

**TUVALU TRUST FUND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2023**

**TUVALU TRUST FUND
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TUVALU TRUST FUND
DIRECTORS' STATEMENT TO THE GOVERNMENT OF TUVALU
FOR THE YEAR ENDED 30 SEPTEMBER 2023

In the opinion of the directors of Tuvalu Trust Fund ("the Fund"):

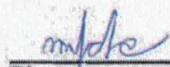
- (a) the accompanying statement of financial position of the Fund is drawn up so as to give a true and fair view of the state of affairs of the Fund as at 30 September 2023;
- (b) the accompanying statement of changes in equity of the Fund is drawn up so as to give a true and fair view of the changes in equity of the Fund for the year ended 30 September 2023;
- (c) the statement of profit or loss and other comprehensive income of the Fund is drawn up so as to give a true and fair view of the results of the Fund for the year ended 30 September 2023;
- (d) the accompanying statement of cash flows of the Fund is drawn up so as to give a true and fair view of the cash flows of the Fund for the year ended 30 September 2023;
- (e) the accompanying financial statements have been prepared in accordance with the International Financial Reporting Standards;
- (f) at the date of this statement there are reasonable grounds to believe the Fund will be able to pay its debts as and when they become due and payable; and
- (g) all related party transactions have been adequately recorded in the books of the Fund.

Dated at Funafuti this 11th day of June 2024.

Signed in accordance with a resolution of Directors of the Tuvalu Trust Fund Board.



Director



Director



Independent Auditor's Report

To the Members of Tuvalu Trust Fund

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of Tuvalu Trust Fund (the 'Fund'), which comprise the statement of financial position as at 30 September 2023, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 30 September 2023, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with 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 the ethical requirements of the International Ethics Standards Board for Accountant's Code of Ethics for Professional Accountants (IESBA Code) that are relevant to our audit of the financial statements in Fiji, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Other Information

Directors and management are responsible for the other information. The other information comprises the information included in the Directors' Statement to the Government of Tuvalu, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.



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

Responsibilities of Directors and Management for the Financial Statements

Directors and management are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and other mandatory professional reporting requirements in Tuvalu, and for such internal control as the directors and management determine 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 directors and management are 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 directors and management either intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

The directors and management are responsible for overseeing the Fund's financial reporting process.

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 the 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 the financial statements.

As part of an audit in accordance with the ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors and management.
- Conclude on the appropriateness of the directors' and management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with directors and management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Restriction on Use

This report is made solely to the Fund's shareholders, as a body. Our audit work has been undertaken so that we might state to the Fund's shareholders those matters 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 and the Fund's members as a body, for our audit work, for this report, or for the opinions we have formed.

A blue ink signature of a PricewaterhouseCoopers representative, written in a cursive style.

PricewaterhouseCoopers
Chartered Accountants

A blue ink signature of Paritosh Deo, written in a cursive style.

Paritosh Deo
Partner

11 June 2024
Suva, Fiji

TUVALU TRUST FUND
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 SEPTEMBER 2023

	Notes	2023 \$A'000	2022 \$A'000
INCOME			
Investment income		6,794	8,406
Increase in fair value of financial assets		10,803	-
Other income		7	1
Interest income	2	4	1
		<u>17,608</u>	<u>8,408</u>
EXPENDITURE			
Audit fees		(24)	(38)
Decrease in fair value of financial assets		-	(23,577)
Fund monitor's fee		-	(93)
Management fee		(73)	(841)
Other expenses	3	(363)	(298)
		<u>(460)</u>	<u>(24,847)</u>
Profit/(Loss) from Ordinary Activities		17,148	(16,439)
Other comprehensive income		-	-
Total comprehensive income/(loss) for the year		<u>17,148</u>	<u>(16,439)</u>

The statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to and forming part of the financial statements on pages 9 to 21.

