

MCB INDIA SOVEREIGN BOND ETF
the "FUND"

ANNUAL REPORT

FOR THE YEAR ENDED JUNE 30, 2023

MCB INDIA SOVEREIGN BOND ETF

ANNUAL REPORT

FOR THE YEAR ENDED JUNE 30, 2023

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NOTICE

Unless otherwise mentioned herein, all references of Acts and Regulations in this Annual Report relates to legislations issued in the Republic of Mauritius.

MCB INDIA SOVEREIGN BOND ETF

MANAGEMENT & ADMINISTRATION

		Date of appointment
BOARD MEMBERS	Mr Gilbert Gnany	March 04, 2016
	Mr Sanjay Sachdev	March 04, 2016
	Mr Patrick Eric Ronald Lam Yan Foon	March 04, 2016
	Mr Jean Hok Yui How Hong	October 05, 2017
	Ms Li Fa Cheung Kai Suet	January 31, 2022
PLACE OF BUSINESS OF THE FUND	C/o MCB Investment Management Co. Ltd 9-15, Sir William Newton Street Port Louis, MAURITIUS	
REGISTERED OFFICE	C/o Apex Fund & Corporate Services (Mauritius) Ltd Lot 15 A3 1st Floor, Cybercity Ebène 72201, MAURITIUS	
FUND MANAGER	MCB Investment Management Co. Ltd 9-15, Sir William Newton Street Port Louis, MAURITIUS	
CORPORATE SECRETARY	Apex Fund & Corporate Services (Mauritius) Ltd Lot 15 A3 1st Floor, Cybercity Ebène 72201, MAURITIUS	
REGISTRAR	MCB Registry & Securities Ltd 9-15, Sir William Newton Street Port Louis, MAURITIUS	
BANKER	The Mauritius Commercial Bank Ltd 9-15, Sir William Newton Street Port Louis, MAURITIUS	
CUSTODIAN FOR INVESTMENTS	Citibank, N.A. FIFC, 11th Floor C-54/55, G Block, Bandra Kurla Complex, Bandra – East Mumbai 400 098, INDIA	
AUDITORS	BDO & Co 10, Frere Felix de Valois Street Port Louis, MAURITIUS	
ISIN	MU0516N00024	

MCB INDIA SOVEREIGN BOND ETF

CORPORATE GOVERNANCE REPORT FOR THE YEAR ENDED JUNE 30, 2023

1. GOVERNANCE STRUCTURE

1.1 Overview

MCB India Sovereign Bond ETF (the "Fund") was incorporated in Mauritius under the Companies Act 2001 on March 04, 2016 as a public company with liability limited by shares and is authorised by the Financial Services Commission (the "FSC") to operate as a Collective Investment Scheme, categorised as a Global Scheme pursuant to a Global Business Licence from the FSC. The Fund was admitted on the Stock Exchange of Mauritius on June 06, 2016 and is not a public interest entity as defined by law but is required to apply the National Code of Corporate Governance for Mauritius (2016) (the "Code") by the FSC. It is committed to the highest standard of business integrity, transparency and professionalism in all its activities to ensure that the activities of the Fund are managed ethically and responsibly to enhance value for all stakeholders.

The Fund is managed by MCB Investment Management Co. Ltd (the "Manager"), a company duly licensed by the FSC to promote, manage and administer collective investment schemes and closed-end funds.

The Fund has no employees and its day-to-day operations are handled by its functionaries which include the Manager, a registrar and a custodian.

1.2 Statement of Compliance

The board of directors has given and will continue to give due consideration to the principles of good corporate governance which are applicable to the Fund under the Code. It is worth noting that the ultimate holding company of the Manager, MCB Group Limited ("MCBG"), is required to comply with the principles of the Code.

Throughout the year ended June 30, 2023, to the best of the Board's knowledge the organisation has complied with the Code in all material aspects except for certain sections as mentioned and explained in the table below.

Principle	Section relating to	Reasons for non-compliance
2	Organisations should have at least an Audit Committee and a Corporate Governance Committee	Given that the Fund is a Collective Investment Scheme, this Principle is being complied with at the level of the Manager's holding and ultimate holding companies.
2	Board Structure with a designated chairperson with an appropriate combination of executive, non-executive and independent directors and having both genders.	Given that the Fund is a Collective Investment Scheme with no employees, executive directors cannot be appointed. There is no designated chairperson for the Fund and the chairperson for board meetings is decided when the directors meet. Moreover, the board of the Manager, is fully compliant with this Principle.

