SBM YIELD FUND

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 JUNE 2022

CONTENTS **PAGES**

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Investment Manager's Statement

Dear Unitholder,

The world continues to face unprecedented challenges amid the unresolved conflict between Russia and Ukraine. The financial year 2022 has been full of positive and negative events, some of which were within our scenarios.

The war in Ukraine was certainly not part of our outlook for 2022 and had serious implications on the pace of global monetary policy tightening by worsening the Covid-related supply-chain disruptions and inflation readings. The hawkishness of major central banks accentuated the international market sell-offs towards the end of the first quarter of 2022 and global equities were in bear territory by mid-June.

On a positive note, there were limited spill-overs on the domestic market which, for its part, recovered from the lows reached in April 2020. The acceleration of the vaccine roll-out, re-opening of frontiers, removal of the jurisdiction from the EU blacklist and improved earnings outlook contributed to a strong bull run of the SEMDEX since June 2021. The positive sentiment in the domestic equity market as well as the rise in yields created investment opportunities for our CIS funds.

To adapt to the changing economic landscape and swings in the business cycle, we have been actively reviewing our asset allocations. While our portfolios generally had a pro-cyclical bias in the first half of the financial year 2022, we shifted to a more defensive strategy and increased core positioning in order to manage tracking error risks during the second half.

Despite the challenging market conditions, we proved that our investment process and disciplined approach remained in your best interest through consistent relative performance. We remain focused on our funds' long-term objectives and believe that our investment approach can only reap long-term value for investors.

We would like to thank the management team and all the stakeholders for their contribution towards enhancing the value of our funds as well as the unitholders for their confidence in us.

SBM Mauritius Asset Managers Ltd

September 2022

Investment Manager's Report

Performance commentary

For the financial year ended 30 June 2022, SBM Yield Fund registered a return of 3.2% (after paying a total dividend of MUR 0.30 per unit) against a benchmark performance of -2.6%. The net assets decreased from MUR 216.9M to MUR 200.9M over FY22 while net asset value per unit (NAV) increased from MUR 11.67 to MUR 11.74.

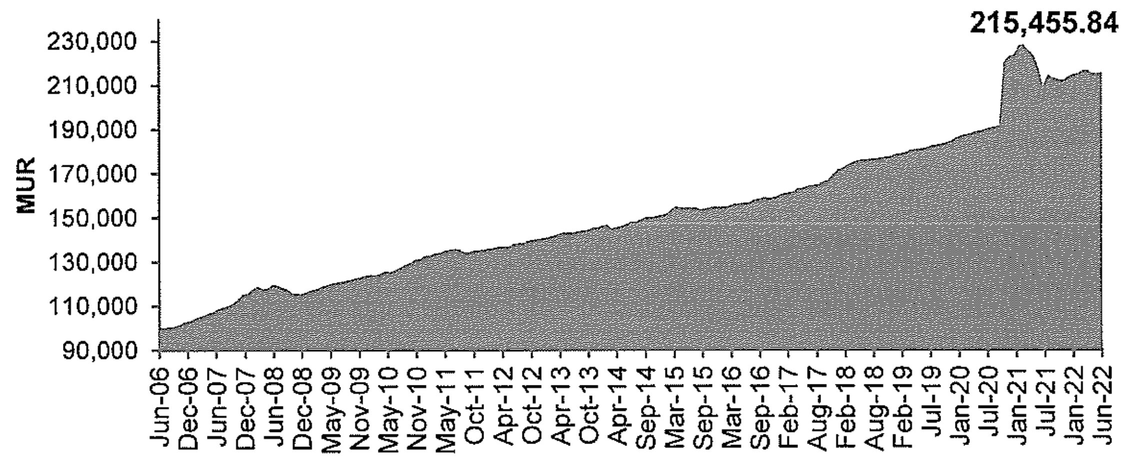
As an indication of the domestic bond market performance, the yield on the 3Y Government bonds increased from 2.54% to 2.73%. On the global front, the Bloomberg Barclays Global Aggregate Index fell from USD 540.81 to USD 458.34, registering a performance of -15.2% in USD terms, equivalent to -9.9% in MUR terms.

ANNUALISED RETURN

	1 YEAR	3 YEAR	5 YEAR	SINCE INCEPTION
SBM Yield Fund (%)	+3.2	+6.0	+5.6	+4.9
Benchmark (%)	-2.6	+3.4	+3.7	+5.2
	FY 22	**FY 21**	**FY 20**	**FY 19**
SBM Yield Fund (%)	+3.2	+10.2	+4.6	+2.9
Benchmark (%)	-2.6	+4.7	+8.5	+6.0

The benchmark is a composite of 60% 3Y GOM Bond and 40% Bloomberg Barclays Global Aggregate Bond index. The Bloomberg Barclays Global Aggregate Bond index is a measure of global investment grade debt from twenty-four local currency markets. Computation of benchmark return is based on the observations as at month-end and the blended performance of the benchmark reflects monthly rebalancing.

VALUE OF MUR 100,000 INVESTED SINCE INCEPTION



Past performance is not a reliable indicator of future performance and unit prices may fluctuate with prevailing market conditions and current performance may be higher or lower than the performance cited. For more information on the fund's objectives, risks, and strategy, please consult its Prospectus. Latest unit prices are available on the website: https://nbfc.sbmgroup.mu/mam/financial-products/funds-performance

The graph illustrates the performance of MUR 100,000 invested in the Fund at inception. The growth in the investment amount assumes that dividends, if any, are re-invested and does not include sales charge but takes into account the running expenses of the Fund as well as taxes and other deductions.

Positioning and strategy

SBM Yield Fund invests in global fixed income securities with a strategic allocation of 60% in domestic bonds and 40% in international fixed income instruments.

During the year, the Fund maintained an overweight in domestic fixed income while underweighting the foreign fixed income segment in order to mitigate the potential downside risk from falling bond prices amid an environment characterized by monetary policy tightening.

The overall exposure to domestic securities stood at 72.9% as at 30 June 22 against a central allocation of 60%. The decrease in domestic fixed income allocation reflects profit-booking on long-term Government of Mauritius securities during the last quarter of the financial year amid expectations of further rises in domestic yields. As a result, there was an increase in cash and cash equivalent from 5.5% to 17.8%.

The strategy has been to manage duration risk during the year and subject to the issuances of the Bank of Mauritius and evolution of excess liquidity, the Fund may review the duration target of the portfolio. It further expects to increase exposure to international bonds amid the uptrends in yields.

ASSET ALLOCATION (% net assets)

	30/06/21	30/06/22
Domestic fixed income............	84.7	72.9
International fixed income........	9.8	9.3
Domestic equities..................	0.0	0.0
Cash & cash equivalent..........	5.5	17.8

GEOGRAPHICAL ALLOCATION (% net assets)

	30/06/21	30/06/22
Mauritius...........................	60.0	60.0
North America.....................	14.4	17.1
Central Asia.......................	0.0	0.0
Europe..............................	13.6	11.4
Asia Pacific........................	10.6	10.3
Others..............................	1.3	0.4

SECTOR ALLOCATION (% net assets)

	Fund	Index
Government of Mauritius.........	39.5	60.0
Financial............................	22.5	5.5
Diversified.........................	7.8	0.0
Industrial...........................	3.0	0.6
Consumer Non-Cyclical...........	2.7	1.2
Property..............................	2.6	0.0
Consumer Cyclical................	1.3	0.5
Technology..........................	1.2	0.4
Communications....................	0.9	0.7
Utilities..............................	0.3	0.8
Energy...............................	0.2	0.6
Basic Materials....................	0.2	0.2
Not Classified......................	0.0	29.5

TOP 5 HOLDINGS (% net assets)

	30/06/21	30/06/22
Govt. of Mauritius Bond 25/01/28..	8.2	8.8
IBL Ltd Series 2 Notes 08/09/2.....	4.7	5.1
CIM Financial Services Ltd Notes 31/07/25...............................	4.2	4.7
iShares Core US Aggregate Bond ETF......................................	4.5	4.5
Fidelity US Dollar Bond "A" (USD) Acc......................................	-	3.9
TOTAL	**21.6**	**27.0**

TOP 5 CORPORATE HOLDINGS (% net assets)

	30/06/21	30/06/22
IBL Ltd Series 2 08/09/22...........	4.7	5.1
CIM Financial Services Ltd 31/07/25................................	4.2	4.7
Ciel 02/02/25...........................	2.4	2.6
Gamma Civic 18/06/31..............	2.3	2.5
Ascencia Ltd 29/12/30...............	2.3	2.5
TOTAL	**15.9**	**17.4**

Economic Review

Economy

The global economy grew by 6.1% in calendar year 2021, reflecting the strong recovery in economic activity following effective vaccine rollouts and supportive fiscal policies. Real GDP growth among developed nations is estimated at 5.2% with the US, Germany, France, Italy and Spain registering respective rates of 5.7%, 2.9%, 6.8%, 6.6% and 5.1%. Emerging and developing nations grew by 6.8%, led by China (8.1%), India (8.7%), Brazil (4.6%) and Russia (4.7%). Inflationary pressures continued to intensify in 2022 amid the Russia-Ukraine war with global inflation estimated at 4.7%. The Mauritian economy grew by 3.6% in 2021, after contracting by 14.6% in 2020 as per Statistics Mauritius. Recovery in the tourism sector, driven by the easing of travel restrictions and successful Covid-19 vaccination campaigns, strengthened consumer and business confidence with positive spillover effects on domestic sectors. The MUR weakened by 6.4% against the USD, year-on-year, standing at 45.37/USD in June 2022compared to 42.65/USD in June 2021.

REAL GDP GROWTH (IMF estimates, % YoY)

Group/ Country	Advanced	Euro Area	EM & Developing	Emerging Asia	Sub-Saharan Africa	United States	China	India	Mauritius
2021	5.2	5.4	6.8	7.3	4.6	5.7	8.1	8.7	3.9
2022(F)	2.5	2.6	3.6	4.6	3.8	2.3	3.3	7.4	6.1
2023(F)	1.4	1.2	3.9	5.0	4.0	1.0	4.6	6.1	5.6

The global economy faced several shocks in 2022 following higher-than-expected inflation, elevated commodity prices, negative impacts from the Russian invasion of Ukraine and the economic slowdown. In July, the International Monetary Fund (IMF) revised down its 2022 real GDP growth projection for the US to 2.3%, 1.4 percentage point lower than its projections in April 2022. The downward revision reflects the faster withdrawal of fiscal support, lingering supply-chain disruptions and adverse impact of lower growth on trading partners due to war-led disruptions. Reduced household purchasing power and expectations of a tighter monetary policy continue to weigh on US private consumption.

The Eurozone's growth projections for 2022 have been reviewed to 2.6% by the IMF, 0.2 percentage point lower than its April 2022 World Economic Outlook (WEO) projection. Rising global energy prices imply a negative terms-of-trade shock for most European countries given that they are net energy importers. Consumption and investment in the Eurozone are expected to further weaken due to high inflation and tighter financial conditions. Germany, France, Italy and Spain, are projected to grow by 1.2%, 2.3%, 3.0% and 4.0%, respectively.

Real GDP in developing and emerging economies is projected to grow at at a faster pace than in advanced economies with a forecast of 3.6% in 2022, against 3.8% in IMF's April 2022 forecast. India and China are estimated to grow by 7.4% and 3.3%, respectively. The strict zero-COVID strategy that led to repeated mobility restrictions and localised lockdowns significantly impacted economic activity in China. The slowdown in real estate investment and weaker external demand are expected to further weigh on the economy. Lower domestic demand and weaker net exports are considered as downside risks to the Indian economy. The economic momentum is likely to decrease as elevated inflationary pressures, rising interest rates and supply-chain disruptions offset the continued recovery of the consumer sector.

Economic Review (Cont'd)

Economy (Cont'd)

On the domestic economy, the IMF projects real GDP to grow by 6.1% in 2022 and 5.6% in 2023. The economic recovery is expected to be mainly led by the tourism sector with tourist arrivals likely to recover from its Covid-led slump to around 60% of pre-pandemic levels. External pressures, such as spikes in freight costs and surging prices of energy and commodities, are likely to weigh on the domestic economic activity. The Bank of Mauritius (BOM) raised the Key Repo Rate to 2.25% at its latest Monetary Policy Committee (MPC) held in June 2022 in an attempt to contain the rising inflationary pressures. This marks the second rate hike in 2022, bringing borrowing costs to the highest since March 2020.

According to the July 2022 WEO, inflation rates in developed economies and emerging market and developing economies are estimated to be at 6.6% and 9.5%, respectively, from the April 2022 projections of 5.7% and 8.7%. High inflation is expected to persist in some emerging markets and developing economies mainly on account of elevated food prices. Commodity and food prices are expected to remain high through 2022 before moderating in 2023. While the forecasts are highly uncertain amid the impacts of the war, statements from central banks regarding outlook for monetary policy, among others, remain key in shaping inflation expectations.

Financial markets review

Equity markets

During the first half of the financial year 2022 (FY22), equity markets rallied as major economies continued to recover from the effects of the COVID-19 pandemic, supported by ultra-loose monetary policy. However, pent-up demand and supply-chain constraints started fueling higher inflation readings. In the second half of FY22, lingering inflation concerns were exacerbated by Russia's invasion of Ukraine and China's zero-COVID policy. Global central banks turned increasingly hawkish against a backdrop of multi-decade high inflation readings in major economies. The Fed announced that it will accelerate the pace of quantitative tightening in Q3:2022 and it expects to hike interest rates into restrictive territory, i.e., above the neutral rate, to fight inflation. The US yield curve inverted twice during Q2:2022 over concerns about the economy's ability to weather the Fed's aggressive tightening. As a result, global equities entered bear market territory in June 2022, with the MSCI World index registering a return of -21.2% YTD. The sharp sell-off in equities has been largely driven by valuation compressions which can be mainly attributed to rising interest rates. Growth stocks have considerably underperformed value stocks during FY22 with the S&P 500 Value index posting a return of -3.6% whilst the S&P 500 Growth index registered -14.1%.