**TUVALU TRUST FUND
STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2023**

	Notes	2023 \$A'000	2022 \$A'000
ASSETS			
Non-current assets			
Property, plant and equipment	9	28	-
Financial assets held at fair value through profit and loss	4	202,998	183,240
Total non-current assets		<u>203,026</u>	<u>183,240</u>
Current assets			
Trade and other receivables	11	3	-
Cash and cash equivalents	8	209	188
Total current assets		<u>212</u>	<u>188</u>
Total assets		<u>203,238</u>	<u>183,428</u>
LIABILITIES			
Non-current liabilities			
Employee benefit obligations	6	-	-
Total non-current liabilities		<u>-</u>	<u>-</u>
Current liabilities			
Trade and other payables	5	67	13
Employee benefit obligations	6	2	-
Total current liabilities		<u>69</u>	<u>13</u>
Total liabilities		<u>69</u>	<u>13</u>
Net assets		<u>203,169</u>	<u>183,415</u>
Equity Account		<u>203,169</u>	<u>183,415</u>

The statement of financial position is to be read in conjunction with the notes to and forming part of the financial statements on pages 9 to 21.

**TUVALU TRUST FUND
STATEMENT OF CHANGES IN EQUITY
AS AT 30 SEPTEMBER 2023**

	Notes	2023 SA'000	2022 SA'000
Balance as at 1 October		183,415	205,753
Contributions received	10 (a)	2,606	1,504
Total comprehensive income/(loss) for the year		17,148	(16,439)
Distributions to the Government of Tuvalu	10 (b)	-	(7,403)
Net increase/(decrease) for the year		19,754	(22,338)
Balance as at 30 September		203,169	183,415

The statement of changes in equity is to be read in conjunction with the notes to and forming part of the financial statements on pages 9 to 21.

**TUVALU TRUST FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 SEPTEMBER 2023**

	Notes	2023 SA'000	2022 SA'000
Cash flows from operating activities			
Interest income		4	1
Other income		4	1
Operating expenses paid		(323)	(482)
Net cash flows operating activities		(315)	(480)
Cash flows from investing activities			
Purchase of new investments units		(2,606)	(1,503)
Redemption of units		372	7,908
Purchase of property, plant and equipment		(36)	-
Net cash flows from investing activities		(2,270)	6,405
Cash flows from financing activities			
Contributions received	10 (a)	2,606	1,503
Distribution to the Government of Tuvalu	10 (b)	-	(7,403)
Net cash flows from financing activities		2,606	(5,900)
Net increase in cash and cash equivalents		21	25
Cash and cash equivalents at the beginning of the financial year		188	63
Cash and cash equivalents at end of year		209	188

The Statement of cash flows is to be read in conjunction with the notes to and forming part of the financial statements on pages 9 to 21.

TUVALU TRUST FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This financial report is a general-purpose financial report and has been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB). A summary of significant accounting policies adopted by Tuvalu Trust Fund ("the Fund") is set out in this note. Unless stated otherwise the accounting policies are consistent with those applied in the previous financial year. The financial statements of Tuvalu Trust Fund for the year ended 30 September 2023 were authorised for issue in accordance with a resolution of the directors on 11 June 2024.

a) General information

The Fund was established on 16 June 1987 as an international organization by Treaty among the Governments of Tuvalu, Australia, New Zealand and the United Kingdom and has the legal capacity to enter into contracts.

The stated objectives of the Tuvalu Trust Fund are:

- (i) to assist the Government of Tuvalu to achieve greater financial autonomy in the management of its affairs;
- (ii) to enable the Government to maintain, and if possible, improve, existing levels of social infrastructure and services;
- (iii) to enhance the capacity of the Government to receive and effectively utilise costs of social and economic infrastructure and services;
- (iv) to ensure that revenue is available to cover long term maintenance and operating costs of social and economic infrastructure and services; and
- (v) to permit the Government to participate directly in the development of the economy.

b) Basis of preparation

The financial statements are presented in Australian dollars, rounded to the nearest thousand dollar. They are prepared on a historical cost basis, except for the valuation of investments in financial assets, which have been measured at fair value. The accounting policies have been consistently applied by the Fund.

c) Statement of compliance

The financial statements have been prepared in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board.

d) Standards, Amendments and Interpretations Issued

- i. Standards, amendments, and interpretations effective in the year ended 30 September 2023

