASSETS			
Cash and Cash Equivalents		104,965	49,889
Investment in Midlands Smarter PIE Fund	6	20,319,712	13,306,808
Tax Receivable	7	-	-
TOTAL ASSETS		20,424,676	13,356,697
LIABILITIES			
PIE Tax Payable		87,880	49,880
Other Payables	8	17,084	-
TOTAL LIABILITIES		104,965	49,881
NET ASSETS		20,319,712	13,306,816
EQUITY			
Investors' Funds	9	20,319,712	13,306,816
Retained Earnings	10	-	-
TOTAL EQUITY		20,319,712	13,306,816

Signed for and on behalf of the Manager, Midlands Funds Management Limited

	
Director	Director
Date: 22.07.2024	Date: 22.07.2024

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

Midlands Income Wholesale Fund

Statement of Cash Flows

For the year ended 31 March 2024

	Note	2024 £	2023 £
Cash Flows From Operating Activities			
<i>Cash was provided from:</i>			
Distributions Received		1,172,301	627,449
Management Fee Rebate Received		118,098	67,561
		<u>1,290,399</u>	<u>695,010</u>
Net Cash From Operating Activities Before Changes In Operating Assets		1,290,399	695,010
<i>Net cash was applied to:</i>			
Investments Made		(7,012,904)	(8,833,971)
Net Cash Inflow/(Outflow) From Operating Activities		<u>(5,722,505)</u>	<u>(6,138,961)</u>
Cash Flows From Financing Activities			
<i>Cash was provided from:</i>			
Proceeds from the Issue of Units		5,225,163	6,510,773
<i>Cash was applied to:</i>			
Distributions to Investors		(447,572)	(321,923)
Net Cash Inflow/(Outflow) From Financing Activities		<u>5,777,591</u>	<u>6,188,850</u>
Net Increase/(Decrease) in Cash and Cash Equivalents held		55,076	49,889
Plus Opening Cash and Cash Equivalents		49,889	-
Closing Cash and Cash Equivalents		<u>104,965</u>	<u>49,889</u>

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

Midlands Income Wholesale Fund Notes to the Financial Statements

For the year ended 31 March 2024

1. REPORTING ENTITY

Midlands Income Wholesale Fund (the Fund) is a wholesale managed investment scheme which was formed on July 21 2021. It is incorporated in New Zealand under the Trustee Companies Act 1907 and domiciled in New Zealand. The principal place of business is 1111 Kaitiaki Road North Hastings.

The Fund is not registered under the Financial Markets Conduct Act 2013. The fund is primarily involved in investment of units in Midlands Smarter PIE Fund (formerly Midlands Income Fund). The Midlands Smarter PIE Fund is primarily involved in facilitating the collective investment in first ranking mortgage backed securities and cash investments.

The financial statements of the Fund, as an individual entity, have been prepared by the Manager on behalf of the Supervisor (Trustees/Executors limited) in accordance with the Trustee Companies Act 1907 and the provisions of the Trust Deed. The fund is managed by Midlands Funds Management Limited (the manager). The Fund was established by a Trust deed dated 21 July 2021 between the Supervisor and the Manager.

The Fund has elected to be a Portfolio Investment Entity (PIE) with effect from 1 April 2022.

2. BASIS OF PREPARATION

Statement of Compliance

These financial statements comply with generally accepted accounting practice in New Zealand (NZ GAAP). For the purposes of complying with NZ GAAP, the Fund is a for-profit entity. The Fund is a Tier 2 for-profit entity and has elected to report in accordance with NZ IFRS RDR as issued by the New Zealand External Reporting Board (XRB). The Fund is eligible to report in accordance with NZ IFRS RDR on the basis that it does not have public accountability and is not a large for-profit public sector entity. In applying NZ IFRS RDR, the group has applied a number of disclosure concessions.

Measurement Basis

These financial statements have been prepared under the historical cost convention, unless modified by the revaluation of certain assets and liabilities as identified in specific accounting policies below.

Presentation Basis

Assets and liabilities are presented in the Statement of Financial Position in liquidity order. All assets and liabilities are current.

Functional and Presentation Currency

The financial statements are presented in New Zealand dollars which is the functional currency of the Fund. All values are rounded to the nearest dollar unless otherwise stated.

Critical Accounting Estimates and Judgements

The preparation of the financial statements requires the use of management estimates and judgements that affect reported amounts and the application of policies. The estimates and underlying assumptions are based on historical experience and various other factors that are believed to be reasonable.