The board of directors will regularly reassess the requirements of the Code to ensure that the Fund remains compliant thereto.

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1.3 Constitutive documents or Charter documents

1.3.1 Board Charter

The Board Charter has been duly approved by the Board and is reviewed by the latter on a regular basis. The Charter provides for delegation of authority and clear lines of responsibility with a reporting mechanism whereby matters affecting the affairs and reputation of the Fund are duly escalated to the Board of the Fund.

1.3.2 Constitution and Prospectus

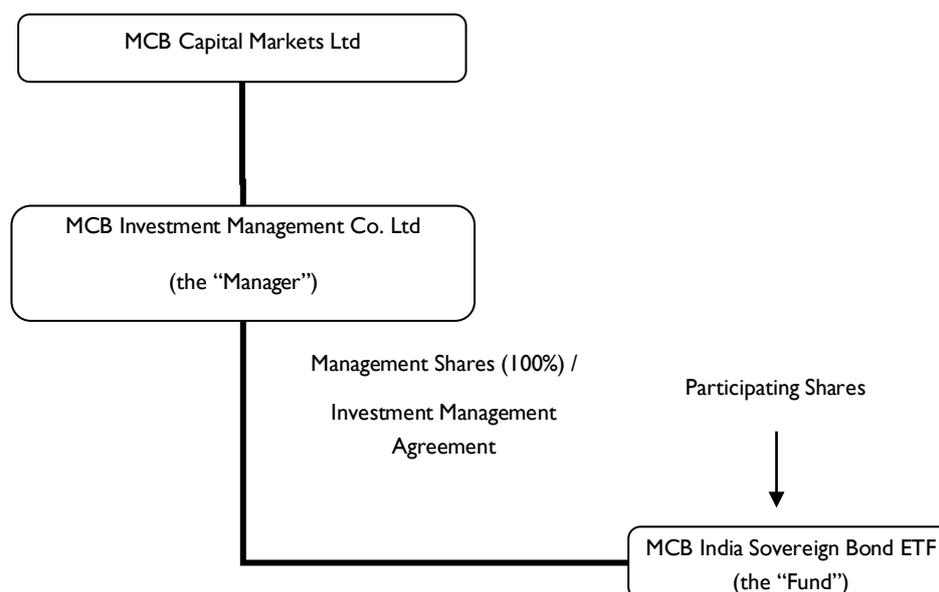
The constitution and prospectus of the Fund (the "Constitutive Documents") have been duly approved by the Board and are reviewed by the latter on a regular basis. The Constitutive Documents provide for delegation of authority and clear lines of responsibility with a reporting mechanism whereby matters affecting the affairs and reputation of the Fund are duly escalated to the Board of the Fund.

The Constitutive Documents provide amongst others the following main objectives:

- (i) Defining the Fund's purpose, strategy and value;
- (ii) Determining policies and best practices to ensure that the business is conducted with the highest standards of ethical conduct within the Fund;
- (iii) Reviewing and, where appropriate, approving risk policy of the Fund; and
- (iv) Reviewing and approving the financial statements of the Fund.

1.3.3 Organisation Structure

The Fund has issued one management share to the Manager, a wholly owned subsidiary of MCB Capital Markets Ltd ("MCBCM"), which is itself wholly-owned by MCBG.



1.3.4 Statement of Main Accountabilities

The Board is responsible and accountable for the long-term success of the Fund and has approved and set the main accountabilities of the Board collectively as follows:

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CORPORATE GOVERNANCE REPORT FOR THE YEAR ENDED JUNE 30, 2023

Main Accountabilities	
Chairperson	<ul style="list-style-type: none">-Provides overall leadership to the Board-Ensures that the Board is effective in its tasks of setting and implementing the Fund's direction and strategy-Ensures that the development needs of the directors are identified and appropriate training is provided to continuously update their skills and knowledge-Maintains sound relations with the shareholders
Board	<ul style="list-style-type: none">-Ensures compliance by the Fund with applicable legislation, regulation and policies-Safeguards the assets of the Fund.-Ensures Board decisions are being implemented and the long-term interests of the shareholder are being served.
Secretary	<ul style="list-style-type: none">-Providing guidance to the Board relating to their duties, responsibilities and powers-Informing the Board of all legislation pertaining to meetings of the shareholders and the Board-Ensuring that the minutes of all meetings of shareholders and Board are properly recorded, and that all statutory registers are properly maintained-Certifying in the annual financial statements, that the Fund has filed with the Registrar of Companies all such returns as are required under the Mauritius Companies Act 2001 (the "Act") as may be amended from time to time.