The following standards and interpretations apply for the first time to financial reporting periods commencing on or after 1 October 2022:

TUVALU TRUST FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Standards, Amendments and Interpretations Issued (continued)

- i. Standards, amendments, and interpretations effective in the year ended 30 September 2023:
(continued)

A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16 (effective 1 January 2022)

- Amendments to IFRS 3, 'business combinations' update a reference in IFRS 3 to the conceptual framework for financial reporting without changing the accounting requirements for business combinations.
- Amendments to IAS 16, 'Property, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related costs in profit or loss.
- Amendments to IAS 37, 'provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making.
- Annual improvements make minor amendments to IFRS 1, 'First-time Adoption of IFRS', IFRS 9, 'Financial instruments', IAS 41, 'Agriculture' and the Illustrative Examples accompanying IFRS 16, 'Leases'.

Amendment to IAS 12 - International tax reform - pillar two model rules

- These amendments give companies temporary relief from accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development's (OECD) international tax reform. The amendments also introduce targeted disclosure requirements for affected companies.

IFRIC Agenda decision – Lessor forgiveness of lease payments (IFRS 9 and IFRS 16)

- In October 2022, the IASB finalised the agenda decision approved by the IFRS Interpretation Committee (IFRS IC) on 'Lessor Forgiveness of Lease Payments (IFRS 9 and IFRS 16)'. The agenda decision addresses the accounting from the perspective of the lessor, and in particular:
 - how the expected credit loss ('ECL') model in IFRS 9 should be applied to the operating lease receivable when the lessor expects to forgive payments due from the lessee under the lease contract before the rent concession is granted.
 - whether to apply the derecognition requirements in IFRS 9 or the lease modification requirements in IFRS 16 when accounting for the rent concession.

The above changes did not have any material impact on the Fund.

TUVALU TRUST FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Standards, Amendments and Interpretations Issued (continued)

- ii. Standards, amendments and interpretations issued but not yet effective for the year ended 30 September 2023 and not adopted early

A number of new standards and amendments to standards and interpretations are available for early adoption for annual periods beginning on or after 1 October 2023, and have not been applied in preparing these financial statements.

- **IFRS 17, 'Insurance contracts'**
This standard replaces IFRS 4, which permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.
- **Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8**
The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.
- **Amendment to IAS 12 – deferred tax related to assets and liabilities arising from a single transaction.**
These amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.
- **Amendment to IFRS 16 – Leases on sale and leaseback**
These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.
- **Amendment to IAS 1 – Non-current liabilities with covenants**
These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.
- **Amendment to IAS 12 - International tax reform - pillar two model rules**
These amendments give companies temporary relief from accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development's (OECD) international tax reform. The amendments also introduce targeted disclosure requirements for affected companies.
- **Amendment to IAS 7 and IFRS 7 - Supplier finance**
These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.

TUVALU TRUST FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Standards, Amendments and Interpretations Issued (continued)

ii. Standards, amendments and interpretations issued but not yet effective for the year ended 30 September 2023 and not adopted early (continued)

- Amendments to IAS 21 - Lack of Exchangeability
An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations.
- IFRS S1, 'General requirements for disclosure of sustainability-related financial information
This standard includes the core framework for the disclosure of material information about sustainability-related risks and opportunities across an entity's value chain.
- IFRS S2, 'Climate-related disclosures'
This is the first thematic standard issued that sets out requirements for entities to disclose information about climate-related risks and opportunities.

e) Revenue recognition

Income from investments is taken to account as follows:

- i. Fixed interest – on the date due and receivable; and
- ii. Dividend income – on the date the dividends are declared.

f) Expenditure and outgoings

Expenditure and outgoings are taken to account on an accrual basis.

g) Foreign currency

Transactions in foreign currencies are translated to Australian currency at the foreign exchange rate ruling at the date of the transactions. Amounts receivable and payable denominated in foreign currencies at the reporting date are converted to Australian currency at the foreign exchange rate ruling at that date.