In contrast to its global peers, the Mauritian market ended FY22 on a strong run; the SEMDEX gained +14.0%, supported by improved earnings and the resumption of dividend payments by several companies. Investor sentiment and business confidence improved considerably on the back of the acceleration of the vaccine roll-out, re-opening of frontiers, removal of the jurisdiction from the EU blacklist and improved earnings outlook. The FY22 performance of the SEMDEX was mainly driven by financials, investments and leisure & hotels sectors.

EQUITY INDEX PERFORMANCE (% local currency)

Index	1M	3M	6M	YTD	1Y	3Y	5Y
S&P 500......................	-8.4	-16.4	-20.6	-20.6	-11.9	+28.7	+56.2
MSCI World..................	-8.8	-16.6	-21.2	-21.2	-15.6	+16.9	+32.9
MSCI World Small Cap....	-10.1	-17.6	-23.2	-23.2	-23.1	+8.5	+17.4
MSCI Europe................	-7.9	-10.2	-15.5	-15.5	-9.0	+5.3	+6.7
MSCI EM.....................	-7.1	-12.4	-18.8	-18.8	-27.2	-5.1	-1.0
MSCI AC Asia..............	-6.8	-12.4	-18.2	-18.2	-24.0	-1.3	+2.2
SEMDEX.....................	-2.8	-3.2	+1.4	+1.4	+14.0	-0.1	+0.2
DEMEX......................	-3.1	-5.5	-3.2	-3.2	+4.1	+29.6	+39.0

TOP INDEX LEADERS (% local currency)

Global equities	1Y	Domestic equities	1Y
UnitedHealth Group Inc.......	+24.0	MCB Group Limited.................	+12.6
Exxon Mobil Corp...............	+30.2	IBL Ltd................................	+9.5
Eli Lilly & Co......................	+37.8	Ciel Limited	+31.4
Pfizer Inc	+29.8	Lux Island Resorts Ltd............	+55.3
Abbvie Inc.........................	+32.5	ENL Limited	+30.1

Financial markets review (Cont'd)

Bond markets

The Barclays Global Aggregate Bond index registered a USD performance of -15.2% during FY22. During H2: FY22, the global bond market witnessed a record sell-off as inflation continued to surprise to the upside, fueling further hawkish shifts by major central banks. Emerging market debt underperformed considerably, mainly attributed to higher interest rates in the US and dollar strength. Conversely, inflation-protected Treasury securities outperformed amid higher inflation readings.

During H2:FY22, the US Federal Reserve (Fed) started monetary policy tightening and balance sheet normalization on the back of higher inflation expectations and strong labour market conditions. The Fed raised the target Fed Funds rate by a cumulative 150 bps to 1.50%-1.75%. It further ended quantitative easing by Q3:FY22 and the Federal Open Market Committee (FOMC) decided to begin reducing its holdings of U.S. Treasury securities, agency debt and agency Mortgage-Backed Securities (MBS) on 1 June 2022, with the monthly cap set at USD 47.5Bn. The 10-year US Treasury yield surged by 154 bps over FY22 to 3.01% in June 2022 as the policymakers signaled a faster and more front-loaded pace of hikes in an attempt to rein in inflation.

The European Central Bank (ECB) kept the interest rate unchanged on the main refinancing operations, the marginal lending facility and the deposit facility at 0.00%, 0.25% and -0.50%, respectively. Eurozone inflation surged by 6.7 percentage points, over the financial year, to a record high of 8.6% in June 2022, driven primarily by higher food and energy prices. The President of the ECB indicated a rate lift-off at the July meeting and based on the current outlook, the ECB is expected to exit negative interest rates by the end of Q3:2022. The Governing Council decided to end net asset purchases under its asset purchase programme (APP) as from 1 July 2022. European bond yields were generally on the uptrend primarily on account of the ECB's hawkish shift and higher inflation expectations. Over FY22, the yield on 10-year German bonds increased by 154 bps to 1.34%. The corresponding risk premium on Italian debt and Spanish debt surged by 245 bps and 201 bps to 3.26% and 2.42%, respectively.

On the domestic secondary bond market, yields on the 91D Treasury Bills decreased by 14 bps to 0.87% over FY22.Yields on 182D Treasury Bills and 364D Treasury Bills decreased by 15 bps and 23 bps to reach 1.07% and 1.25%, respectively. 3Y GOM Notes yield increased from 2.54% to 2.73% and 5Y GOM Bonds traded at 3.20% against 3.12% in June 2021. Long-term yields rose more aggressively with 10Y GOM Bond trading at 4.57% as at June 2022, equivalent to an increase of 22 bps. The yield on 15Y GOM bonds was also on the upward trend standing at 4.96% against a preceding reading of 4.76%. Conversely, the 20Y GOM Bond yields decreased by 1 bp to 5.13%.

Financial markets review (Cont'd)

Bond markets (Cont'd)

BOND INDEX PERFORMANCE (% local currency)

Index	1M	3M	6M	YTD	1Y	3Y	5Y
Barclays Global Aggregate Bond........	-3.2	-8.3	-13.9	-13.9	-15.2	-9.3	-2.7
Barclays US Aggregate Bond	-1.6	-4.7	-10.3	-10.3	-10.3	-2.8	+4.5
Barclays US Govt Inflation-Linked All Maturities Index	-3.3	-6.6	-9.7	-9.7	-5.7	+9.2	+17.1
Barclays High Yield bond	-7.5	-11.9	-16.9	-16.9	-17.8	-7.6	+0.7
JP Morgan EMU IG Bond	-1.8	-7.2	-12.0	-12.0	-12.4	-10.0	-2.5
JP Morgan EM Bond	-6.6	-12.1	-20.8	-20.8	-21.6	-14.9	-6.2
FTSE Asian Broad Bond.................	-2.5	-5.3	-11.6	-11.6	-13.3	-4.3	+4.9

USD except for JP Morgan EMU IG Bond

MARKET YIELDS (%)

Tenor	United States		Germany		India		China		Mauritius	
	Jun-22	Jun-21	Jun-22	Jun-21	Jun-22	Jun-21	Jun-22	Jun-21	Jun-22	Jun-21
91D	1.74	0.05	-0.51	-0.67	6.26	3.80	1.58	-	0.87	1.01
182D	2.23	0.04	-0.22	-0.65	6.27	3.89	1.75	2.06	1.07	1.22
364D	2.84	0.08	0.23	-0.66	6.45	4.19	1.91	2.31	1.25	1.48
3Y	3.04	0.45	0.86	-0.67	6.98	5.18	2.43	2.75	2.73	2.54
5Y	3.07	0.88	1.02	-0.59	7.24	5.87	2.63	2.92	3.20	3.12
10Y	3.00	1.47	1.36	-0.26	7.52	6.62	2.82	3.08	4.57	4.34
15Y	3.00	1.65	1.59	-0.01	7.63	6.88	-	-	4.96	4.76
20Y	3.45	1.96	1.61	0.06	7.67	7.00	3.14	3.31	5.13	5.14

Commodity markets

The S&P GSCI index registered a USD performance of +45.0% during FY22, with higher energy prices offsetting the price plunges in the other components of the index. Brent and WTI posted corresponding returns of +52.8% and +43.9% YoY, driven by strong demand conditions and supply constraints amid the ongoing war in Ukraine. Natural gas registered robust return of +48.5% primarily led by the concerns over Russian gas supplies to Europe and record low stock levels. Industrial metals were the worst performing segment of the commodity segment in FY22 with silver and copper posting returns of -22.4% and -13.5%, respectively. During Q4:FY22, rising risks of a global recession weighed on industrial metals. Regarding precious metals, gold ended the financial year with a return of 2.1% amid surging nominal yields and a more hawkish Fed.

COMMODITIES

	Jun-22	Jun-21	FY22 (% YoY)
WTI $/Bbl..	105.76	73.47	+43.9
Brent $/Bbl..	114.81	75.13	+52.8
Natural gas USD $/mmBtu............................	5.42	3.65	+48.5
Copper $/Oz..	371.45	429.65	-13.5
Silver Spot $/Oz	20.28	26.13	-22.4
Gold Spot $/Oz..	1,807.27	1,770.11	+2.1

Financial markets review (Cont'd)

Forex

The U.S. Dollar Index (DXY) surged by 13.2% over FY22 following expectations of tighter financial conditions amidst rising recession risks. As a result, the higher rates and safe haven flows continued to support higher levels in DXY.

The euro depreciated considerably against the US dollar following the Fed's relatively more aggressive hawkish stance and rising recession risks in the euro area which are being compounded by energy supply uncertainty. The pound sterling weakened significantly against the USD as the BoE is expected to tighten monetary policy less aggressively compared to the Fed given that the UK economy is likely to contract in Q2:2022 amid the cost of living crisis.

Among Asian markets, the Japanese Yen depreciated against the dollar mainly on account of the policy divergence of the Bank of Japan (BoJ). The BoJ reiterated its dovish stance by defending its target on 10-year yields under its Yield Curve Control policy. The Chinese Yuan (CNY) weakened against the USD in FY22 driven by the widening US-China 10-year yield differential following the People Bank of China's dovish stance. In addition, The Indian rupee depreciated against the US dollar amid the Fed's hawkish stance and rising commodity prices.

In Mauritius, the MUR depreciated by 6.4% YoY against the USD despite the single largest intervention of USD 200M in April 2022. The currency continues to be impacted by the uptrend in the US dollar, the deteriorating current account deficit and the financial account position.

FOREX

	Jun-22	Jun-21	FY22 (% YoY)
Dollar index..	104.69	92.44	+13.2
EUR-USD	1.05	1.19	-11.8
GBP-USD..	1.22	1.38	-11.6
USD-JPY	135.72	111.11	+22.1
USD-CNY	6.70	6.46	+3.7
USD-INR	78.80	74.33	+6.0
USD-MUR	45.37	42.65	+6.4

Market Outlook

The market environment remains highly uncertain amid elevated volatility following recession worries, more restrictive central bank policy and tightening financial conditions. Additional aggressive rate hikes with a view to taming inflation are likely to slow aggregate demand and raise recession risks. At the July 2022 Federal Open Market Committee (FOMC) meeting, the Fed raised the target Fed Funds rate by 75 basis points to 2.25%-2.50%, citing high inflation as its primary concern. The dot plot shows that the median voting member at the Fed now expects the Fed Funds rate to rise to 3.4% in 2022 compared with 1.9% at its March 2022 meeting. The Fed is expected to fasten the pace of quantitative tightening in Q3:2022 with the monthly cap increasing from USD 47.5Bn in July to USD 90Bn in September.

As the market shifts from concern over the Fed's terminal rate to worries about the strength of the economy, the path for earnings is expected to continue taking the center stage for equity investors. Signs of a slowdown in earnings growth dynamic are accumulating in certain segments. Consumer spending is softening, business sentiment has weakened and credit-market stress indicators have surged. Whilst markets have priced in higher interest rates, analysts are not yet fully appreciating a potential slowdown in corporate earnings in certain markets. With most of the decline in equities YTD stemming from valuation compression, the key risks are downward earnings revisions and higher 10-year US Treasury yield from quantitative tightening.

Domestically, the path of recovery in domestic economic activity in 2022 is expected to continue, driven principally by the tourism sector. Statistics Mauritius projects overall GDP growth to increase by 0.6 percentage point for every additional 100,000 tourists. Authorities target at least 1 million tourist arrivals for CY22 and around 1.4 million tourists for FY23. While most sectors have reached pre-pandemic levels and the tourism sector recovering, inflation pressures have significantly increased on account of the depreciation of the MUR and supply-side factors including rising imported food and fuel prices, persistent supply-chain issues and surging freight costs. Fiscal and monetary measures by policymakers remain critical in limiting further increases in public debt and inflationary pressures.

At its latest Monetary Policy Committee (MPC) held in June 2022, the Bank of Mauritius (BoM) decided to tighten monetary policy. Accordingly, the MPC unanimously voted to increase the Key Repo Rate by 25 basis points to 2.25% per annum. The BoM has decided to increase the Cash Reserves Requirement (CRR) on Rupee deposits from 8% to 9% effective 1 July 2022, as part of the unwinding of its COVID-19 support measures. This measure is estimated to reduce the level of excess liquidity by around MUR 5 billion. The BoM expects the global growth downgrade by the IMF and above-target inflation for many central banks to weigh on the domestic economic outlook. The central bank projects growth for 2022 to stand between 7% and 8%, depending mainly on the tourist arrivals target and renewed export sector dynamism. It revised its forecast of headline inflation to around 8.6% in 2022 from its previous projection of 6.7% in March.

The Trustee and Manager of SBM Yield Fund ("the Fund") are pleased to submit their Corporate Governance Report for the year ended 30 June 2022, inclusive of other statutory disclosures.