Information about critical judgements made by management in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in note 6. This relates specifically to the classification of units issued.

Changes in Accounting Policies

There has been no material changes in accounting policies in the financial year.

Midlands Income Wholesale Fund Notes to the Financial Statements

For the year ended 31 March 2024

3 RELATED PARTY TRANSACTIONS

The Fund is managed by the Manager as outlined in the Information Memorandum. The Manager makes all decisions relating to administration, investment management, investment applications, and the management of the Fund's investment portfolio. The Manager's responsibilities are set out in detail in the registered Trust Deed between the Manager and the Supervisor. The Manager does not hold or own any of the assets of the Fund. The Manager does not guarantee the return of principal or income to investors. The Supervisor is the associated trustee and supervisor of the Fund. The role of the Supervisor is to hold all of the assets of the Fund on behalf of investors and to monitor compliance by the Manager with the requirements of the Trust Deed. The Supervisor's responsibilities are set out in detail in the Trust Deed.

The Supervisor and Manager are indemnified by the Fund on the terms set out in clause 11.4 of the Trust Deed. The Supervisor and Manager are entitled to be reimbursed out of the Fund for all expenses, costs or liabilities incurred by them acting as supervisor or manager. General expenses and supervisor fees in relation to the Fund are met by the Manager. The Midlands Smarter PIE Fund is also managed by the Manager and the Fund invests in the Midlands Smarter PIE Fund. Directors of the Manager are also considered related parties of the Fund.

The related parties are Trustees Executors Limited (related by virtue of having influence over the Fund in its role as Supervisor), who provide Supervisor services to the Fund; Midlands Funds Management Limited (related by virtue of having significant influence over the Fund in its role as Manager), who provide management services to the Fund and the Directors and senior management of Midlands Funds Management Limited and their close family members. Transactions during the period in regard to parties closely related to the Fund were:

Transactions with related parties:	2024	2023
Supervisor Fees To Trustees Executors Ltd paid by Midlands Smarter PIE Fund	\$ 166,614	\$ 170,071
Management Fees paid by Midlands Smarter PIE Fund to the Manager	\$ 1,583,211	\$ 1,064,502
Computer Service Fees paid by Midlands Smarter PIE Fund to the Manager	\$ 16,000	\$ 16,000
Loan processing fees paid by borrowers of the Midlands Smarter PIE Fund direct to the Manager	\$ 1,030,002	\$ 1,135,257
The Fund's investment of \$20,319,712 as at 31 March 2024 represented 17.40% of the total Funds under management in the Midlands Smarter PIE Fund (March 2023: \$13,206,616 - 12.10%).		
Midlands Funds Management Limited Directors & Officers' net (withdrawals/investments of Unitholders' funds)	(87,535) Units	12,506,786 Units
Midlands Funds Management Limited Directors & Officers' net (withdrawals/investments of Unitholders' funds)	(\$97,532)	152,306,067
Balances of related parties as at 31 March:	2024	2023
Midlands Funds Management Limited Directors & Officers' investments in Midlands Smarter PIE Fund	3,234,559 Units	3,322,354 Units

No transactions in the Fund have occurred with Midlands Funds Management Limited Directors and Officers. The balance owed from Midlands Funds Management Limited as at 31 March 2024 is \$Nil (March 2023 \$Nil).

Related party investments and balances are on normal commercial terms. The balances are measured and the Fund has given no guarantees to related parties. The Manager as manager of the Fund receives a fee on funds invested by the Fund in the Midlands Smarter PIE Fund direct from the Midlands Smarter PIE Fund. The Manager is entitled to a management fee of 1.78% incl GST if any (2023: 1.78%) per annum, calculated on the average daily balance of the Midlands Smarter PIE Fund. The Manager changed the full management fee during the year ending 31 March 2024. The management fee relating to the Fund collected by the manager has been rebated to the Fund (refer note 4). To reimburse the Manager for expenses incurred in collecting overdue mortgages, the Manager may charge the Midlands Smarter PIE Fund an amount equal to half of the penalty interest (if any) received on those loans. During the year this amount was charged in some instances when penalty interest was recovered. In addition, the Manager is permitted to be reimbursed out of the Midlands Smarter PIE Fund for all costs, expenses and liabilities incurred whilst acting for the Midlands Smarter PIE Fund.