1.3.5 Material Clauses of the Constitution

As per the constitution of the Fund, no shareholder shall have any pre-emptive rights whatsoever to subscribe for any additional shares issued by the Fund. The Board is expressly permitted to issue further Redeemable Participating Shares as the case may be at any time ranking as to voting or distribution rights or both equally with Redeemable Participating Shares, already issued by the Fund without such issue qualifying as a variation of class rights of the existing Redeemable Participating Shares.

2. THE BOARD STRUCTURE

2.1 Board roles and responsibilities

The Board's primary function is to direct and supervise the business and affairs of the Fund. The Board currently consists of five directors, at least two of whom shall at all times be resident in Mauritius. All board meetings of the Fund are chaired from and decisions are taken in Mauritius. The members of the Board are appointed by the holder of the Management Share.

The Fund is currently managed by a unitary Board of five members, residents of Mauritius, out of whom three (3) are Non-Executive and two (2) are Independent Non-Executive Directors.

There is no designated Chairperson for the Fund. The Chairperson for board meetings is decided when the directors meet.

The Board meets at least four times a year to review the investments, operations and administrative affairs of the Fund. There are no service contracts between the Fund and any of its directors in their personal capacity, nor are any such contracts proposed. A director may vote at, or be counted in the quorum of any meeting of the Board to consider any contract in which the director is interested, provided that such director declares the interest prior to the taking the vote at the meeting and causes such interest to be recorded in the register of interests.

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CORPORATE GOVERNANCE REPORT FOR THE YEAR ENDED JUNE 30, 2023

All the members of the board possess the necessary knowledge, skills, objectivity, intellectual honesty, integrity, experience and commitment to make sound judgements on various key issues relevant to the business of the Fund, independent of the Manager and to protect the interests of shareholders, clients and other stakeholders.

All directors receive timely information so that they are equipped to play as full a part as possible in board meetings. All board members have access to the Company Secretary for any further information they require.

The Fund has entered into an investment management agreement of unlimited duration with the Manager which gives the Manager full power to administer, supervise and direct the acquisition and/or disposal (by whatever means) of the Fund's investments subject to and in compliance with the investment objectives and in light of any reasonable instructions that may be given by the Board.

2.2 Composition of the Board

The Board examines the size, composition and the essential competencies of its members annually to ensure that there is an appropriate balance of skill, experience and knowledge to enable it to carry out its duties and responsibilities effectively. The Board currently comprises of five members as detailed below:

Name	Title	Category	Gender	Country of Residence
Jean HOK YUI HOW HONG	Director	Independent	Male	Mauritius
Sanjay SACHDEV	Director	Non-Executive	Male	USA
Patrick Eric Ronald LAM YAN FOON	Director	Non-Executive	Male	Mauritius
Gilbert GNANY	Director	Non-Executive	Male	Mauritius
Li Fa CHEUNG KAI SUET	Director	Independent	Female	Mauritius

The size of the Board and its level of diversity is commensurate with the size of the Fund which is a Collective Investment Scheme with no employees.

Given that the Fund has no employees, it is not possible to have executive directors. Day-to-day operations are handled by its functionaries which include the Manager, a registrar and a custodian.

Messrs. Patrick Eric Ronald Lam Yan Foon and Gilbert Gnany are directors of the Fund, the Manager and MCBCM. Mr. Gnany is also a director at the level of MCBG.

2.3 Profile of Directors

A brief profile of each director along with their directorships is set out below:

(i) Jean Hok Yui How Hong, Independent Director

Mr. How Hong holds a Diploma in Sugar Technology (School of Agriculture, University of Mauritius). He has 40 years' management experience in the agro-industry, wholesale and distribution sector at Innodis Ltd. He was the Chief Operating Officer for 3 years and then Chief Executive Officer for 8 years prior to retiring in December 2016. Mr. How Hong has assumed functions of Executive Director of Mauritius Farms Ltd, and General Manager (Commercial Division) Happy World Ltd.