INTRODUCTION

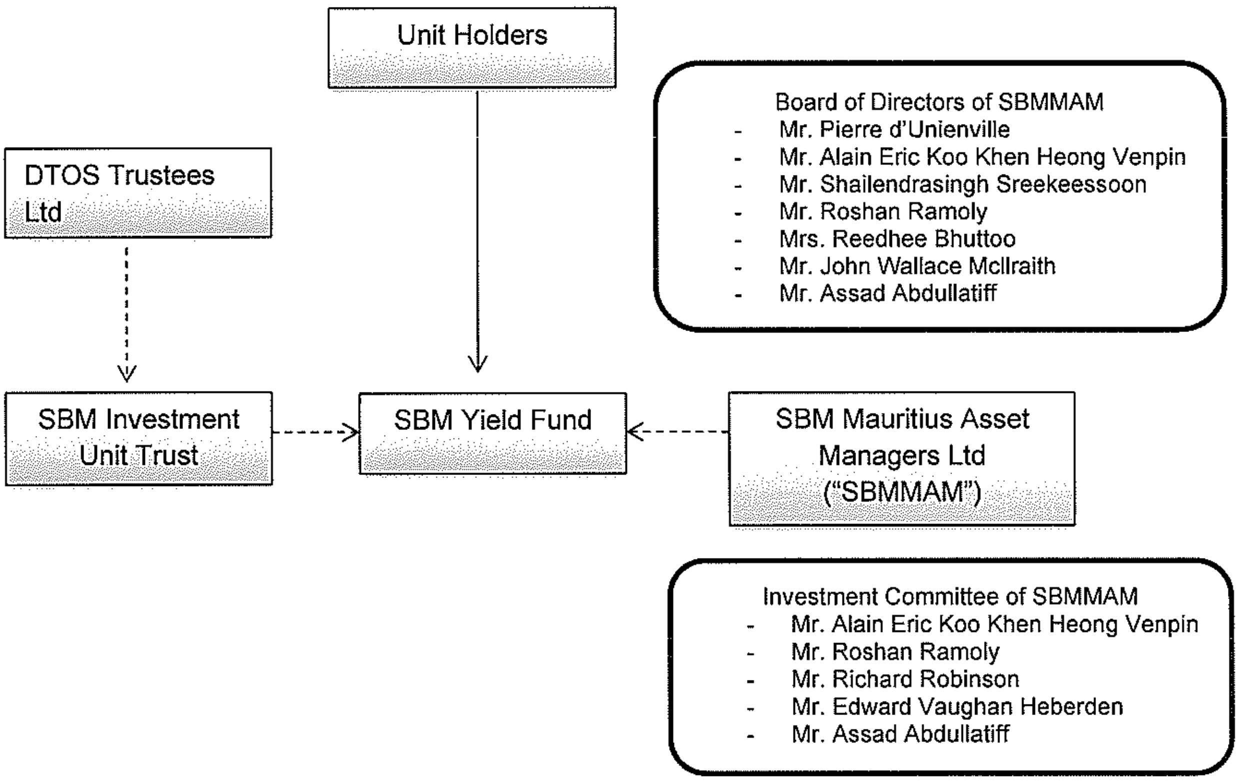
SBM Yield Fund was authorised by the Financial Services Commission under the Unit Trust Act, 1989 as amended, and established as a Unit Trust by a Trust Deed of the SBM Investment Unit Trust dated 5 June 2006 between SBM Mauritius Asset Managers Ltd (The Manager) and DTOS Trustees Ltd (The Trustee) and subsequently governed by the Supplemental Deeds No. 1 dated 30 November 2012 and No. 3 dated 14 November 2013. It is an open-ended Collective Investment Scheme established under Section 3 of the Unit Trust Act, 1989, authorised and regulated under the Trust Act, 2001, Securities Act, 2005 and the Securities (Collective Investment Schemes and Closed-end Funds) Regulation, 2008 by the Financial Services Commission.

The Fund's objective is to offer a portfolio of investment to individual and corporate investors that aims to achieve the maximum return comparable to that of a standard fixed income portfolio whilst providing regular income.

The Fund is a public interest entity as defined under the Financial Reporting Act 2004.

SBM Yield Fund's corporate governance framework includes its Trustee, Investment Committee, the Manager, the board of the Manager, Unitholders, and other stakeholders.

The organisation's structure is as follows:



INTRODUCTION (CONTINUED)

The Trustee, the Manager and the board of the Manager are fully committed to achieving and sustaining the highest standards of corporate governance with the aim of maximising long-term value creation for the Unitholders of the Fund and all the stakeholders at large. Much emphasis is on the conduct of business practices that display characteristics of good corporate governance namely discipline, transparency, independence, integrity, accountability, social responsibility, professionalism, and fairness.

In addition, the Trustee, the Manager, and the board of the Manager of the Fund continuously review the implications of corporate governance principles and practices in light of their experience, regulatory requirements and investor expectations. They hereby confirm that the Fund, as set out in this report, has strived to comply in all material aspects with the following legal and regulatory framework:

- Trust deed and subsequent Supplemental Deeds;
- Terms of reference of the Trustee and sub-committee;
- The National Code of Corporate Governance for Mauritius 2016 (the "Code");
- The Trust Act, 2001;
- The Securities Act, 2005; and
- The Securities (Collective Investment Schemes and Closed-end Funds) Regulations, 2008.

The main roles as described under Principle 2, 3 and 4 of the Code of Corporate Governance are fulfilled by the Board of the Manager.

The Board of the Manager has attempted to create the right balance and composition to better meet the objectives of the organisation. The Board is unitary and comprises of seven Directors, of which two are Independent, three are non-Executive and two are Executive Directors. The Independent Directors do not have any relationship with the majority Shareholders, therefore a sufficient number of directors do not have any relationship with the organisation. The Board is led by Mr. Pierre Marrier d'Unienville, and all Board members currently reside in Mauritius.

There exists a transparent procedure in place regarding the appointment of prospective Directors which is made in accordance with the skills, knowledge and expertise required on the Board. The re-election of Directors is made on an annual basis at the Annual Meeting of Shareholders. New Board members are provided with an induction pack to provide them with sufficient knowledge and understanding of the Fund's business.

All Board members are fully apprised of their fiduciary duties as laid out in the Companies Act 2001. The independent directors are remunerated for their knowledge, experience and insight provided to the Board. Directors' fees are paid by the Manager and have been disclosed in its accounts.

TRUST DEED AND SUPPLEMENTAL DEEDS

The Trust Deed and subsequent Supplemental Deeds of the Fund comply with the provisions of the Trust Act, 2001, The Securities Act, 2005 and The Securities (Collective Investment Schemes and Closed-end Funds) Regulations, 2008. The Deed is available upon written request to the Manager at the Registered Office of the Fund.

Salient features of the documents are:

No Unitholder shall be entitled to:

- require the transfer to him of any of the assets comprised in the Fund;

TRUST DEED AND SUPPLEMENTAL DEEDS (CONTINUED)

- interfere with or question the exercise or non-exercise by the Trustee or the Manager of the rights and powers of the Trustee and the Manager in their dealings with the Fund or its assets or any part thereof;
- attend meetings whether as Unitholders or otherwise, or to vote or to take part in or consent to any action concerning any property of any entity in which the Fund holds an interest;

A Unitholder is entitled to any distribution as approved and declared by the Manager as per provisions of the Trust Deed.

THE TRUSTEE AND THE MANAGER

Corporate Profile of the Trustee – DTOS Trustees Ltd

DTOS Trustees Ltd is a private company incorporated in Mauritius on 23rd May 2003. DTOS Trustees Ltd is a wholly owned subsidiary of DTOS Ltd and is duly licensed by the Financial Services Commission to act as a qualified trustee. It offers a complete and comprehensive range of trust services including trust formation / migration, corporate trusteeship, advice on tax, regulatory and statutory matters, accounting, administration, and tax filings, where required.

Role of the Trustee

The Trustee has been appointed in order to ensure that the affairs of the Fund are being managed and administered for the benefit of the Unitholders and to their best interests along the following principles:

- **International best standards and regulatory compliance**

Overseeing the conduct of the Fund's business and monitoring whether the business is being properly managed at all levels according to international best standards and in accordance to provisions of its regulatory regime;

- **Accounts and risk management**

Reviewing and, where appropriate, approving risk policy, financial statements, annual budgets, business plans and internal reports.

- **Supervision of fund intermediaries**

Supervising the fund intermediaries in their delivery of services to the Fund and ensure that such delivery is done diligently and creates most value for the Unitholders of the Fund.

Corporate Profile of the Manager – SBM MAM

SBM Mauritius Asset Managers Ltd ("SBM MAM") is licensed and regulated by the Financial Services Commission of Mauritius and holds a CIS Manager license. It is 100% owned by SBM Capital Markets Ltd. SBM MAM offers investment management services across a number of asset classes including equities, fixed income, private and alternative investments.

Role of the Manager and its obligations

The Manager is appointed by the Trustee and under the supervision of the Trustee, manages and administers the Fund for the benefit of the Unitholders of the Fund in accordance with the Trust Deed and Prospectus of the Fund.

THE TRUSTEE AND THE MANAGER (CONTINUED)

Role of the Manager and its obligations (Continued)

Its obligations cover but are not restricted to the following:

- **Conduct of Business**

It shall conduct its business in a proper and efficient manner to ensure that any undertaking in the affairs of the Fund is carried out in a proper, ethical, and efficient manner.

- **Supervision of assets**

The Manager shall manage and supervise all assets of the Fund to the best interest of the Unitholders.

- **Trade in units of the Fund**

It shall sell and issue units of the Fund in accordance to the provisions of the Trust Deed and Prospectus and in so doing shall ensure that the interests of unit-holders are protected at all times.

THE INVESTMENT COMMITTEE

The Trust Deed provides for the establishment of an Investment Committee composed of at least 3 persons and not more than 6 persons. The main purpose of the committee is to issue guidelines and advise the Manager on investments.

Currently, the committee is composed of 5 members and meets on a quarterly basis. It reviews the performance of the Fund, ensures that the investment strategy complies with the provisions of the Trust Deed and Prospectus.

Managing Conflict of Interest and Related Party Transactions

The Fund adheres to the Group Conflict of Interest and Related Party Transactions policy to assist the Board of the Trustee and Manager in identifying and disclosing actual and potential conflicts and help ensure the avoidance of conflicts of interest, where necessary.

For the related party transaction, please refer to Note 13 to the Financial Statements.

Information, information technology and information security policy

The Trustee and Manager confirm that information, information technology and information security policy exist within the Group.

RISK GOVERNANCE AND INTERNAL CONTROL

RISK MANAGEMENT

The Manager is responsible for the risk management practice and procedures in place within the operating structure of the Fund for risk management. The Manager also defines the overall strategy for risk tolerance and is responsible for the design, implementation and review of a risk management framework, processes and day-to-day management of risk as performed by the intermediaries and service providers of the Fund. Part of the responsibility to monitor the framework and processes has been delegated to the Investment Committee which conducts reviews on a quarterly basis.

The Fund's policy on risk management encompasses all business risks including operational, technology, business continuity, financial, compliance and reputational risks which could influence the achievement of the Fund's objectives. In context, a due diligence exercise is undertaken in collaboration with nominated

RISK GOVERNANCE AND INTERNAL CONTROL (CONTINUED)

intermediaries to ensure that they have the capability to commit on the implementation of appropriate customised procedures and controls for the purpose of the Fund.

The risk management mechanisms in place include:

- A system for the ongoing identification and assessment of risk;
- Development of strategies in respect of risk and definition of acceptable and non-acceptable levels of risk;
- The communication of risk management policies across the multiple parties and functionaries involved in the processes;
- The implementation of a documented system of processes with appropriate controls and approval mechanism that closely align the control effort to the nature and importance of the risk;
- Processes to reduce or mitigate identified risks and contain them within the levels of tolerance defined and agreed by the Board of the Manager;
- Compliance reports are prepared and presented to the board of the Manager on a quarterly basis; and
- Internal audit functions exist at the level of the Manager and Fund Administrator whereby the processes pertaining to the affairs of the Fund are scrutinised and undergo audit reviews. Quarterly reports are prepared and presented to the boards of the Manager and Fund Administrator.

Risk exposure of the Fund falls within the following areas or risk:

Operational risks
Operational risk is defined as risk of direct or indirect loss resulting from inadequate or failed internal process, people, and systems or from external events. Assets of the Fund are properly safeguarded, and reporting infrastructures are adequate and effective for timely and accurate data collection.

Compliance risks
Compliance risk is defined as risk of loss from failure to comply with regulations governing the conduct of an organisation's business. It is a composite risk made up of risk of legal or regulatory sanctions, financial loss, or loss of reputation.

Technology risks
Technology risks include hardware and software failures, system development and infrastructure issues. To varying degrees, the Fund is reliant upon certain technologies and systems for the smooth and efficient running of its operations. Disruption to these technologies could adversely affect its efficiency.

Business continuity risks
This relates to losses from failed transaction processing and process management.

Reputational risks
This relates to losses due to unintentional or negligent failure to meet a professional obligation to specific clients or from the nature or design of a product.

Financial risks
The primary sources of financial risks faced by the Fund are risks inherent to its investment activities. Investment values and returns are dependent on the performance of financial markets and may adversely affect the Fund's financial results. The financial risks faced by the Fund and management of these risks are further discussed in the notes to the financial statements.

RISK GOVERNANCE AND INTERNAL CONTROL (CONTINUED)

INTERNAL CONTROL

The Manager and the board of the Manager acknowledge their responsibility for internal control and work closely together and with the Fund Administrator to put in place a system of internal controls which is designed to provide the Trustee with reasonable assurance that the assets are safeguarded; that operations are carried out effectively and efficiently; that the financial controls are reliable and in compliance with applicable laws and regulations and that material frauds and other irregularities are either prevented or detected within a reasonable time.

The Manager and Fund Administrator prepare compliance and risk monitoring reports that are submitted to the Investment Committee and Board of the Manager on a quarterly basis for their review, following which recommendations are made to the Manager on an on-going basis. Preventive and corrective actions are then duly implemented to address internal control deficiencies and opportunities for improving the systems.