Foreign exchange differences arising on translation are recognised in profit or loss.

h) Financial assets and financial liabilities

i. Recognition and initial measurement

Financial assets at fair value through profit or loss are recognised initially on the trade date, which is the date that the Fund becomes a party to the contractual provisions of the instrument. Other liabilities are recognised on the date they are originated.

Financial assets at fair value through profit or loss are recognised initially at fair value, with the transaction costs recognised in profit or loss. Financial liabilities not at fair value through profit or loss are recognised initially at fair value plus transaction cost that are directly attributable to their acquisition or issue.

TUVALU TRUST FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Financial assets and financial liabilities (continued)

ii. Classifications

The Fund classifies financial assets and financial liabilities into the following categories:

Financial assets:

- Measured at fair value through profit or loss – Listed equity investments; and
- Measured at amortised cost – cash and cash equivalents, other receivables.

Financial liabilities at amortised cost

- Other liabilities – trade and other creditors.

iii. Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants and the measurement date in the principal or, in its absence, the most advantageous market to which the Fund has access at that date.

When available, the Fund measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as “active” if transactions for the asset or liabilities take place with sufficient frequency and volume to provide pricing information on an on-going basis.

iv. Derecognition

The Fund derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the right to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Fund neither transfers nor retains substantially all the risks and rewards of ownership and does not retain control of the financial asset. Any interest in such transferred financial assets that is created or retained by the Fund is recognised as a separate asset or liability. On derecognition of a financial asset, the difference between the carrying amount of the asset and consideration received is recognised in profit or loss. The Fund derecognises a financial liability when its contractual obligations are discharged, cancelled, or expire.

v. Offsetting

Financial assets and liabilities are offset and net amount presented in the statement of financial position when, and only when, the Fund has a legal right to offset the amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. Income and expenses are presented on a net basis when permitted under IFRSs, e.g. for gains and losses arising from a group of similar transactions, such as gains and losses from financial instruments at fair value through profit or loss.

i) Fund account

The fund account consists of initial and subsequent contribution made, plus subsequent net earnings, less any withdrawals including transfers made between the Tuvalu Trust Fund and the Consolidated Investment Fund account.

j) Cash and cash equivalents

Cash and cash equivalents comprise of cash at bank at balance date. Cash and cash equivalents are short-term, highly liquid investments with original maturity term of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

TUVALU TRUST FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Trade and other receivables

Trade and other receivables are stated at amortised cost less impairment losses. The carrying amount of these assets are reviewed at each reporting date to determine whether there is any indication of impairment. The recoverable amount of trade receivables is the estimated future cash flows expected from the asset.

l) Property, plant and equipment

All other property, plant and equipment is recognised at historical cost less depreciation. Depreciation is calculated using the straight-line method to allocate the cost of the assets, net of their residual values, over their estimated useful lives as follows:

• Furniture & Fittings	5 years
• Computer Equipment	3 years
• Motor Vehicles	5 years

m) Trade and other creditors

Trade and other payables are stated at amortised cost.

n) Employee entitlements

The amounts expected to be paid to employees for their pro-rata entitlements for annual leave are accrued annually at current wage rates.

o) Goods and services tax (GST)

Where applicable, GST incurred by the Fund, that is not recoverable from the Australian Taxation Office, has been recognised as part of the expense to which it applies.

p) Going concern

The financial statements of the Fund have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realization of assets and settlement of liabilities in the ordinary course of business.

q) Leases

At inception of a contract, the Fund assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Fund uses the definition of a lease in IFRS 16.

(i) As a lessee

The Fund recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Fund by the end of the lease term or the cost of the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

TUVALU TRUST FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

q) Leases (continued)

(i) As a lessee (continued)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Fund's incremental borrowing rate. Generally, the Fund uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date; and
- the exercise price under a purchase option that the Fund is reasonably certain to exercise, lease payments in an optional renewal period if the Fund is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Fund is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Fund's estimate of the amount expected to be payable under a residual value guarantee, or if the Fund changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Fund presents right-of-use assets and lease liabilities separately in the statement of financial position.