Midlands Income Wholesale Fund

Notes to the Financial Statements

For the year ended 31 March 2024

In addition, the Borrowers of the Midlands Smarter PIE Fund pays loan processing fees direct to the Manager. The fees are loan establishment fees which are generally paid by the Midlands Smarter PIE Fund across to the Manager from loan advances made to the Borrower. The Supervisor fee paid by Midlands Smarter PIE Fund during the period was 0.14% incl GST (2023: 0.14%) calculated daily on the basis of the value of the Midlands Smarter PIE Fund, from day to day and paid quarterly in arrears during the year. Fees paid to the Supervisor in relation to the Fund amounted to in rule 5.

Midlands Income Wholesale Fund

Notes to the Financial Statements

For the year ended 31 March 2024

4 REVENUE

Distribution income comprises returns on units in the Midlands Smarter PIE Fund. Distribution income is recognised when the right to receive the distribution has been established.

Management fee rebate relates to the management fees received by the Manager from the Midlands Smarter PIE Fund which has been rebated to the Fund investors as per the current Information Memorandum for the Fund.

5 EXPENSES

All expenses are recognised in profit or loss on an accrual basis.

Supervisor fees

The Trust Deed entitles the Supervisor to receive an amount not greater than 0.04 % per annum calculated on the average daily balance of the Fund with a minimum fees of \$10,000 per annum. During the period a fee of \$11,500 per annum has been paid/payable with respect to the Supervisor fees. In addition, the Supervisor is permitted to be reimbursed out of the Fund for all costs, expenses and liabilities incurred whilst acting for the Fund. The current Information Memorandum states that the Manager will pay the Supervisor fees from their own resources.

Other expenses

Under terms of the Fund's Information Memorandum the Manager meets the expenses of the Fund, including audit fees. The Manager is entitled to be reimbursed for expenses from the Fund. During the year no expenses were reimbursed.

6 INVESTMENT IN MIDLANDS SMARTER PIE FUND

Non-derivative Financial Assets

(i) Classification

Non-derivative financial asset comprise of investments in the Midlands Smarter PIE Fund. The classification is based on the Fund's business model for managing the financial asset and collecting the contractual cashflows. Management determines the classification at initial recognition and re-evaluates this designation at every reporting date. The determination is considered at the portfolio level as this reflects the way the business is managed.

Investments in the Midlands Smarter PIE Fund's units are recorded at the redemption value per unit as reported by the Manager of Midlands Smarter PIE Fund. They are classified as fair value through profit and loss. Due to the nature of the Midlands Smarter PIE Fund, its units are consistently valued at \$ 0.92 as determined by the unit valuation methodology prescribed in the Midlands Smarter PIE Fund's trust deed and therefore there have been no movements in fair value in the profit and loss.

(ii) Initial Recognition and Derecognition

Financial assets are initially measured at fair value plus or minus transactions costs. A financial asset is recognised only when the Fund becomes a party to the contractual provisions of the financial asset. Purchases and sales of financial assets are recognised on settlement date.

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Fund has transferred substantially all the contractual rights to receive the cashflows of the financial asset.

(iii) Subsequent Measurement

Subsequent to initial recognition they are stated at fair value through profit or loss. Midlands Income Fund's units are considered to fall within Level 2 of the fair value hierarchy as defined in NZ IFRS 13 Fair Value Measurement.

	2024	2023
	\$	\$
Units in the Midlands Smarter PIE Fund at \$ 0.92 per unit	22,086,643	14,463,927
Total amount of investment	20,319,712	13,306,808

Midlands Income Wholesale Fund

Notes to the Financial Statements

For the year ended 31 March 2024

7. TAXATION

Income Tax Expense

The Fund has elected to be a Portfolio Investment Entity (PIE) which was effective 1 April 2022.

The Fund is required to allocate income to investors and deduct tax at the investors prescribed investor rate supplied (0%, 10.5%, 17.5% or 28%). The tax rate is capped at 28%. The tax is deducted and paid directly to Inland Revenue on the investor's behalf.

Any income not allocated to investors is liable for tax at 28%. The Fund allocates 100% of net income to investors and as a result the Fund has no undistributed surplus that would be liable for tax.

Goods and Services Tax

The Fund provides financial services and is not registered for GST. As such it cannot recover any GST incurred on expenditure. The non-recoverable GST is therefore included in the amounts recognised as expenses, liabilities and assets. There is no GST charged on revenue.