WHISTLEBLOWING POLICY

In order to enhance good governance and transparency, the SBM Group has a Whistleblowing policy. The main aims of the policy are to provide an avenue for raising concerns related to fraud, corruption, and any other misconduct. The policy addresses the following:

- Protection of and Remedies for Whistle blowers and Complainants;
- Channels and Procedures;
- Hotline, Email and PO Box facilities

REPORTING WITH INTEGRITY

The Manager is required to ensure that adequate accounting records are maintained so as to disclose at any time, and with reasonable adequacy, the financial position of the Fund. The Manager is also responsible for taking reasonable steps to safeguard the assets of the Fund to prevent and detect fraud and other irregularities.

The Manager must present financial statements for each financial year, which give a true and fair view of the affairs of the Fund, and the results for that period. In preparing such financial statements, the Manager is required to:

- select suitable accounting policies and apply them on a consistent basis using reasonable and prudent judgment
- state whether or not the Trust Act, 1989, the Trust Act, 2001 and International Financial Reporting Standards (IFRS) have been adhered to and explain material departures thereto
- use the going concern basis unless it is inappropriate.

The Manager acknowledges its responsibility for ensuring the preparation of the financial statements in accordance with IFRS and the responsibility of external auditors to report on these financial statements. The Manager is responsible for ensuring the maintenance of adequate accounting records and an effective system of internal controls and risk management and the selection of appropriate accounting policies.

Nothing has come to the Manager's attention, to indicate any material breakdown in the functioning of the internal controls and systems during the period under review, which could have a material impact on the business. The financial statements are prepared from the accounting records on the basis of consistent

REPORTING WITH INTEGRITY (CONTINUED)

use of appropriate accounting records supported by reasonable and prudent judgments and estimates that fairly present the state of affairs of the Fund.

The financial statements have been prepared on a going concern basis and there is no reason to believe that the Fund will not continue as a going concern in the next financial year.

The Manager confirms that in preparing the financial statements, it has:

- selected suitable accounting policies and applied them consistently
- made judgments and estimates that are reasonable and prudent
- followed the International Financial Reporting Standards
- prepared the financial statements on the going concern basis
- adhered to the Code of Corporate Governance in all material aspects and reasons have been provided for non-compliance.

The Manager is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund and to enable them to ensure that the financial statements comply with the Trust Act 1989, the Trust Act 2001, the Securities Act 2005, the Securities (Collective Investment Schemes and Closed-end Funds) Regulations 2008 and have been prepared in accordance with the International Financial Reporting Standards. The Manager is also responsible for safeguarding the assets of the Fund and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Annual report is published in full on the website of the Manager of the Fund.

AUDIT

Internal Audit

The Non-Banking Financial cluster ('NBFC') of the SBM Group has its own permanent Internal Audit function reporting to the Risk Committee of SBM (NBFC) Holdings Ltd, the holding Company of NBFC. The internal audit team comprises of three fully qualified accountants. The internal auditors provide assurance about the effectiveness of the risk management and control processes in place and they maintain their independence by reporting to the Risk Committee. The Head of Internal Audit has regular access to the Trustee and Manager and the chairperson of the Risk Committee. There were no restrictions on access by the internal auditors to records or members of the management team. It is to be noted that SBM Mauritius Asset Managers Ltd and SBM Fund Services Ltd were part of the internal audit review for the year 2022 and the following areas have been covered: Funds administration, Funds valuation, Funds management and Funds registry.

The Audit and Risk Committees of NBFC are chaired by a Chartered Accountant and the Committee comprises of independent members with more than 30 years' experience in the Financial Services industry. The Risk Committees reviews and approves Internal Audit's plan and resources and evaluates the effectiveness of the function. The Audit and Risk Committees ensure that a consistent risk-based audit methodology is applied. The audit reports are thereafter tabled at the Committee and the findings and methodologies are reviewed and discussed by the Risk Committee.

As the third line of defense, the role of internal audit is to provide independent, objective assurance services designed to add value and improve NBFC entities' operations. Audits are carried out to review the adequacy and effectiveness of the group's system of internal controls, as per the Board approved risk-based audit plan. In conducting reviews, the Internal Auditors are alert to indicators of fraud and opportunities that could allow fraud, such as control weaknesses. In doing so, the Internal Auditors obtain

AUDIT (CONTINUED)

reasonable assurance that business objectives for the process under review are being achieved and material control deficiencies are detected.

Upon completion of each review, a formal report detailing the audit findings and the appropriate recommendations are issued to the chairperson of Risk Committee and the Chief Executive Officer. Any deviation in policies and non-performance of internal controls are duly reported and discussed at Risk Committee level. Corrective actions are promptly taken and regular follow ups as well as reporting performed by Internal Audit until complete resolution.

External Audit
Deloitte was re-appointed as statutory auditors of the Fund for the financial year ended 30 June 2022. The Trustee and Manager assess and review on a regular basis the independence of the external auditor.

The fees paid to the external auditors for audit services were **MUR 128,000** (2021: MUR 126,500). No non-audit services have been provided during the year under review.

RELATIONS WITH SHAREHOLDERS AND OTHER KEY STAKEHOLDERS
SHAREHOLDING

Holding Structure – 30 June 2022
As at 30 June 2022, the Fund had issued **17,110,193.33** units for a total fund size of MUR 200,872,852. The NAV per unit of the Fund as at 30 June 2022 was MUR 11.74.

The NAV per unit for the past five years are as follows:

Year	NAV per unit
June 2018	10.87
June 2019	10.86
June 2020	11.10
June 2021	11.67
June 2022	11.74

Analysis of ownership
The Fund had 454 Unitholders as at 30 June 2022. A breakdown of the category of Unitholders and the unit ownership as at 30 June 2022 are set out below:

Market Value	No of Clients	No of Units	% Holding
0-59,999	161	308,012.50	1.8002%
60,000 - 99,999	30	213,044.46	1.2451%
100,000 - 124,999	34	328,131.18	1.9178%
125,000 - 199,999	112	1,414,822.33	8.2689%
200,000 - 499,999	46	1,154,697.72	6.7486%
500,000 - 999,999	31	1,742,939.09	10.1866%
1M - 1,499,999	20	1,972,183.00	11.5264%
1.5M - 1,999,999	4	592,728.65	3.4642%
2M - 2,999,999	10	2,037,503.81	11.9081%
3M - 5,999,999	3	816,525.15	4.7722%
6M - 10M	1	553,589.59	3.2354%
10M-20 M	1	1,388,833.14	8.1170%
ABOVE 20 M	1	4,587,182.72	26.8096%
TOTAL	454	17,110,193.33	100.00%

RELATIONS WITH SHAREHOLDERS AND OTHER KEY STAKEHOLDERS (CONTINUED)

Unit-holders' Relations and Communication

Unitholders are strongly encouraged to visit the website of the Manager to remain updated on the Fund's initiatives/projects, goals, and prices.

Unit-holders' Agreement

To the best knowledge of the Manager and Trustee, there has been no such agreement with any of its Unitholders for the year under review.

Unit-holders' Calendar

The Fund has planned the following forthcoming events:

Reporting date	30 June 2022
Publication of year end results	Within 90 days from end of 30 June 2022
Declaration of dividend	Within 3 months from end of 30 June 2022

Dividend Policy

The objective of the Fund is to pay out all income available for distribution on a quarterly basis. In that respect, income excludes capital gains, both realised and unrealised. While fixing the dividend rate, the Trustee and Manager also take into account other considerations that might affect the economic interests and proper long-term running of the Fund.
For financial year 30 June 2022, it was agreed to payout an amount of MUR 5,408,813 (2021: MUR 9,845,138) as dividend.

OTHER STATUTORY DISCLOSURES
SIGNIFICANT CONTRACTS

The following agreements have been approved by the Trustee and Manager and are still effective as at end of the financial year 2021-2022:

- Custody Agreement with the SBM Bank (Mauritius) Limited.
- Administration Agreement with SBM Fund Services Ltd.
- Fund Management Agreement with SBM Mauritius Asset Managers Ltd.

Employee Share Option Scheme

The Fund has no share option plans.

Directors and Officers Liability Insurance

The Fund has subscribed to a Directors and Officers Liability Insurance policy in respect of legal actions or liability which may arise against its Trustee, Manager, and officers. The cover does not provide insurance against fraudulent, malicious, or wilful acts or omissions.

Ethics and Business Conduct

Under regulatory supervision of the Financial Services Commission, all officers and agents of the Fund are expected to maintain a high level of ethics in their behaviour and business transactions. The transactions of the Fund are carried out as per its Manager's and Fund Administrator's Code of Business Conduct and Ethics, applicable to all direct and indirect employees who deal with the matters of the Fund.

The Fund is involved in the provision of services and its operations do not materially impact on the environment. Investing strategies include investment in sound, ethical and environmental friendly entities.

....
On behalf of the Trustee
Date: 23 SEP 2022

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....
On behalf of the Manager

Trustee's and Manager's Responsibilities in respect of the Financial Statements

The Trustee and Manager are required to ensure that adequate accounting records are maintained so as to disclose at any time, and with reasonable adequacy, the financial position of the Fund. They are also responsible for taking reasonable steps to safeguard the assets of the Fund to prevent and detect fraud and other irregularities.

They must present financial statements for each financial year, which give a true and fair view of the affairs of the Fund, and the results for that period. In preparing such financial statements, they are required to:

- select suitable accounting policies and apply them on a consistent basis using reasonable and prudent judgment
- state whether or not the Trust Act, 1989, the Trust Act, 2001 and International Financial Reporting Standards (IFRS) have been adhered to and explain material departures thereto
- use the going concern basis unless it is inappropriate.

The Manager acknowledges its responsibility for ensuring the preparation of the financial statements in accordance with IFRS and the responsibility of external auditors to report on these financial statements. The Manager is responsible for ensuring the maintenance of adequate accounting records and an effective system of internal controls risk management and the selection of appropriate accounting policies.

Nothing has come to the Trustee's and Manager's attention, to indicate any material breakdown in the functioning of the internal controls and systems during the period under review, which could have a material impact on the business. The financial statements are prepared from the accounting records on the basis of consistent use of appropriate accounting records supported by reasonable and prudent judgments and estimates that fairly present the state of affairs of the Fund.

The financial statements have been prepared on a going concern basis and there is no reason to believe that the Fund will not continue as a going concern in the next financial year.

The Trustee and Manager confirm that in preparing the financial statements, they have:

- selected suitable accounting policies and applied them consistently
- made judgments and estimates that are reasonable and prudent
- followed the International Financial Reporting Standards
- prepared the financial statements on the going concern basis
- adhered to the Code of Corporate Governance in all material aspects and reasons have been provided for non-compliance.

The Trustee and Manager are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund and to enable them to ensure that the financial statements comply with the Trust Act, 1989, the Trust Act, 2001, the Securities Act, 2005, the Securities (Collective Investment Schemes and Closed-end Funds) Regulations, 2008 and have been prepared in accordance with International Financial Reporting Standards. They are also responsible for safeguarding the assets of the Fund and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the Trustee and Manager

Mr. ……………………………… Mr……………………………………
On behalf of the Trustee On behalf of the Manager
Date: 23 SEP 2022

BCS TRUSTEES LTD The Common Seal of

STATEMENT OF COMPLIANCE

(Section 75 (3) of the Financial Reporting Act)

Name of PIE: SBM Yield Fund

Reporting Period: Year ended 30 June 2022

We, the Trustee and Manager of the SBM Yield Fund (the "Fund") confirm that to the best of our knowledge, the Fund has complied with most of its obligation and requirements under the National Code of Corporate Governance for Mauritius (2016) except for Principle 2, 3 and 4 of the Code of Corporate Governance.

The reason for non-compliance is that the Fund is set-up as a Trust and not a company. In this context, it has no board of directors, no board committees, and no company secretary.

However, the main roles as described under Principle 2, 3 and 4 of the Code of Corporate Governance are fulfilled by the Board of the Manager, SBM Mauritius Asset Managers Ltd, as described above.

On behalf of the Trustee and Manager

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....
On behalf of the Trustee

....
On behalf of the Manager

Date: 23 SEP 2022

Deloitte.

7th-8th floor, Standard Chartered Tower
19-21 Bank Street
Cybercity
Ebène 72201
Mauritius

Independent auditor's report to the Members of SBM Yield Fund

Report on the audit of the financial statements

Opinion

We have audited the financial statements of **SBM Yield Fund** (the "Fund") set out on pages 6 to 37, which comprise the statement of financial position as at 30 June 2022, and the statement of profit or loss and other comprehensive income, statement of changes in net assets 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 June 2022, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and comply with the requirements of the Mauritius Companies Act 2001 and the Financial Reporting Act 2004.

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 Audit of the Financial Statements* section of our report. We are independent of the Fund in accordance with the International Ethics Standard Board for International Accountants' *Code of Ethics for Professional Accountants (including International Independence Standards)* (the "IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The Trustee and the Manager are responsible for the other information. The other information comprises the Corporate Information the Manager's Report and the Corporate Governance Report, 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 trustee and manager for the Financial Statements

The trustee and the manager are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and in compliance with the requirements of the Mauritius Companies Act 2001 and the Financial Reporting Act 2004 and they are also responsible for such internal control as the trustee and manager 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 trustee and the manager 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 trustee and manager either intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

The trustee and the manager 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 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.

Deloitte.

7th-8th floor, Standard Chartered Tower
19-21 Bank Street
Cybercity
Ebène 72201
Mauritius

Independent auditor's report to the Members of SBM Yield Fund (Cont'd)

Auditor's responsibilities for the audit of the financial statements (cont'd)

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism 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 management.
- Conclude on the appropriateness of the trustee and the manager' 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 those charged with governance 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.