Directorship in other listed companies: Innodis Ltd and African Domestic Bond Fund (Stock Exchange of Mauritius)

(ii) Sanjay Sachdev, Non-Executive Director

Mr Sanjay Sachdev has spent 28+ years building game-changing asset management businesses in a number of emerging markets. He drove the creation of several multi-billion dollar asset management businesses, across public and private markets investing in different asset classes and has worked with the Principal Financial Group,

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Shinsei Bank of Japan and the Tata Group in the US, India, S.E. Asia and Japan. Mr. Sachdev does not act as director of any other listed entity.

Directorship in other listed companies: None

(iii) Patrick Eric Ronald Lam Yan Foon (Rony Lam), Non-Executive Director

Mr Lam started his career with KPMG in Beijing and London, where he qualified as a Chartered Accountant. Since 2000, he has pursued a career in investment banking at HSBC Investment Bank and Barclays in London and Asia. From 2007 to 2012, he was a Partner at Fenchurch Advisory Partners, a leading UK investment banking firm focused exclusively on advising financial institutions on mergers and acquisitions and capital markets transactions. Mr Lam was a Cambridge Commonwealth Trust scholar and holds a BA (Honours) and MA (Cantab) in Economics from Cambridge University. He also has a Diploma in Mandarin Chinese from Renmin University of China.

Directorship in other listed companies: African Domestic Bond Fund (Stock Exchange of Mauritius)

(iv) Gilbert Gnany, Non-Executive Director

Mr. Gilbert Gnany holds a 'Licence ès Sciences Economiques (Economie Mathématique)', 'Maîtrise en Économétrie' and 'DESS en Méthodes Scientifiques de Gestion et Calcul Économique Approfondi' (France). Gilbert previously worked as Senior Advisor on the World Bank Group's Executive Board where he was responsible for issues relating mainly to the International Finance Corporation and the private and financial sectors. Prior to joining the World Bank, he was the MCB Group Chief Economist and Group Head of Strategy, Research & Development after having been the Economic Advisor to the Minister of Finance in Mauritius. During his career, he has been involved in various high-profile boards/committees. Amongst others, he chaired the Stock Exchange of Mauritius Ltd, the Statistics Advisory Council and the Statistics Board of Mauritius as well as having been a member of the Board of Governors of the Mauritius Offshore Business Activities Authority, a director of the Board of Investment and of the Mauritius Sugar Authority. He was also a member of the IMF Advisory Group for sub-Saharan Africa and a member of the Senate of the University of Mauritius. He is currently a Board member of several companies within the MCB Group. On the institutional side, he is an external IMF expert in statistics, in particular, on data dissemination standards and strategy. Moreover, he is a member of the Financial Services Consultative Council. He also acts as Chairperson of the Economic Commission of Business Mauritius which serves, inter alia, as a platform for public-private sector dialogue. .

Directorship in listed companies

MCB Group Limited (Stock Exchange of Mauritius)

Promotion and Development Ltd (Stock Exchange of Mauritius)

Caudan Development Ltd (Stock Exchange of Mauritius)

Compagnie Des Villages De Vacances De L'Isle De France Limitée (Stock Exchange of Mauritius)

Medine Ltd (Stock Exchange of Mauritius)

(v) Li Fa Cheung Kai Suet, Independent Director

Ms. Cheung Kai Suet holds a Graduate Diploma in Statistics of the UK Institute of Statisticians, now Royal Statistical Society, and was appointed Chartered Statistician in 2004. She has extensive experience in official statistics. She was the Director/Chief Executive Officer of Statistics Mauritius, the national statistical agency of Mauritius, for 10 years where she was responsible for the development of official statistics and for the co-ordination of statistical activities in the country. Before that, she was Deputy Director of the agency for 5 years. During her terms of office, she took a 2-years' leave to work as Senior Economist for the International Monetary Fund mostly involved in capacity development activities. She is now retired and is currently working as a part-time international consultant in official statistical system.