	2024 \$	2023 \$
Current Period Tax		
Surplus/(Deficit) for the period	-	-
Less Non-deductible expenses	-	-
Residual Taxable income	-	-
Tax Charge at effective tax rate (28%)	-	-
Opening balance	-	(2,580)
Provision for Taxation	-	-
Refund received	-	2,500
Less RWT paid	-	-
Tax Payable/(Receivable)	-	-

8. OTHER PAYABLES

	2024 \$	2023 \$
Distribution payable	17,084	-
Total Other Payables	17,084	-

Midlands Income Wholesale Fund

Notes to the Financial Statements

For the year ended 31 March 2024

9. INVESTORS' FUNDS

Investor fund units are classified as equity as they meet the definition of equity in NZ IAS 32 *Financial Instruments: Presentation*, in that they are puttable financial instruments, the investors are entitled to receive a pro-rata share of the Fund's net assets on winding up, investors' funds are subordinate to all liabilities of the Fund, units have identical features, apart from the contractual obligation for the Fund to redeem the units for cash, the units do not include any contractual obligation to deliver cash and the total expected cash flows over the life of the units are substantially based on the profit or loss of the Fund.

	2024 #	2023 #
On issue at beginning of year at \$ 1 per unit	13,306,610	6,472,637
Units issued during the year at \$ 1 per unit	10,466,161	12,825,079
Units redeemed during the year at \$ 1 per unit	(3,443,235)	(5,861,100)
On issue at end of year at \$ 1 per unit	<u>20,330,712</u>	<u>13,306,615</u>

The investors receive quarterly distributions on 31 March, 30 June, 30 September and 31 December or if that is not a business day, on the previous business day.

10. RETAINED EARNINGS

Retained earnings represent the net proceeds from the Fund's investment activities for the year which have not yet been distributed or credited to investors. The current policy of the Fund is to distribute 100% of net proceeds from investment activities.

11. STATEMENT OF CASH FLOWS

The statement of cash flows has been prepared using the direct method and is inclusive of GST, which is consistent with the method used in the statement of comprehensive income and the statement of financial position.

The following are the definitions of the terms used in the statement of cash flows:

- (a) Cash and cash equivalents are considered to be cash on hand and current accounts in banks, short term bank deposits (with terms less than 90 days), net of bank overdrafts.
- (b) Investing activities are those activities relating to the acquisition, holding and disposal of long term assets.
- (c) Financing activities are those activities that result in changes in the size and composition of the capital structure of the Fund, and
- (d) Operating activities include all transactions and other events that are not investing or financing activities. Cash flows relating to Investment in Midlands Income Fund and Short Term Bank Deposits are considered operating activities.

Midlands Income Wholesale Fund

Notes to the Financial Statements

For the year ended 31 March 2024

12. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Fund's investment portfolio consists only of investments in units of the Midlands Smarter PIE Fund that it intends to hold for an indefinite period of time.

Through the holding of this investments, the Fund is exposed directly and also indirectly to a variety of financial risks including credit, market (interest rates), and liquidity risks. Therefore, the Fund relies on the credit, liquidity and market risk policies of the Midlands Smarter PIE Fund to manage the Fund's risk exposure. Readers of these financial statements should refer to the financial statements of the Midlands Smarter PIE Fund for information on the Midlands Smarter PIE Fund's exposure to the above risks.

The Manager has a policy of compliance and risk management to suit the risk profile of the Fund. Key risk management policies encompassed in the overall risk management framework include:

- Credit risk management
- Liquidity risk management
- Market risk management
- Operational risk management

The Manager has implemented the following strategies to mitigate these risks.

Credit Risk

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge their obligation resulting in the Fund incurring a financial loss. This usually occurs when debtors fail to settle their obligations owing to the Fund.

The Fund's investment policy is to invest in units in the Midlands Smarter PIE Fund. Accordingly the Fund will have credit exposure to the Midlands Smarter PIE Fund equal to 100% of equity of the Fund at all times. The investment policy of the Midlands Smarter PIE Fund is to establish and maintain a broad range of loan investments secured by first registered mortgage over land and buildings. The Fund relies on the investment policy of the Midlands Smarter PIE Fund to manage exposure to credit risk.