Report on other legal and regulatory requirements

Mauritius Companies Act 2001

In accordance with the requirements of the Mauritius Companies Act 2001, we report as follows:

- we have no relationship with, or interest in, the Fund other than in our capacity as auditor and tax advisor;
- we have obtained all information and explanations that we have required; and
- in our opinion, proper accounting records have been kept by the Fund as far as appears from our examination of those records.

Financial Reporting Act 2004

Our responsibility under the Financial Reporting Act 2004 is to report on the compliance with the Code of Corporate Governance disclosed in the annual report and assess the explanations given for non-compliance with any requirement of the Code. From our assessment of the disclosures made on corporate governance in the annual report, the Public Interest Entity has, pursuant to section 75 of the Financial Reporting Act 2004, complied with the requirements of the Code.

Use of this report

This report is made solely to the Fund's members, as a body, in accordance with section 205 of the Mauritius Companies Act 2001. Our audit work has been undertaken so that we might state to the Fund's members 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.

Deloitte

Deloitte

Chartered Accountants

23 September 2022

R. Srinivasa Sa.

R. Srinivasa Sankar, FCA

Licensed by FRC

	Notes	2022 MUR	2021 MUR
ASSETS			
Cash and cash equivalents		**36,606,766**	12,710,239
Other receivables	6	**24,741**	34,397
Financial assets at fair value through other comprehensive income	7(a)	**72,125,448**	60,631,922
Financial assets at fair value through profit or loss	7(b)	**61,707,597**	113,346,460
Financial assets at amortised cost	8	**31,209,417**	31,020,229
TOTAL ASSETS		**201,673,969**	217,743,247
LIABILITIES			
Other payables	11	**653,292**	580,447
Income tax liability	12(a)	**147,825**	293,605
TOTAL LIABILITIES		**801,117**	874,052
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			
Redeemable units	5(a)	**179,197,482**	196,518,396
Retained earnings		**1,622,740**	1,228,124
Fair value reserve		**6,197,032**	7,631,856
Other reserve		**13,855,598**	11,490,819
		200,872,852	216,869,195
TOTAL EQUITY AND LIABILITIES		**201,673,969**	217,743,247

Approved by the Trustee and the Manager and authorised for issue on 23 SEP 2022

G. Teegarden

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The Common Seal of

Signed on behalf of the Trustee: Ubeenauy

Signed on behalf of the Manager:

The notes on pages 10 to 37 form part of these financial statements.

	Notes	2022	2021
		MUR	MUR
INCOME			
Dividend income	15 (a)	**252,886**	250,101
Interest income at EIR	15 (b)	**3,710,080**	2,483,822
Interest income on financial assets at FVTPL	15 (b)	**4,777,494**	5,932,364
Net gain on financial assets held at FVTPL	7 (b)	**2,263,721**	11,225,274
Foreign exchange gain		**101,058**	34,672
		11,105,239	19,926,233
FUND EXPENSES			
Manager's fees	16	**1,803,056**	1,820,439
Registry fees	18	**212,124**	214,170
Administrator's fees	19	**318,186**	321,254
Trustee's fees	17	**206,751**	224,251
Custodian fees	21	**126,295**	128,237
Auditor's fees		**128,000**	119,375
Legal & professional fees		**76,455**	63,001
Sundry expenses		**139,485**	67,658
Expected credit losses - reversal	9	**(230,223)**	(8,103)
		2,780,129	2,950,282
PROFIT BEFORE TAXATION		**8,325,110**	16,975,951
Tax expense	12(b)	**(156,902)**	(379,687)
PROFIT FOR THE YEAR		**8,168,208**	16,596,264
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified subsequently to profit or loss			
Net (loss)/gain on financial assets held at FVOCI	7 (a)	**(1,434,824)**	1,892,026
Increase in net assets attributable to holders of redeemable participating shares		**6,733,384**	18,488,290

The notes on pages 10 to 37 form part of these financial statements.

	Note	Issued units	Retained earnings	Non-distributable income Fair value reserve	Other reserve	Total
		MUR	MUR	MUR	MUR	MUR
As at 1 July 2020		167,290,921	5,736,944	5,739,830	230,873	178,998,568
Issue of units	5(a)	54,954,523	-	-	-	54,954,523
Redemption of units	5(a)	(25,727,048)	-	-	-	(25,727,048)
Distribution paid to unitholders	22	-	(9,845,138)	-	-	(9,845,138)
Increase in net assets attributable to holders of redeemable units for the year		-	16,596,264	1,892,026	-	18,488,290
Transfer*:						
Net gain on financial assets held at FVTPL		-	(11,225,274)	-	11,225,274	-
Foreign exchange gain		-	(34,672)	-	34,672	-
As at 30 June 2021		196,518,396	1,228,124	7,631,856	11,490,819	216,869,195
As at 1 July 2021		**196,518,396**	**1,228,124**	**7,631,856**	**11,490,819**	**216,869,195**
Issue of units	5(a)	**9,451,485**	-	-	-	**9,451,485**
Redemption of units	5(a)	**(26,772,399)**	-	-	-	**(26,772,399)**
Distribution paid to unitholders	22	-	**(5,408,813)**	-	-	**(5,408,813)**
Increase in net assets attributable to holders of redeemable participating shares		-	**8,168,208**	**(1,434,824)**	-	**6,733,384**
Transfer*:						
Net gain on financial assets held at FVTPL		-	**(2,263,721)**	-	**2,263,721**	-
Foreign exchange gain		-	**(101,058)**	-	**101,058**	-
As at 30 June 2022		**179,197,482**	**1,622,740**	**6,197,032**	**13,855,598**	**200,872,852**

***Note:**

As per the Fund's prospectus, capital gains arising from changes in the value of investments, both realised and unrealised are credited to non-distributable reserve and shall not be available for distribution as dividends. Capital losses arising from changes in the value of investments will be debited to fair value reserve and shall not be offset against income received. All other undistributable income and expenses are transferred to other reserve.

The notes on pages 10 to 37 form part of these financial statements.

	Notes	2022 MUR	2021 MUR
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**8,325,110**	16,975,951
Adjustments for:			
Dividend income	15 (a)	**(252,886)**	(250,101)
Interest income at EIR	15 (b)	**(3,710,080)**	(2,483,822)
Interest income on financial assets at FVTPL	15 (b)	**(4,777,494)**	(5,932,364)
Net gain on financial assets held at FVTPL	7(b)	**(2,263,721)**	(11,225,274)
Foreign exchange gain		**(101,058)**	(34,672)
Expected credit losses	9	**(230,223)**	(8,103)
Operating loss before working capital changes		**(3,010,352)**	(2,958,385)
Increase in other receivables		**(170)**	(178)
Increase in other payables		**72,845**	62,310
Purchase of financial assets at FVOCI	7(a)	**(20,318,988)**	(19,003,922)
Purchase of financial assets at FVTPL	7(b)	**(23,980,170)**	(17,828,920)
Purchase of financial assets at amortised cost	8	**-**	(10,000,000)
Proceeds from disposal of financial assets at FVOCI	7(a)	**7,538,126**	1,066,667
Proceeds from disposal of financial assets at FVTPL	7(b)	**77,069,150**	10,233,880
Interest received		**9,180,470**	8,151,090
Dividend received		**191,491**	175,131
Net cash generated from /(used in)operations		**46,742,402**	(30,102,327)
Taxation paid	12(a)	**(227,025)**	(42,185)
Net cash generated from /(used in) operating activities		**46,515,377**	(30,144,512)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of units	5(a)	**9,451,485**	54,954,523
Redemption of units	5(a)	**(26,772,399)**	(25,727,048)
Distributions to unitholders	22	**(5,408,813)**	(9,845,138)
Net cash (used in)/generated from financing activities		**(22,729,727)**	19,382,337
Net increase/ (decrease) in cash and cash equivalents		**23,785,650**	(10,762,175)
Cash and cash equivalents at beginning of year		**12,710,239**	23,472,414
Foreign exchange gain on cash & cash equivalents		**110,877**	-
Cash and cash equivalents at end of year		**36,606,766**	12,710,239

The notes on pages 10 to 37 form part of these financial statements.

1. LEGAL FORM AND PRINCIPAL ACTIVITY

SBM Yield Fund ("the Fund") was authorised by the Minister and approved by the Financial Services Commission under the Unit Trust Act 1989 (repealed and replaced by Trust Act 2001) and established as a Unit Trust by a Trust Deed dated 5 June 2006 between SBM Mauritius Asset Managers Ltd ("The Manager") and DTOS Trustees Ltd ("The Trustee").

The Fund's objective is to provide regular income and maximise returns on a long term basis for the benefit of the unitholders.

The Trust's application made further to the transitional provisions set out under Section 160 of the Securities Act 2005, it has been authorised to operate as a Collective Investment Scheme under Section 97 of the Securities Act 2005.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

In the current year, the Fund has applied all new and revised standard and interpretations issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB that are relevant to its operations and effective for accounting periods beginning on 1 July 2021.

2.1 NEW AND REVISED STANDARDS IN ISSUE BUT NOT YET EFFECTIVE

Standards and amendments to existing standards effective 1 July 2021

The following relevant revised standard has been applied in these financial statements. Their applications have not had any material impact on the amounts reported for current and prior years.

IAS 39 Financial Instruments: Recognition and Measurement - Amendments regarding pre-replacement issues in the context of the IBOR reform

IFRS 7 Financial Instruments: Disclosures - Amendments regarding pre-replacement issues in the context of the IBOR reform

IFRS 9 Financial Instruments - Amendments regarding pre-replacement issues in the context of IBOR reform

2.2 NEW AND REVISED STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

New standards, amendments and interpretations effective after 1 July 2022 and have not been early adopted

At the date of authorisation of these financial statements, the following relevant new and revised Standards were in issue but effective on annual periods beginning on or after the respective dates as indicated:

IAS 1 Presentation of Financial Statements - Amendment to defer the effective date of January 2020 amendments (effective 1 January 2023)

IAS 1 Presentation of Financial Statements - Amendments regarding the classification of liabilities (effective 1 January 2023)

IAS 1 Presentation of Financial Statements - Amendments regarding the disclosure of accounting policies (effective 1 January 2023)

IAS 8 Accounting Policies, Changes in Accounting Estimates and Error - Amendments regarding the definition of accounting estimates (1 January 2023)

IAS 12 Income taxes - Amendments regarding deferred tax related to assets and liabilities arising from a single transaction (effective 1 January 2023)

2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONTINUED)

2.2 NEW AND REVISED STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

New standards, amendments and interpretations effective after 1 July 2022 and have not been early adopted (Continued)

IFRS 9 Financial Instruments - Amendments resulting from Annual Improvements to IFRS Standards 2018-2020 (fees in the '10 per cent' test for derecognition of financial liabilities) (effective 2 January 2022)

The directors anticipate that these standards and interpretations, where applicable, will be applied on their effective dates in future periods. The directors have not yet assessed the potential impact of the application of these amendments.

3. ACCOUNTING POLICIES

3.1 BASIS OF PREPARATION

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The financial statements have been prepared on a historical cost basis, except for financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss, which are measured at fair value.

3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Foreign currency translation

The financial statements are presented in MUR (presentation currency) which is also the currency of the primary economic environment in which the Fund operates (functional currency). The Fund determines its own functional currency and items included in the financial statements of the Fund are measured using that functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Fund at their respective functional currency spot rates prevailing at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. All differences arising on settlement or retranslation of monetary items are taken to profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

3. ACCOUNTING POLICIES (CONTINUED)

3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Taxes

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, by the reporting date.

Current income tax relating to items recognised directly in equity is recognised in equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

3. ACCOUNTING POLICIES (CONTINUED)

3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Taxes (Continued)

Deferred tax (Continued)

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it incurred during the measurement period or in profit or loss.

(c) Financial instruments

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

As a result of the adoption of IFRS 9, the Fund has adopted consequential amendments to IAS 1 Presentation of Financial Statements, which require:

- Impairment of financial assets to be presented in a separate line item in the statement of comprehensive income; and
- Separate presentation in the statement of profit or loss and other comprehensive income of interest revenue calculated using the effective interest method.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Fund's business model for managing them. The Fund initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Fund's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

3. ACCOUNTING POLICIES (CONTINUED)

3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (Continued)

Financial assets (Continued)

Initial recognition and measurement (Continued)

Management has made an assessment on the basis of the facts and circumstances that existed at the date of initial application to determine whether to classify the debt instruments held at amortised cost or financial assets at fair value through OCI. The determination of the business model within which a financial asset is held at amortised cost needs to meet the objective ,which is to hold financial assets in order to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the:

- trade date for equity instruments, i.e., the date that the Fund commits to purchase or sell the asset;
- settlement date for debt instruments, i.e., the date that the Fund settles the purchase or sale of the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments) ;
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments) ;
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments) ;
- Financial assets at fair value through profit or loss.

(i) Financial assets at amortised cost

The Fund measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; or
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Fund's financial assets at amortised cost include cash and cash equivalents, investments in Inflation- indexed Government bonds and unquoted bonds.

3. ACCOUNTING POLICIES (CONTINUED)

3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (Continued)

Financial assets (continued)

(ii) Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Fund can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as income in the statement of profit or loss when the right of payment has been established, except when the Fund benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Fund has elected to classify its listed equity investments existing as at 30 June 2021 under this category.

(iii) Financial assets designated at fair value through profit or loss (FVTPL)

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Company designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition. It has been acquired principally for the purpose of selling it in the near term
.
- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (so called 'accounting mismatch') that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Company has not designated any debt instruments as at FVTPL;

- Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset. Fair value is determined in the manner described in note 7(b).