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Directorship in listed funds: African Domestic Bond Fund (Stock Exchange of Mauritius)

2.4 Corporate Secretary

The Fund's secretary is Apex Fund & Corporate Services (Mauritius) Ltd, a private company incorporated in Mauritius with registered office address at Lot 15 A3, 1st Floor Cybercity, Ebene, 72201 Mauritius ("Corporate Secretary"). Apex Fund & Corporate Services (Mauritius) Ltd, is regulated by the Financial Services Commission and provide inter-alia management, fund administration, trusteeship and other corporate administration and secretarial services. The Corporate Secretary has a pool of professionals who have in-depth knowledge and understanding of the latest rules and regulations governing businesses and other legal entities. All board members have access to the Corporate Secretary for information relating to the Board matters. Profile of the key personnel of Apex Fund & Corporate Services (Mauritius) Ltd is below:

Purnima Boyjonauth-Bhogun (Deepti)

Deepti is currently a Vice President at Apex Fund and Corporate Services Limited (AFCS) whereby she oversees a portfolio of clients which include a mixture of Funds, Global Business Licence companies, Authorised companies, Investment Managers, Investment Advisors, Trusts, Foundation and Domestic companies. Her main role is to ensure excellent client service, ensuring clients are being managed in line with the regulatory framework. She also acts as Director and authorised signatory on client companies. Moreover she leads a team and ensures proper guidance and coaching at all times along with ensuring efficiency.

Deepti holds a BSc (Hons.) Finance from the University of Mauritius and is ACCA (Association of Chartered Certified Accountants) qualified.

Mohammad Salman Ibrahim Hatteea

More than a decade in the offshore industry during which he amassed the savoir-faire in fiduciary & corporate services.

During his career, he has been exposed to sophisticated vehicles including Investment Funds, regulated intermediaries amongst others. Such exposure had enhanced his understanding of the industry and given him the capabilities to participate in corporate structuring, handling company establishment and ongoing administration, be responsible for liaison with authorities, provided dedicated investors' services to HNWI/Institution Investors and much more.

He is currently pursuing his Bsc (Hons) Finance with Law at the Open University of Mauritius.

2.5 Board Attendance

Board meetings are usually held at least four times a year but may be convened at any time in case urgent matters need to be discussed.

No of Meetings held during the year	4
Directors	
Mr. Sanjay Sachdev*	2
Mr. Gilbert Gnany*	4
Mr. Patrick Eric Ronald Lam Yan Foon*	4
Mr. Jean Hok Yui How Hong*	4
Ms. Li Fa Cheung Kai Suet	4

* Physically or through their duly appointed alternate director pursuant to Article 23.9 of the Constitution.

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2.6 Board Committees

Given that the Fund is a Collective Investment Scheme, all board committees have been set up at the level of the Manager's Group.

3. DIRECTORS APPOINTMENT PROCEDURES

3.1 Directors Selection

The Remuneration, Corporate Governance, Ethics and Sustainability Committee (RCGESC) of MCBG identifies suitable candidates for the Board of the Fund after determining whether the potential candidates have the required criteria it has established. The RCGESC then proposes the selected candidates to the Manager and the Board of the Fund for review and approval. The RCGESC also oversees succession planning for independent directors. The ultimate authority for appointment and induction of directors and for succession planning remain with the Board of directors of the Fund.

3.2 Election and Re-election of Directors

All directors are re-elected each year at the annual meeting of shareholders.

3.3 Induction of new Directors

All new directors are given an induction pack, which comprises the offering and constitutive documents and the minutes of the last meeting of the Board. An introductory meeting is organised to explain the business activities of the Fund and its governing policies. The other directors as well as the Company Secretary are readily available to answer any queries that newly appointed directors may have with respect to the Fund.

The above mentioned induction programme meets the specific needs of both the Fund and the newly appointed directors and enable the latter to participate actively in Board discussions.

3.4 Professional Development

Directors are encouraged to keep themselves up to date with the professional practices and industry related developments. The Board regularly reviews and comes to an agreement with each director, if necessary, on his or her training and development needs. Upon request from directors, the Fund provides the necessary resources for developing and updating its directors' knowledge and capabilities.

3.5 Succession Planning

The Fund does not have any direct employees. MCBG is one of the largest group of companies in Mauritius with a large pool of talent with different skills, academic and professional qualifications, and expertise in various fields of business. The MCB Group strategy includes the recognition and fostering of talents within executive and management levels across the Group thus ensuring that opportunities are created to develop current and future leaders.