The Fund used the following practical expedients when applying IFRS 16:

- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

(ii) As a lessor

The Fund does not have any leases where it acts as a lessor.

TUVALU TRUST FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2023

	Note	2023 SA'000	2022 SA'000
2. INTEREST INCOME			
Interest		4	1
3. OTHER EXPENSES			
Salary		74	82
Travel		30	2
Rent		6	6
Depreciation		8	-
Others		245	208
		<u>363</u>	<u>298</u>
4. FINANCIAL ASSETS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS			
Australian Shares		53,971	50,374
International Shares		49,596	47,238
Property & Infrastructure		22,972	20,119
Fixed Income & Cash		76,459	65,509
		<u>202,998</u>	<u>183,240</u>

Investments are recognised at their fair value. Detail is disclosed in Note 15.

Determining fair values

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: Quoted market price (unadjusted) in active market for an identical instrument.

Level 2: Valuation technique based on observable inputs, either directly (i.e. as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active market for similar instrument; quoted prices for identical or similar instrument in the market that are considered less than active; or other valuation techniques where all significant inputs are directly inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted price for similar instruments where significant unobservable adjustments or assumption are required to reflect differences between the instruments. Fair values of financial assets that are traded in active markets are based on quoted prices or dealer price quotations. For unlisted equity investments the Fund determines fair values using valuation techniques. Some or all of the significant inputs these valuations use may not be observable in the market and are derived from market prices or rates or are estimated based on assumptions.

The table below analyses financial assets measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

TUVALU TRUST FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2023

4. FINANCIAL ASSETS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

	Level 1	Level 2	Level 3	Total
	\$A'000	\$A'000	\$A'000	\$A'000
Listed equities	202,998	-	-	202,998
Balance as at 30 September 2023	202,998	-	-	202,998
Listed equities	183,240	-	-	183,240
Balance as at 30 September 2022	183,240	-	-	183,240

	Note	2023	2022
		\$A'000	\$A'000
5. TRADE AND OTHER CREDITORS			
Auditor's remuneration		15	13
Sundry accruals		52	-
Fund monitor fee		-	-
		<u>67</u>	<u>13</u>
6. EMPLOYEE BENEFITS			
Balance at the beginning of the financial year		-	-
Provisions made during the year		5	-
Provisions utilised / paid during the year		(3)	-
Balance at the end of the year		<u>2</u>	<u>-</u>
<u>Represented by:</u>			
Current		2	-
Non-Current		-	-
		<u>2</u>	<u>-</u>

Current Employee Benefits include annual leave payable and are payable in the next twelve months. There were no other employee benefits for the Fund in the financial year ended 30 September 2023.

7. INCOME TAX

The Fund has been granted exemption from direct taxation on its investment in the participating countries: Tuvalu, Australia, New Zealand and the United Kingdom.

8. CASH AND CASH EQUIVALENTS

Cash at bank	<u>209</u>	<u>188</u>
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Cash at bank earns interest at floating bank rates based on daily bank deposit rates.

TUVALU TRUST FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2023

9. PROPERTY, PLANT AND EQUIPMENT
Non-current assets

	Notes	Furniture & Fittings \$A'000	Computer Equipment \$A'000	Motor Vehicles \$A'000	Total \$A'000
At 30 September 2022					
Cost	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-
Net book amount	-	-	-	-	-
Year ended 30 September 2023					
Opening net book amount	-	-	-	-	-
Additions	6	6	27	3	36
Disposals	-	-	-	-	-
Depreciation charge	(1)	(1)	(6)	(1)	(8)
Closing net book amount	5	5	21	2	28
At 30 September 2023					
Cost	6	6	27	3	36
Accumulated depreciation	(1)	(1)	(6)	(1)	(8)
Net book amount	5	5	21	2	28