The credit risk disclosures have been prepared on the basis of the Fund's direct investments and not on a look through basis for investments held indirectly through the Midlands Smarter PIE Fund's units. Consequently the disclosure of credit risk in the note only represents the direct credit risk profile of the Fund. For a better understanding of credit risk users of these financial statements should read the Midlands Smarter PIE Fund's financial statements.

The maximum exposure to credit risk is the carrying value of investment in Midlands Smarter PIE Fund as detailed in the Statement of Financial Position.

Midlands Income Wholesale Fund

Notes to the Financial Statements

For the year ended 31 March 2024

13. RISK MANAGEMENT OBJECTIVES AND POLICIES CONT.

Liquidity Risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities.

The Fund is exposed to daily cash redemptions of units, which are accounted for as equity. The Fund invests the majority of its assets in investments in the Midlands Smarter PIE Fund, which under normal market conditions are readily convertible to cash. Investments in the Midlands Smarter PIE Fund are redeemable on demand, but under the terms of investment, the Manager can take up to 90 business days to settle redemptions. Payment of investor withdrawals are met by redeeming the equivalent units in the Midlands Smarter PIE Fund.

The Manager monitors the funds' liquidity positions through the review of daily cash flow information which highlights current and known future levels of redemptions. The Midlands Smarter PIE Fund maintains a portion of the fund in liquid assets to provide for withdrawals and running expenses. The Fund's approach to managing liquidity is to rely on the liquidity management of the Midlands Smarter PIE Fund. The Fund is exposed to the same liquidity risk as the Midlands Smarter PIE Fund. The Fund relies on the ability to redeem a portion of any investment in the Midlands Smarter PIE Fund to meet withdrawal requests.

The liquidity risk disclosures have been prepared on the basis of the Fund's direct investments and not on a lock through basis for investments held in the Midlands Income Fund. Consequently the disclosure of liquidity risk in the note only represents the direct liquidity risk profile of the Fund. For a better understanding of liquidity risk users of these financial statements should read the Midlands Smarter PIE Fund's financial statements.

Maturity Profile

All financial assets and liabilities are short term.

Capital Management

The Fund has no externally imposed capital requirements. Capital includes investor funds and retained earnings. Any undistributed income forms part of the Fund's capital (refer also note 9). Investors primarily have the right to redeem their assets at their discretion. The Manager cannot therefore directly manage the capital, however the Manager may under the Trust Deed suspend withdrawals for 90 days or longer in certain circumstances. Distributions must be approved by the Supervisor.

Market Risk

The Fund is exposed to interest rate risk arising from changes in market interest rates. Interest rate risk is the risk that the 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 interest bearing and investments in units in the Midlands Income Fund provides a floating rate return. As a result, the Fund is directly subject to risk due to fluctuations in the prevailing levels of market interest rates. Interest rate risk to the Fund is minimised because returns to unit holders are determined by the Fund's net income for the period.

The interest rate risk disclosures have been prepared on the basis of the Fund's direct investments and not on a lock through basis for investments held in the Midlands Smarter PIE Fund. Consequently the disclosure of interest rate risk in the note does not fully represent the true interest rate risk profile of the Fund.

14. COMMITMENTS

At balance date, the Fund has no commitments (2023: Nil).

15. FAIR VALUES

The methods used in determining the fair values of financial instruments are discussed in note 6. The Fund's investments are carried at fair value on the statement of financial position.

16. EVENTS SUBSEQUENT TO BALANCE DATE

There are no material events to disclose subsequent to balance date.

Midlands Income Wholesale Fund Notes to the Financial Statements

For the year ended 31 March 2024

17. CONTINGENT ASSETS/LIABILITIES

There are no contingent assets or liabilities (2023: Nil)



Independent auditor's report

To the unitholders of Midlands Income Wholesale 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 Reduced Disclosure Regime (NZ IFRS RDR).

What we have audited

The Fund's financial statements comprise:

- the statement of financial position as at 31 March 2024;
 - the statement of comprehensive income for the year then ended;
 - the statement of changes in equity 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 are the auditor of the Midlands Funds Management Limited, the Manager. We have provided the following services to the Manager; agreed upon procedures on the net tangible assets calculation; the audit of financial statements of other funds managed by the Manager and; registry compliance assurance reporting. These services 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.

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 RDR, 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-8/>

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 Maxwell John Dixon.

For and on behalf of:

Freewaterhousecoopers

Chartered Accountants

23 July 2024

Napier