3.6 Time Commitment

Each director is expected to devote sufficient time and attention to the affairs of the Fund. The Fund anticipates a time commitment of at least 48 hours per annum. This will include attendance at Board meetings, the Annual Meeting of Shareholders and meetings as part of the Board evaluation process and training and development programmes. There is always the possibility of additional time commitment in respect of ad-hoc matters that may arise from time to time, and particularly when the Fund is undergoing a period of increased activity. The Directors allocate sufficient time to the Company's operation (refer to 2.5).

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4. DIRECTORS DUTIES, REMUNERATION AND PERFORMANCE

4.1 Legal duties of Directors

The directors are aware of their legal duties under the Act and other relevant legislations. They exercise the required standard degree of care, skill and diligence which a reasonably prudent and competent director in such position would exercise.

4.2 Remuneration Philosophy

The RCGESC is responsible for the setting up and developing of the Group's policy concerning the remuneration of directors. MCB Group Ltd lays significant emphasis on appointing the right people with relevant skills and appropriate behaviours, and rewarding them, in line with market practice.

The Fund's remuneration philosophy for directors is a fixed annual director fees.

4.3 Directors' Remuneration

Directors	Remuneration from the Fund	
	2023 USD	2022 USD
Mr Gilbert Gnany	-	-
Mr Sanjay Sachdev	-	-
Mr Patrick Eric Ronald Lam Yan Foon	-	-
Mr Jean Hok Yui How Hong	327	345
Ms. Divya Basanta Lala (Resigned on August 03, 2021)	-	30
Ms. Li Fa Cheung Kai Suet	327	140
	654	515

Directors who are already in an executive position within the MCB Group do not receive additional remuneration as Board member, in line with MCBG policy. Mr Sanjay Sachdev is not entitled to any director fees and Mr Jean Hok Yui How Hong and Ms Li Fa Cheung Kai Suet are entitled to a fixed annual director fees of MUR 15,000 each. The Board reviews the remuneration of independent and those non-executive directors who are eligible to receive director's remuneration, and recommendations are made to the RCGESC of MCB Group Ltd, the ultimate holding company.

4.4 Directors' interests in shares

The directors do not hold shares in the Fund directly or through any associate (as defined under the Listing Rules of the Stock Exchange of Mauritius) except for Mr. Gilbert Gnany who held 1,500 participating shares (representing 0.17% of total shares in issue) as at June 30, 2023.

4.5 Directors' service contracts

There are no fixed term contracts or service contracts between the Fund and the directors.

4.6 Related Party Transactions

Related party transactions have been conducted in accordance with the Conflicts of interest and Related Party Transaction Policy and the Code of Ethics. For related party transactions, please refer to note 14 of the Financial Statements.

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4.7 Policies of the Fund and Code of Ethics

The following policies of the ultimate holding company, MCBG, have been adopted by the Manager:

- Information, Information Technology and Information Security Governance Policy
- Conflicts of interest and Related Party Transaction Policy
- Whistleblowing Policy
- Code of Ethics

Compliance with the Code of Ethics is regularly monitored and evaluated by the Board of the Manager. The above policies can be viewed on the website of MCBG.

4.8 Whistleblowing

The Whistleblowing Policy of MCBG provides all employees within the Group, including those of the Manager, a reporting channel on suspected misconduct or malpractice within the Manager without the risk of subsequent victimization or discrimination. The policy outlines the complaint handling and reporting processes to improve transparency.

4.9 Information Governance

The Fund has outsourced substantially all its operations to reputable service providers, mainly within the MCB Group, to whom the policies (as per 4.7 above) of MCBG applies. The Board oversees information governance of its service providers.

4.10 Register of Interest

An interest register is maintained by the Corporate Secretary and is available for consultation by the shareholder upon request.

4.11 Directors' Performance

The Board acknowledges the need of regularly reviewing the performance and effectiveness of the Board and its Directors. The directors endeavour to maintain the same vigilance in leading the Fund. A review is currently being carried out by means of a questionnaire to be filled by each Director to assess the Board's effectiveness and whether directors continue to discharge their respective duties effectively.