TUVALU TRUST FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2023

	Note	2023 \$A'000	2022 \$A'000
10. FUNDS			
(a) Contribution to Fund			
Australia		1,674	1,000
New Zealand		932	504
		<u>2,606</u>	<u>1,504</u>
(b) Distribution from Fund			
Distribution to the Government of Tuvalu		-	7,403
		<u>-</u>	<u>7,403</u>
11. TRADE AND OTHER RECEIVABLES			
Accounts Receivable		3	-
Undeposited funds		-	-
		<u>3</u>	<u>-</u>
12. RELATED PARTY TRANSACTIONS			
The names of the directors during the period were:			
Hon. Seve Paeniu (Chairman)			
Mr. Matthew Fehre (Australian Director)			
Mr. Omar Aziz (New Zealand Director)			
The following transactions occurred with related parties:			
<i>Contribution from related parties</i>			
Government of Australia		1,674	1,000
Government of New Zealand		932	504
		<u>2,606</u>	<u>1,504</u>
<i>Distribution to related parties</i>			
Government of Tuvalu		-	7,403
Government of Australia		-	-
Government of New Zealand		-	-
		<u>-</u>	<u>7,403</u>
13. COMMITMENTS AND CONTINGENCIES			
Commitments and contingent liabilities amounted to nil (2022: nil).			
14. FINANCIAL INSTRUMENTS			
The Board approved to adopt the Strategic Asset Allocation (SAA) Implemented Consulting in accordance with the Fund's investment strategy. In November 2021, Mercer Investments Limited Australia was appointed as the new Implemented Consultant. The Trustee had determined that appointment of this Implemented Consultant was appropriate for the Fund and was in accordance with the Fund's investment strategy.			
The Trustee obtains regular reports from each investment manager and Implemented Consultant on the nature of the investments made on its behalf and the associated risks.			

TUVALU TRUST FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2023

15. FINANCIAL RISK MANAGEMENT OBJECTIVES

Principal financial liabilities comprise trade payables. The Fund has various financial assets and cash which arise directly from its operations.

The main risk arising from the Fund's financial statements are interest rate risk, credit risk, and liquidity risk.

Interest rate risk

Interest rates on financial assets and liabilities are fixed over the terms of the relevant contracts, thereby minimising the risk of mismatches in interest rates.

Credit risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Fund. The Fund has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from default, the Fund's exposure and the credit ratings of its counterparties are continuously monitored. Credit exposure is controlled by dealing with reputable managers and these are monitored by the Implemented Consultant and are reviewed and approved by management and the Board of Directors on a regular basis. The carrying amount of financial assets represents the maximum credit exposure.

Cash and cash equivalents

The Fund held cash at bank of \$209,000 (2022: \$188,000). Cash are held with banks which are rated AA- and B- based on Standard & Poor's ratings.

Financial assets held at fair value through profit and loss

The Fund held investment of \$202,998,000 (2022: \$183,240,000). Investment are held with fund managers which are rated A+ based on Standard & Poor's ratings.

Liquidity risk

The Fund manages liquidity risk by maintaining adequate funding and by continuously monitoring forecast and actual cash flows. However, liquidity risk is minimal as the Fund only has minimal trade payables which are all current.

16. TRUST DETAILS

The Tuvalu Trust Fund was incorporated under the International Organisations (Privileges and Immunities) Act 1964 which was enacted by the administrator of the Government of the Commonwealth of Australia on 16 June 1987.

Registered Office

Ministry of Finance
Headquarters Division
Vaiaku
Funafuti
Tuvalu

Number of employees – 2

TUVALU TRUST FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2023

17. SIGNIFICANT EVENTS DURING THE YEAR

Inflation remained high over the year and continued to affect the Fund's Investment returns. The Fund returned 9.5% in the 2023 Financial year which is -0.6% below its return benchmark of CPI+4.5%. Mercer Australia Sovereign Bond had the most significant negative impact on performance, while the overweight in International Equities Unhedged made the most substantial contribution to the performance of the Fund for financial year ended 30 September 2023.

18. SUBSEQUENT EVENTS

An additional contribution of AUD\$ 9,352,403 (NZD\$ 10,000,000) has been made to Tuvalu Trust Fund subsequent to 30 September 2023. This contribution is also part of the aid that is made available under the Tuvalu - New Zealand Aid Programme by the NZ Ministry of Foreign Affairs and Trade (MFAT).