Following the re-assessment on the classification and measurement of equities and quoted debt investments, all new equities purchased as from 1 July 2021 have been classified under this category and all quoted bonds held by the Fund will be classified under FVTPL with effect from 1 July 2022.

3. ACCOUNTING POLICIES (CONTINUED)

3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (Continued)

Financial assets (continued)

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a Fund of similar financial assets) is primarily derecognised (i.e., removed from the Fund's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Fund has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Fund has transferred substantially all the risks and rewards of the asset, or (b) the Fund has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Fund has transferred its rights to receive cash flows from an asset or has entered into a pass through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Fund continues to recognise the transferred asset to the extent of its continuing involvement.

In that case, the Fund also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Fund has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Fund could be required to repay.

Impairment of financial assets

The Fund recognises loss allowances for ECLs on financial assets measured at amortised cost

The Fund measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are, measured at 12-months ECLs:

- financial assets that are determined to have low credit risk at the reporting date; and
- other financial assets for which credit risk (i.e the risk of default occurring over the expected life of the asset) has not increased significantly since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Fund considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Fund's historical experience and informed credit assessment and including forward-looking information.

The Fund assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Fund considers a financial asset to be in default when the financial assets is more than 30 days past due.

3. ACCOUNTING POLICIES (CONTINUED)

3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (Continued)

Financial assets (continued)

Impairment of financial assets (continued)

The Fund considers a financial asset to have low credit risk when the credit rating of the counterparty is equivalent to the globally understood definition of 'investment grade'. The Fund considers this to be Baa3 for Moody's rating or BBB- as per Standard and Poor's rating. (See Note 14.5).

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from the default events that are possible within the 12 months after the reporting date (or shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating the ECLs is the maximum contractual period over which the Fund is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the entity in accordance with the contract and cash flows that the Fund expects to receive).

Credit-impaired financial assets

At each reporting date, the Fund is required to assess whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as default or being more than 30 days past due; or
- It is probable that the borrower will enter bankruptcy or other financial reorganisation.

Presentation of allowances for ECLs in the statement of financial position

Presentation of allowances for financial assets measured at amortised cost is deducted from the gross carrying amount of assets.

Write-off policy

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows. Financial assets written off may still be subject to enforcement activities under the Fund's recovery procedures. Any recoveries made are recognised in profit or loss.

3. ACCOUNTING POLICIES (CONTINUED)

3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (Continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities comprise of other payables, which are measured at amortised cost.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Other payables

Accounts payable are stated at their amortised cost using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the interest rate, transaction costs and other premium or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Determination of fair value

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

3. ACCOUNTING POLICIES (CONTINUED)

3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (Continued)

Financial liabilities (continued)

Determination of fair value (continued)

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Fund determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorisation(based on the lowest level input that is significant to the fair value measurement as a whole) at the beginning of each reporting period.

(d) Revenue recognition under IFRS 9

(i) Interest income calculated using effective interest method

Interest revenue and expense are recognised in the statement of other comprehensive income for all interest-bearing financial instruments using the effective interest method.

(ii) Dividend Income

Dividend income is recognised when the Fund's right to receive the payment is established.

(e) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash at bank.

(f) Related parties

Parties are considered to be related to the Fund if they have the ability, directly or indirectly, to control the Fund or exercise significant influence over the Fund. Related parties may be individuals or other entities (refer note 13).

(g) Redeemable units

Classification of redeemable units

Redeemable units are classified as equity instruments when:

- The redeemable units entitle the holder to a pro rata share of the Fund's net assets in the event of the Fund's liquidation.
- The redeemable units are in the class of instruments that is subordinate to all other classes of instruments.
- All redeemable units in the class of instruments that is subordinate to all other classes of instruments have identical features.

3. ACCOUNTING POLICIES (CONTINUED)

3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Redeemable units (Continued)

- The redeemable units do not include any contractual obligation to deliver cash or another financial asset other than the holder's rights to a pro rata share of the Fund's net assets.
- The total expected cash flows attributable to the redeemable units over the life of the instrument are based substantially on the profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the Fund over the life of the instrument.

In addition to the redeemable units having all the above features, the Fund must have no other financial instrument or contract that has:

- Total cash flows based substantially on the profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the Fund; and
- The effect of substantially restricting or fixing the residual return to the holders of redeemable units.

The Fund classified its redeemable units as equity as it meets the above features and also the Fund does not have any contractual obligation to repurchase or redeem for cash or other financial asset.

The Fund continuously assesses the classification of the redeemable units. If the redeemable units cease to have all the features or meet all the conditions set out to be classified as equity, the Fund will reclassify them as financial liabilities and measure them at fair value at the date of reclassification, with any differences from the previous carrying amount recognised in equity. If the redeemable units subsequently have all the features and meet the conditions to be classified as equity, the Fund will reclassify them as equity instruments and measure them at the carrying amount of the liabilities at the date of the reclassification.

The issuance, acquisition and cancellation of redeemable units are accounted for as equity transactions. Upon issuance of shares, the consideration received is included in equity.

Transaction costs incurred by the Fund in issuing or acquiring its own equity instruments are accounted for as a deduction from equity to the extent that they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Fund's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities. Uncertainties about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Judgements

In the process of applying the Fund's accounting policies, management has made the following judgement, which has the most significant effect on the amounts recognised in the financial statements:

Determination of functional currency

The primary objective of the Fund is to generate returns in MUR, its capital-raising currency. The liquidity of the Fund is managed on a day-to-day basis in MUR. The Fund's performance is evaluated in MUR. Therefore management considers MUR as the currency that most faithfully represents the economic effect of the underlying transactions, events and conditions.

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

Judgements (Continued)

Going concern

The Manager of the Fund has made an assessment of its ability to continue as a going concern and is satisfied that the Fund has the resources to continue in business for the foreseeable future.

Furthermore, the Manager is not aware of any material uncertainty that may cast significant doubt upon the Fund's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

Business model assumption

Classification and measurement of financial assets depends on the results of the SPPI and the business model test (see financial assets sections of note 3). The Fund determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Fund monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Fund's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

(i) Change in classification of equity instruments

With the advent of Covid-19, market conditions have changed drastically and became more volatile, resulting in the Fund trading more frequently in managing risks in an even more dynamic environment.

Given the current business model of the Funds, whereby equity instruments are being traded relatively more actively, a re-assessment on the classification of the investments held by the Fund was performed.

Management has assessed that at the time the election was taken, this met with the long-term objectives of the Fund and the subsequent trading was solely on account of COVID-19.

Considering the strategic purpose of the Funds which is long term capital appreciation, Management has resolved that the irrevocable election made previously for equity investments shall only apply to existing instruments held as at 30 June 2021 only while all new additions effective as from 1st July 2021 shall be measured at FVTPL and shall not be subject to FVOCI election.

Given that investors are able to redeem their holdings at NAV, it is likely that the Fund will trade in its investments in quoted corporate bonds in order to repay any major redemption in case of liquidity issues. As such, the Fund has assessed that business model would more likely be at FVTPL for this class of asset.

As for the fixed income securities and unquoted bonds, the investment objective by management is to hold these instruments to maturity and is not subject to sale, nor is there any evidence of disposals in past years. This is in line with the individual Funds' Prospectus, which states that, the objective is to generate long term capital appreciation. Therefore the business model for these groups of securities would remain at amortised cost. No change in classification and measurement is required for Government bonds and unquoted securities.

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

Estimates

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjournment to the carrying amounts of assets and liabilities within the next financial year, are discussed below. The Fund based its assumptions and estimates on parameters available when the financial statements were prepared. However existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Fund. Such changes are affected in the assumptions when they occur.

Expected credit losses (ECLs)

To calculate the ECL, the Fund has applied judgements that have a significant effect on the amounts recognised in the financial statements and include the classification of financial instruments into financial assets measured at amortised cost category. Estimated ratings have been used for the calculation [See Note 14.5].

Fair value of securities not quoted in an active market

Some of the Fund's assets are measured at fair value for financial reporting purposes. Management is responsible for the appropriate valuation techniques and inputs being used for the fair value measurement. The fair value of securities not quoted in an active market may be determined by the Fund using valuation techniques including third party transactions values, earnings or net asset value, whichever is appropriate. The Fund would exercise judgement and estimates on the quantity and quality of pricing sources used. Changes in assumptions about these factors could affect the reported fair value of financial instruments. Further information on the carrying amounts of these assets and the sensitivity of those amounts to changes in unobservable inputs are provided in note 14.

5. CAPITAL MANAGEMENT

As a result of the ability to issue, repurchase and resell units, the capital of the Fund can vary depending on the demand for redemption and subscriptions to the Fund. The Fund is not subject to externally imposed capital requirements and has no legal restrictions on the issue, repurchase or resale of redeemable units beyond those included in the Fund's prospectus.

The investment objective of the Fund is to achieve attractive risk-returns through a combination of long-term capital appreciation and current income by making portfolio investments.

The Fund's objectives for managing capital are:

- To invest the capital in investments, meeting the description, risk, exposure and expected return indicated in its prospectus.
- To maintain sufficient liquidity to meet the expenses of the Fund, and to meet redemption requests as they arise.
- To maintain sufficient size to make the operation of the Fund cost efficient.

The capital of the Fund consists of units denominated in Mauritian Rupees and is redeemable at the option of the unit holder based on net asset value. The redeemable participating units have been classified as equity.

Unitholders have undivided rights in the Fund pro-rata to the number of Units held by them.

5. CAPITAL MANAGEMENT (CONTINUED)

Upon the Fund being terminated, the Fund shall sell all the Fund property vested in it in accordance with the terms of the Trust Deed. It shall apply the proceeds of the sale to repay any liability by the Fund and shall distribute all net cash proceeds to the Unitholders pro-rata to their number of Units after deduction of expenses as provided for in the Trust Deed.

Unitholders shall be entitled to vote at meetings of Unitholders.

The following matters shall require a meeting of Unitholders:

- termination of the Trust by Extraordinary Resolution,
- appointment of a new Manager or Trustee in the case the Manager has retired and has not been replaced by the Trustee or in case the Trustee has retired and has not been replaced by the Manager.

(a) Movement in units during the year

	2022		2021	
	No. of units	**MUR**	No. of units	MUR
At start of year	**18,579,487**	**196,518,396**	16,125,940	167,290,921
Units created	**798,075**	**9,451,485**	4,747,638	54,954,523
Units liquidated	**(2,267,369)**	**(26,772,399)**	(2,294,091)	(25,727,048)
At end of year	**17,110,193**	**179,197,482**	18,579,487	196,518,396

	2021	2020
	MUR	MUR
(b) Net asset value per unit		
Net assets attributable to holders of redeemable units	**200,872,852**	216,869,195
Net assets per redeemable units (MUR)	**11.74**	11.67
(c) Prices per unit		
Issue price	**11.80**	11.73
Redemption price	**11.68**	11.61

Unitholders have the rights to receive an equal share of dividends and to a share pro-rata to their number of units held in the distribution of the surplus assets of the Fund on winding up.

6. OTHER RECEIVABLES

	2022	2021
	MUR	MUR
Dividend receivable	-	9,826
Prepayments	**24,741**	24,571
	24,741	34,397

The carrying value of the other receivables approximates its fair value and is receivable within 3 months.

7 (a). FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Equity	Debt	Total
	MUR	MUR	MUR
At 01 July 2020	12,358,717	25,252,663	37,611,380
Reclassified from financial assets at amortised cost (Note 8)	-	2,996,713	2,996,713
Additions	-	19,003,922	19,003,922
Disposals	(1,066,667)	-	(1,066,667)
Interest accrued	-	222,343	222,343
Expected credit losses (Note 9)	-	(27,795)	(27,795)
Net gain on financial assets at FVOCI	602,319	1,289,707	1,892,026
At 30 June 2021	11,894,369	48,737,553	60,631,922

7 (a). FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONTINUED)

	Equity MUR	Debt MUR	Total MUR
At 01 July 2021	**11,894,369**	**48,737,553**	**60,631,922**
Reclassification	**(140,480)**	**140,480**	**-**
Additions	**-**	**20,318,988**	**20,318,988**
Disposals	**(13,299)**	**(7,524,827)**	**(7,538,126)**
Interest accrued	**-**	**43,115**	**43,115**
Expected credit losses (Note 9)	**-**	**104,373**	**104,373**
Net loss on financial assets at FVOCI	**(809,316)**	**(625,508)**	**(1,434,824)**
At 30 June 2022	**10,931,274**	**61,194,174**	**72,125,448**

(i) Equity Financial assets measured at FVOCI can be analysed as follows:

	2022		2021	
	Fair value MUR	**Dividend income MUR**	Fair value MUR	Dividend income MUR
Ascencia Ltd	**11,466**	**697**	25,107	274
iShares Core US Aggregate Bond US	**9,114,088**	**167,539**	9,701,490	171,397
iShares US Preference Stock ETF US	**1,805,720**	**84,650**	2,027,292	77,460
NMH Ltd (Preference shares)	**-**	**-**	140,480	970
Equity Financial assets at FVOCI	**10,931,274**	**252,886**	11,894,369	250,101

(ii) Debt Financial assets measured at FVOCI can be analysed as follows:

	Fair value 2022 MUR	Fair value 2021 MUR	Maturity dates
Quoted debts			
MCB Group Ltd 3.5% 5Y Notes	**4,473,709**	2,474,945	22/01/2023
SBM USD Note 4.75% Class B2 Series Bond	**2,092,946**	1,999,226	28/06/2025
SBM MUR Note 5.75% Class A2 Series Bond	**4,995,031**	7,033,687	28/06/2028
IBL LTD_5%_SERIES 2 NOTES	**10,215,523**	10,337,737	08/09/2022
CIM Financial Services Ltd_CFSL 4% 31/07/2025	**9,415,764**	9,149,754	31/07/2025
Alpha Capital Protected Note - Series 1	**3,016,475**	3,160,176	15/11/2022
FTPT 3.20% 27/04/26	**2,930,009**	3,017,049	27/04/2026
FTPT 3.55% 27/04/28	**4,021,362**	4,025,218	27/04/2028
FTPT 4.85% 06/06/2029	**2,307,620**	-	06/06/2029
FTPT 5.50% 06/06/2032	**1,204,508**	-	06/06/2032
SBM Bond	**3,044,129**	-	10/03/2024
Northfields International High School Limited	**1,017,402**	-	31/08/2026
Innodis Ltd_1.75%_21/03/2023	**2,006,728**	-	21/03/2023
Innodis Ltd_3.9%_21/12/2026	**1,543,592**	-	21/12/2026
New Mauritius Hotels Preference shares	**153,600**	-	
	52,438,398	41,197,792	
Mutual Funds			
Fidelity US Dollar Bond "A" (USD) Acc	**7,738,168**	-	
SBM Perpetual Fund Limited	**1,017,608**	-	
SBM Maharaja Bond Fund	**-**	7,539,761	
	8,755,776	7,539,761	
Total	**61,194,174**	48,737,553	

7 (b). FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Government bonds	2022 MUR	2021 MUR
At 01 July	**113,346,460**	-
Reclassified from financial assets at amortised cost (Note 8)	**-**	94,450,054
Additions	**23,980,170**	17,828,920
Disposals	**(77,069,150)**	(10,233,880)
Interest accrued	**(813,604)**	76,092
Net gain on financial assets at FVTPL	**2,263,721**	11,225,274
At 30 June	**61,707,597**	113,346,460

8. FINANCIAL ASSETS HELD AT AMORTISED COST

	2022 MUR	2021 MUR
At 01 July	**31,020,229**	118,429,765
Reclassified to financial assets at FVTPL	**-**	(94,450,054)
Reclassified to financial assets at FVOCI	**-**	(2,996,713)
Additions	**-**	10,000,000
Interest amortised	**63,338**	1,333
Expected credit losses (Note 9) - reversal	**125,850**	35,898
At 30 June	**31,209,417**	31,020,229

(a) The breakdown of financial assets at amortised cost is as follows:

	Interest rates	2022 MUR	2021 MUR	Maturity dates
Government bonds	9.96% -10.01%	**10,226,060**	10,150,031	Jul 29-Apr 33
Term deposits with financial institutions				
ABC Banking Corporation Ltd Notes	5.60%	**2,851,615**	2,764,734	24/04/2025
Bank One Limited Notes	5.00%	**3,003,152**	3,002,889	22/06/2030
		5,854,767	5,767,623	
Other local bonds				
Ciel Note	4.98%	**5,120,366**	5,115,123	02/02/2025
Ascencia Ltd	4.00%	**5,000,816**	4,987,768	29/12/2030
Gamma Civic	4.33%	**5,007,408**	4,999,684	18/06/2031
		15,128,590	15,102,575	
Total		**31,209,417**	31,020,229	

(b) Financial assets at amortised cost are further analysed as follows:

	2022 MUR	2021 MUR
Non-current	**31,209,417**	31,020,229
Current	**-**	-
	31,209,417	31,020,229

9. ALLOWANCE FOR EXPECTED CREDIT LOSSES (ECLs)

	ECL on Amortised cost MUR	ECL on FVOCI MUR	TOTAL MUR
At 01 Jul 2021	**307,622**	**140,160**	**447,782**
Movement during the year (Note 7(a) and 8)	**(125,850)**	**(104,373)**	**(230,223)**
At 30 June 2022	**181,772**	**35,787**	**217,559**
At 01 Jul 2020	363,283	92,602	455,885
Reclassification	(19,763)	19,763	-
Movement during the year (Note 7(a) and 8)	(35,898)	27,795	(8,103)
At 30 June 2021	307,622	140,160	447,782

The financial assets are classified under Stage 1 (2021: Stage 1).

10. FAIR VALUE MEASUREMENT HIERARCHY

Fair value of the Fund's local and foreign investments that are measured at fair value on a recurring basis

IFRS 13 requires disclosures relating to fair value measurement using a three level fair value hierarchy. The level within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level of input that is significant to the fair value measurement. Assessing the significance of a particular input requires judgement, considering factors specific to the asset or liability.

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table provides an analysis of local and foreign investments grouped into level 1 and 2 based on the degree to which the fair value is observable.

	Level 1	Level 2	Level 3	Total
2022	**MUR**	**MUR**	**MUR**	**MUR**
Financial assets at FVOCI				
Equity investments	**10,931,274**	**-**	**-**	**10,931,274**
Debt investments	**49,421,923**	**8,755,776**	**3,016,475**	**61,194,174**
Financial assets at FVTPL				
Debt investments	**61,707,597**	**-**	**-**	**61,707,597**
At 30 June 2022	**122,060,794**	**8,755,776**	**3,016,475**	**133,833,045**
2021				
Financial assets at FVOCI				
Equity investments	11,894,369	-	-	11,894,369
Debt investments	38,037,616	7,539,761	3,160,176	48,737,553
Financial assets at FVTPL				
Debt investments	-	113,346,460	-	113,346,460
At 30 June 2021	**49,931,985**	**120,886,221**	**3,160,176**	**173,978,382**

There has been no transfer between levels during the financial year.

10. FAIR VALUE MEASUREMENT HIERARCHY (CONTINUED)

Level 3 reconciliation

The table below shows a reconciliation of all movements in the fair value of financial instruments categorised with the Level 3 between the beginning and the end of the reporting period:

	2022	2021
	MUR	MUR
At start	**3,160,176**	-
Additions	**-**	3,160,176
Fair value movement	**(143,701)**	-
At end	**3,016,475**	3,160,176

Concentration of equity price risk

The equity investments are further analysed as follows:

	2022	2021	**2022**	2021
	MUR	MUR	**%**	%
Local				
Leisure and hotels sector	**-**	140,480	**-**	85
Others	**11,466**	25,107	**100**	15
	11,466	165,587	**100**	100
Foreign				
Financial Sector	**10,919,808**	11,728,782	**100**	100
	10,931,274	11,894,369		

11. OTHER PAYABLES

	2022	2021
	MUR	MUR
Manager's fees (note 16)	**139,647**	154,901
Trustee's fees (note 17)	**16,059**	55,568
Auditor's fees	**126,500**	126,500
Administrator's fees (note 19)	**24,644**	27,336
Registry fees (note 18)	**16,429**	18,224
Custodian fees (note 21)	**8,056**	10,196
Entry and exit fees (note 20)	**665**	5,596
Tax advisor fees	**28,750**	20,700
Professional fees	**8,625**	8,625
Unclaimed dividends	**152,802**	152,801
Redemption payable	**98,120**	-
Payable to SBM Fund Services	**27,995**	-
Subscription refundable	**5,000**	-
	653,292	580,447

The carrying amount of other payables approximate their fair value.
Other payables are unsecured, interest free and repayable within 3 months.

12. TAXATION

Income tax is calculated at the rate of 15% on profit for the year as adjusted for income tax purposes (2021: 15%).

(a) Income tax liability

	2022	2021
	MUR	MUR
At 01 July	**293,605**	30,760
Charge for the year	**195,680**	293,605
Tax paid during the year	**(179,170)**	(42,185)
Tax paid in advance	**(47,855)**	-
(Over)/Under provision in previous year	**(114,435)**	11,425
At 30 June	**147,825**	293,605

12. TAXATION (CONTINUED)

(b) Reconciliation of tax charge

	2022	2021
	MUR	MUR
Profit before tax	**8,325,110**	16,975,951
Tax on accounting profit at the tax rate of 15%	**1,248,767**	2,546,393
Tax effect of:		
Exempt income	**(1,048,876)**	(1,039,992)
Non taxable income	**(511,190)**	(1,572,318)
Non-deductible expenses	**506,979**	359,522
(Over)/under provision in previous year	**(114,435)**	11,425
	81,245	305,030
Witholding tax suffered outside Mauritius	**75,657**	74,657
Tax expense	**156,902**	379,687
Tax charge for the year	**195,680**	293,605
(Over)/under provision in previous year	**(114,435)**	11,425
Witholding tax on foreign dividend	**75,657**	74,657
Tax expense	**156,902**	379,687

13. RELATED PARTY DISCLOSURES

During the years ended 30 June 2022 and 2021, the Fund transacted with related entities. Details of the nature, volume of transactions and balances with the entities are shown below.

	Balances with related parties		Fund expenses	
	2022	2021	**2022**	2021
	MUR	MUR	**MUR**	MUR
SBM Mauritius Asset Managers Ltd				
Manager fees payable	**139,647**	154,901		
Manager fees			**1,803,056**	1,820,439
Entry and Exit fees payable	**665**	5,596		
SBM Fund Services Ltd				
Administrator fees payable	**24,644**	27,336		
Administrator fees			**318,186**	321,254
Registry fees payable	**16,429**	18,224		
Registry fees			**212,124**	214,170
Postage fees payable	**27,995**	-		
Postage fees			**132,860**	61,943
DTOS Trustees Ltd				
Trustee fees payable	**16,059**	55,568		
Trustee fees			**206,751**	224,251
SBM Bank (Mauritius) Ltd				
Cust	**8,056**	10,196		
Cust			**126,295**	128,237
Balances held with Bank	**36,606,766**	12,710,239		
Bank charges			**5,225**	4,569
SBM Holdings Ltd				
Investments in ultimate holding company	**10,132,106**	9,032,913		
Dividend income			-	-
Interest Income			**439,529**	331,429
SBM Maharaja Bond Fund				
Investment in other related parties	-	7,539,761		
SBM Perpetual Fund Limited				
Investment in other related parties	**1,017,607**	-		

No compensation was paid to key management personnel during the year (2021: Nil).

Outstanding balances at the year end are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivable or payable.

14. FINANCIAL RISK MANAGEMENT

Risk is inherent in the Fund's activities and is managed through a process of ongoing identification, measurement and monitoring subject to risk limits and other controls put in place at the investment manager company level. The Fund is exposed to market risk(which includes currency risk, interest rate risk and price risk), credit risk and liquidity risk arising from the financial instruments it holds. The Fund has investment guidelines that set out its overall business strategies and its tolerance for risk.

14.1 Categories of financial instruments

	2022	2021
	MUR	MUR
Financial assets		
Cash and cash equivalents at amortised cost	**36,606,766**	12,710,239
Other receivables at amortised cost	**-**	9,826
Financial assets at fair value through OCI	**72,125,448**	60,631,922
Financial assets at fair value through profit or loss	**61,707,597**	113,346,460
Financial assets at amortised cost	**31,209,417**	31,020,229
	201,649,228	217,718,676
Financial liabilities		
Other payables at amortised cost	**653,292**	580,447

14.2 Significant accounting policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the bases of measurement, and the bases for recognition of income and expenses), for each class of financial asset, financial liability and equity as provided in Note 3.

14.3 Risk management

The Fund's credit risk is managed by the Investment manager subject to the Fund's established policy, procedures and controls. The credit exposure is monitored by the investment team and reported to the Fund's board and Investment Committee on a quarterly basis. There are internal limits with respect to single issuer exposure, maximum sector exposure and the Fund will hold a diversified portfolio of securities in mitigating overall portfolio credit risk. Investment–grade securities are mostly targeted in managing credit risk but credit migration is monitored.

14.4 Market risk

Market risk is the risk of loss resulting from adverse movement in market rates or prices such as interest rates, foreign exchange rates and equity prices.

Foreign currency risk

The Fund invests in securities, including maintenance of cash that are denominated in such currencies other than in Mauritian Rupee ("MUR"). Accordingly, the value of the Fund's assets may be affected favourably or unfavourably by fluctuations in currency rates. Therefore, the Fund will necessarily be subject to foreign exchange risk.

The currency profile of the Fund's financial assets and liabilities is summarised as follows:

	Financial assets		Financial Liablities	
	2022	2021	2021	2021
	MUR	MUR	MUR	MUR
Mauritian Rupee	**177,656,906**	195,883,560	**653,292**	580,447
United States Dollar	**23,971,120**	21,812,390	**-**	-
Euro	**21,202**	22,726	**-**	-
	201,649,228	217,718,676	**653,292**	580,447

14. FINANCIAL RISK MANAGEMENT (CONTINUED)

14.4 Market risk (Continued)

The following table demonstrates the sensitivity to a reasonably possible change in the exchange rate, with all other variables held constant, on the Fund's profit before tax and equity:

	Increase / decrease percentage		Effect on profit before tax and equity	
	2022	2021	**2022 MUR**	2021 MUR
United States Dollar	**10%**	10%	**(2,397,112)**	(2,181,239)
	-10%	-10%	**2,397,112**	2,181,239
Euro	**10%**	10%	**(2,120)**	(2,273)
	-10%	-10%	**2,120**	2,273

Equity and Bond price risk

The Fund is exposed to the risk that the value of its investment securities will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security or factors affecting all securities traded in the market. Market risk is managed through diversification of the investment portfolio.

Price sensitivity analysis

The sensitivity analysis has been determined based on the exposure to equity and bond price risks at the reporting date and assesses the impact of a 5% change in the price of local and foreign investment.