5. RISK GOVERNANCE AND INTERNAL CONTROL

The Board of Directors has delegated the responsibilities to ensure the effectiveness of the internal control systems to the Audit Committee of the Company which has set adequate policies to provide reasonable assurance that risks are identified and managed appropriately. Any serious issue arising is take at Board level.

The Manager's policy on risk management encompasses all significant business risks including physical, operational, human resources, technology, business continuity, financial, compliance and reputational which could influence the achievement of the Fund's objectives.

The system of internal control, which is embedded in all key operations of the Manager, provides reasonable rather than absolute assurance that the Fund's business objectives will be achieved.

The Manager, is responsible for the design, implementation and monitoring of all risk, compliance and anti-money laundering policies and procedures of the Fund and has a direct reporting line to the Board of Directors. The Board is satisfied regarding the implementation, operation and effectiveness of internal control and risk management.

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CORPORATE GOVERNANCE REPORT FOR THE YEAR ENDED JUNE 30, 2023

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;
- Reviewing the effectiveness of the system of internal control; and
- Processes to reduce or mitigate identified risks and contain them within the levels of tolerance defined by the Board.

The key risks for the Fund are legal, regulatory, operational, reputational, performance and financial risks. The Board is ultimately responsible for these matters but delegates the ongoing tasks to the Manager.

Legal and regulatory risks are mainly the risks that the Fund does not comply with legal & regulatory requirements namely SEM, FSC and Registrar of Companies. These risks are managed by the Board, taking advice from the Fund's legal advisor where appropriate and setting out of proper processes and procedures in order to comply with all relevant legislations in force to safeguard the assets of the Company. The Board is also covered under appropriate insurance cover taken by the Fund's immediate holding company. Regulatory reporting has outsourced to experienced team of professionals within the MCB Group.

The **operational risks** profile of business activities and processes have been analysed and following evaluation, appropriate controls have been designed and implemented. In addition, risk arising from business processes is managed through the application of the necessary technical controls at every stage of those processes.

Reputational and performance risks are managed by the Board.

The identification and management of the financial risks are discussed in note 4 to the Financial Statements.

During the financial year under review all significant areas with respect to risk governance were covered by the internal control and no risk or deficiency has been noted in the organisation's system of internal controls.

6. REPORTING WITH INTEGRITY

An assessment of the entity's financial and non-financial performance and outlook has been discussed in the manager's report on Page 17-18 of the annual report.

6.1 Health and Safety Issues

The Manager is committed to the highest standards of integrity and ethical conduct in dealing with all its stakeholders.

The Fund however does not have any employees.

6.2 Corporate Social Responsibility

There were no Corporate Social Responsibility contributions made during the year under review.

6.3 Charitable Donation

No donation was made by the Fund during the year under review.

6.4 Political Donation

The Fund did not make any political donation during the year under review.

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CORPORATE GOVERNANCE REPORT FOR THE YEAR ENDED JUNE 30, 2023

6.5 Documents on website

The prospectus, constitution, Board charter, the interim accounts and the latest Audited Financial Statements as well as the Manager's corporate governance undertakings are published on the website of MCB Capital Markets. These documents have been approved by the Board and are monitored and updated in a timely manner further to any changes in laws requirements from regulatory bodies or decision taken by the Board.

7. AUDIT

7.1 Internal Audit

Given that the Fund is a Collective Investment Scheme, internal audit assignments are done at the level of the Manager.

The internal audit function of the Manager is outsourced to the Group Internal Audit Department of The Mauritius Commercial Bank Ltd (GIA), which provides another balanced assessment of key risks and controls, independent from reports received from the Manager's management.

The Head of GIA is independent of the Executive Management of the Manager and reports to the Audit Committee of MCBCM semi-annually.

The audit team executes its duties freely and objectively in accordance with the Institute of Internal Auditors' Code of Ethics and International Standards on independence and objectivity. All members of the audit team are required to sign the Code of Ethics on an annual basis.

GIA ensures that the quality of internal audit services provided to the Manager is aligned with recognised best practices. GIA leverages on a systematic and disciplined approach, notably through the use of well-focused audit work programs and computer aided audit techniques to evaluate the effectiveness of the internal control systems of the Manager. The Institute of Internal Auditors requires each internal audit function to have an external quality assessment conducted at least once every five years. The last exercise was carried out in November/December 2018 [2023 currently in progress], by an internationally recognised auditing firm which confirmed the Internal Audit BU's compliance with the International Standards for the Professional Practice of Internal Audit issued by the above-mentioned institute.