	Change in price by %	2022 MUR	2021 MUR
Profit before tax	+ 5	**6,691,652**	8,698,919

A fall in equity and bond prices by 5% would have resulted in an equal but opposite impact on net assets.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair value of financial instruments.

At the reporting date, the interest rate profile of the Fund's interest bearing financial instruments was:

	2022	2021
Variable rate asset	**MUR**	MUR
Financial assets at fair value through OCI	**17,981,337**	12,550,379
Financial assets at amortised cost	**20,234,272**	20,137,482
Balance with bank	**36,606,766**	12,710,239
	74,822,375	45,398,100

14. FINANCIAL RISK MANAGEMENT (CONTINUED)

14.4 Market risk (Continued)

Interest rate risk (Continued)

Fixed rate assets	**2022** **MUR**	2021 MUR
Financial assets at fair value through OCI	**34,457,061**	36,187,174
Financial assets at fair value through profit or loss	**61,707,597**	113,346,460
Financial assets at amortised cost	**10,975,145**	10,882,747
	107,139,803	160,416,381

The Fund is exposed to interest rate risk on its variable rate assets.

Interest rate sensitivity analysis

The sensitivity analysis below assesses the impact of a change in interest rate over a 12-month period. If the interest rate had been 2% higher:

	Change in interest rate by %	**2022** **MUR**	2021 MUR
Effect on profit before tax	+ 2	**1,496,448**	907,962

A decrease in interest rate by 2% would have resulted in an equal but opposite impact on profit before tax and net assets.

14.5 Credit risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss for the Company by failing to discharge an obligation. The Fund is exposed to the risk of credit-related losses that can occur as a result of a counterparty or issuer being unable or unwilling to honour its contractual obligations. These credit exposures exist within debt instruments, cash and cash equivalents.

The Investment Manager's policy is to closely monitor the creditworthiness of the fund's counterparties by reviewing their credit ratings, financial statements and press releases on a regular basis.

Credit risk disclosures are segmented into two sections based on whether the underlying financial instrument is subject to IFRS 9's impairment disclosures or not.

Impairment on cash and cash equivalents has been measured on a 12-month expected loss basis and reflects the short maturities of exposures.The Fund considers that these exposures have low credit risk based on the external credit rating of the counterparties. The Fund has assessed that ECL on cash and cash equivalents is not considered to be material.

14. FINANCIAL RISK MANAGEMENT (CONTINUED)

14.5 Credit risk (continued)

Financial assets subject to IFRS 9's impairment requirements

The Fund's financial assets subject to the expected credit loss model within IFRS 9 are financial assets at amortised cost and debt financial assets at FVOCI.

At 30 June 2022, the total financial assets at amortised cost was **MUR 31,209,417** on which a loss allowance of **MUR 181,772** had been provided (2021: Financial assets at amortised cost was MUR 31,020,229 on which a loss allowance of MUR 307,622 was provided). Total financial assets at FVOCI was **MUR 61,194,174** on which a loss allowance of **MUR 35,787** had been provided (2021: Financial assets at FVOCI was MUR 48,737,553 on which a loss allowance of MUR 140,160 was provided).

There is not considered to be any concentration of credit risk within these assets. No assets are considered impaired and no amounts have been written off in the period.

Probabilities of default have been used to calculate the loss allowance. The 12-month and lifetime probabilities are based on historical data supplied by Moody or Standard and Poor for each credit rating and are recalibrated based on current market prices. Loss given default parameters generally reflect an assumed recovery rate of **55%**. However, if the assets were credit-impaired, the estimate loss would be based on a specific assessment of expected cash shortfalls and on the original effective interest rate.

The loss on financial assets is detailed as follows:

2022	**Rating**	**PD_1**	**LGD_1**	**MUR**
Financial assets at FVOCI				
Term deposits with other financial institutions	Baa3	0.0012	45%	**8,117**
Other local bonds	AAA - Unrated	0.000012239 - 0.000035774	42.05% - 49.71%	**27,670**
				35,787
Financial assets at amortised cost				
Government Bonds	Baa2	0.0000	45%	**52**
Term deposits with other financial institutions	A+ - Unrated	0.0003972 - 0.1317244	45%	**180,220**
Other local bonds	A-/A+ care rating	0.00001224 - 0.00003577	34.61% - 51.23%	**1,500**
				181,772
2021				
Financial assets at FVOCI				
Term deposits with other financial institutions	AA- - Ba2	0.0043 - 0.0083	41% - 45%	53,062
Other local bonds	AAA - Unrated	0.0043 - 0.0137	37% - 41%	87,098
				140,160
Financial assets at amortised cost				
Government Bonds	Baa2	0.0013	45%	6,072
Term deposits with other financial institutions	A+ - Unrated	0.0006 - 0.1948	45%	266,443
Other local bonds	AA- - A+	0.0043 - 0.0072	37%	35,107
				307,622
Total				447,782

14. FINANCIAL RISK MANAGEMENT (CONTINUED)

14.5 Credit risk (Continued)

Financial assets not subject to IFRS 9's impairment requirements

The Fund is not exposed to credit risk on its equity and debt instruments and Mutual Funds. These classes of financial assets are not subject to IFRS 9's requirements. The carrying amount of these assets (amounting to **MUR 81,394,647**) under IFRS 9 represents the Fund's maximum exposure to credit risk on financial instruments not subject to IFRS 9 impairment requirements under respective reporting (2021: MUR 132,780,590).

14.6 Liquidity risk

Liquidity risk is defined as the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Exposure to liquidity risk arises because of the possibility that the Fund could be required to pay its liabilities or redeem its shares earlier than expected. The Fund is exposed to cash redemptions of its redeemable shares on a regular basis. Shares are redeemable at the holder's option based on the Fund's NAV per share at the time of redemption, calculated in accordance with the Fund's prospectus.

The Manager may limit the total number of the units in the Fund that may be redeemed on any business day to 10% of that outstanding units in the Fund.

The Fund's policy is to satisfy redemption requests by the following means (in decreasing order of priority):

- Searching for new investors
- Withdrawal of cash deposits
- Disposal of highly liquid assets (i.e., short-term, low-risk debt investments)
- Disposal of other assets

The Fund invests primarily in marketable securities and other financial instruments which, under normal market conditions, are readily convertible to cash. In addition, the Fund's policy is to maintain sufficient cash and cash equivalents to meet normal operating requirements and expected redemption requests.

Financial liabilities

The maturity grouping is based on the remaining period from the end of the reporting period to the contractual maturity date. When a counterparty has a choice of when the amount is paid, the liability is allocated to the earliest period in which the Fund can be required to pay.

Financial assets

Analysis of equity and debt securities into maturity groupings is based on the expected date on which these assets will be realised. For other assets, the analysis into maturity groupings is based on the remaining period from the end of the reporting period to the contractual maturity date or, if earlier, the expected date on which the assets will be realised.

14. FINANCIAL RISK MANAGEMENT (CONTINUED)

14.6 Liquidity risk (Continued)

The following table summarises the maturity profile of the Fund's financial liabilities based on contractual undiscounted cash flows. The table also analyses the maturity profile of the Fund's financial assets (undiscounted where appropriate) in order to provide a complete view of the Fund's contractual commitments and liquidity .

2022	Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years	No stated maturity	Total
	MUR	MUR	MUR	MUR	MUR	MUR
Financial assets						
Cash and cash equivalents	**36,606,766**	**-**	**-**	**-**	**-**	**36,606,766**
Financial assets at FVOCI	**30,643,709**	**3,044,129**	**16,999,713**	**12,528,521**	**8,909,376**	**72,125,448**
Financial assets at FVTPL		**5,056,709**	**5,023,372**	**51,627,516**	**-**	**61,707,597**
Financial assets at amortised cost	**-**	**-**	**7,971,981**	**23,237,436**	**-**	**31,209,417**
	67,250,475	**8,100,838**	**29,995,066**	**87,393,473**	**8,909,376**	**201,649,228**
Financial liabilities						
Other payables	**653,292**	**-**	**-**	**-**	**-**	**653,292**
Net financial assets/(liabilities)	**66,597,183**	**8,100,838**	**29,995,066**	**87,393,473**	**8,909,376**	**200,995,936**
2021						
Financial assets						
Cash and cash equivalents	12,710,239	-	-	-	-	12,710,239
Other receivables at amortised cost	9,826	-	-	-	-	9,826
Financial assets at FVOCI	11,894,369	15,972,857	17,199,195	8,025,739	7,539,762	60,631,922
Financial assets at FVTPL	12,914,171	-	4,996,115	95,436,174	-	113,346,460
Financial assets at amortised cost	-	-	7,879,761	23,140,468	-	31,020,229
	37,528,605	15,972,857	30,075,071	126,602,381	7,539,762	217,718,676
Financial liabilities						
Other payables	580,447	-	-	-	-	580,447
Net financial assets/(liabilities)	36,948,158	15,972,857	30,075,071	126,602,381	7,539,762	217,138,229

14. FINANCIAL RISK MANAGEMENT (CONTINUED)

14.6 Liquidity risk (Continued)

Excessive risk concentration

Concentration indicates the relative sensitivity of the Fund's performance to developments affecting a particular industry or geographical location. Concentration of risks arises when a number of financial instruments or contracts are entered into with the same counterparty or when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic political or other conditions. Concentrations of liquidity risk may arise from repayment terms of financial liabilities. Concentrations of foreign exchange risk may arise if the Fund has a significant net open position in a single foreign currency. In order to avoid excessive concentration of risk, the Fund's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. The investment manager is instructed to reduce exposure to excessive risk concentrations.

The Fund shall not invest more than 20% of its Net Asset Value in securities issued by a single issuer (a company or other corporate entity including the subsidiaries thereof) at the time of purchase.

The Fund shall not hold more than 20% of any class of security listed or unlisted, issued by a single issuer. The Fund has complied with these restrictions.

15. INCOME

	2022	2021
	MUR	MUR
(a) Dividend Income		
Foreign dividends	**252,189**	248,857
Local dividends	**697**	1,244
Total	**252,886**	250,101
Witholding tax suffered on foreign dividends	**75,657**	74,657
(b) Interest Income		
Interest income calculated using effective interest method		
Interest on deposits with financial institutions	**318,002**	1,027,095
Interest on other local bonds	**3,392,078**	1,456,727
	3,710,080	2,483,822
Interest income on financial assets held at FVTPL		
Income on Government bond	**4,777,494**	5,932,364
	4,777,494	5,932,364

16. MANAGER'S FEES

Manager's fees are computed daily based on **0.85% p.a of net asset value** of the Fund (2021:0.85% of NAV) and the fees are payable monthly in arrears.

17. TRUSTEE'S FEES

Trustee's fees are computed daily based on **0.085% p.a of net asset value of the Fund plus VAT** (2021:0.085% of NAV plus VAT) with a minimum of MUR 5,000 and maximum MUR 20,000 per month and the fees are payable monthly in arrears.

18. REGISTRY'S FEES

Registry's fees are computed daily based on **0.10% p.a of net asset value** of the Fund (2021:0.10% of NAV) and the fees are payable monthly in arrears.

19. ADMINISTRATOR'S FEES

Administrator's fees are computed daily based on **0.15% p.a of net asset value** of the Fund (2021:0.15% of NAV) and the fees are payable monthly in arrears.

20. ENTRY FEE AND EXIT FEE

Entry fees of up to 0.50% (2021: up to 0.50%) on the units subscribed are retained by the Investment Manager to meet any administration costs in relation to subscription of units.

Exit fees of 0.5% of the Net Asset Value per unit will be applicable at the time of redemption. The redemption proceeds will be reduced by the amount of the exit fees and the net amount paid to the Unitholder.

21. CUSTODIAN FEES

Custodian's fees are computed daily based on **0.06% p.a of investment value** of the Fund (2021: 0.06% p.a of investment value) and the fees are payable monthly in arrears.

22. DISTRIBUTION TO UNITHOLDERS

As at 30 June 2022 distributions made to unitholders were follows:

	Distribution	Distribution per unit
	MUR	MUR
Year ended 30 June 2021	1,131,856	0.06
Quarter ended 30 Sept 2021	1,507,845	0.08
Quarter ended 31 December 2021	1,565,688	0.09
Quarter ended 31 March 2022	1,203,424	0.07
	5,408,813	

As at 30 June 2021 distributions made to unitholders were follows:

	Distribution	Distribution per unit
	MUR	MUR
Year ended 30 June 2020	5,735,331	0.31
Quarter ended 30 Sept 2020	1,237,827	0.07
Quarter ended 31 December 2020	1,424,024	0.08
Quarter ended 31 March 2021	1,447,956	0.08
	9,845,138	

23. UKRAINE WAR

On 24 February 2022, the war between Russia and Ukraine began, as of the issuance date, the countries remain in active armed conflict. Around the same time, the United States, the United Kingdom, the European Union, and other several nations announced a broad array of new or expanded sanctions, export controls and other measures against Russia, Russia-backed separatist regions in Ukraine, and certain banks, companies government officials and other individuals in Russia and Belarus. The ongoing conflict, and the rapidly evolving measures in response, as well as monetary policy tightening around the globe amid a persistently high inflation environment are likely to exert negative impacts on the global economy and business activity.

The impacts of the conflict, risks of heightened geopolitical tensions and the path of monetary policy tightening on the global economic and financial markets are impossible to predict, and as a result, are likely to increase the volatility of the Fund's investments and performance, and the ability of the Fund to achieve its investment objectives. It is to be noted that the Fund does not have any direct investment exposure to Russia, Ukraine, Belarus, or the immediate surrounding areas.

24. EVENTS AFTER REPORTING DATE

There has been no material events after the reporting date which would require disclosure or adjustment to the Financial Statements for the year ended 30 June 2022.