Areas, systems and processes covered by internal audit including non-financial matters are as follows:

- Governance: Review of minutes of Board meetings and review of monitoring process of the Risk and Compliance Unit
- Accounting: Bank reconciliation and fixed assets
- Investment: Investment agreement
- CIS Management: Settlement and dealing, pricing and reporting
- Client take-on: Unit trust –application and redemption
- IT: Quantis logical access management, disaster recovery, shared folder administration, Service Level Agreement
- Others: Human resources analysis

There are no restrictions placed on the internal auditors in conducting their audit exercises.

7.2 External Auditor

The current auditor is BDO & Co and has been appointed in June 2016 and the tenure of office will be reviewed in due course in line with good governance.

The Board receives reports from the Fund's external auditor. The external auditors did not carry out non-audit services for the Fund during the financial year under review.

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The Board recommends the appointment of external auditors to the shareholder.

The Board also evaluates the performance of the External Auditor and reviews the integrity, independence and objectivity of the External Auditor by:

- Confirming that the External Auditor is independent from the Fund
- Considering whether the relationships that may exist between the Fund and the External Auditor impair the External Auditor's judgement

The board will recommend that the audit partner for the Fund be rotated every seven years.

7.3 Auditor's Fees

The fees payable to the auditor, for audit for the year under review were as follows:

	2023	2022
	USD	USD
Audit fees - BDO & Co	<u>4,370</u>	<u>3,910</u>

Fees are inclusive of VAT. No other services have been provided by the auditor for the year under review.

8. RELATIONS WITH THE SHAREHOLDER AND OTHER KEY STAKEHOLDERS

Shareholders are kept properly informed on matters affecting the Fund. The annual meeting of shareholder is held in accordance with the Act and upon consultation with the shareholder. Notices for the annual meeting and other shareholder meetings are duly sent to the shareholder.

The Fund's website is used to provide relevant information to other stakeholders. Open lines of communication are maintained to ensure transparency and optimal disclosure.

8.1 Shareholders Agreement Affecting The Governance of the Fund by the Board

There is currently no such agreement.

8.2 Major Transaction

No major transaction as defined under section 130(2) of the Act was undertaken.

8.3 Third Party Management Agreement

(a) Investment Management Agreement

The Fund has entered into an investment management agreement with the Manager which gives the latter full power to administer, supervise and direct the acquisition and/or disposal (by whatever means) of the Fund's investments subject to and in compliance with the investment objectives and in light of any reasonable instructions that may be given by the Board. The Manager fulfils additional duties and reporting obligations including:

- To provide instructions with respect to the execution of purchases and sales of investments on behalf of the Fund as it deems to be in the best interests of the Fund;
- To make all material disclosures to the Fund regarding itself and its members, managers, partners, officers, directors, shareholders, employees, affiliates or any person who controls any of the foregoing, their investment performance and general investment methods, the investment performance of their customer accounts;

MCB INDIA SOVEREIGN BOND ETF

CORPORATE GOVERNANCE REPORT FOR THE YEAR ENDED JUNE 30, 2023

- (iii) To maintain a continuous record of all investments and securities acquired by the Fund and with respect to all transactions effected by it or on behalf of the Fund in accordance with such regulatory and reporting requirements of the FSC and such other relevant authorities;
- (iv) To maintain such books and records as are appropriate, check all periodical reports, transaction advice and/or statements received from time to time from the Custodian and shall render to the Fund such periodic and special reports as the Fund may reasonably request from time to time;
- (v) To deal with applications for shares of the Fund and cause for the issue of shares duly subscribed for;
- (vi) To calculate the Net Asset Value of the Redeemable Participating Shares; and
- (vii) To perform (by itself or through other service providers) all administrative services required by the Fund and engage in any other lawful activities.

(b) Registrar

The Fund has appointed MCB Registry and Securities Ltd as its registrar (the "Registrar"). The Registrar is incorporated under the laws of Mauritius and is licensed by the FSC as a Registrar and Transfer Agent. The duties of the Registrar include:

- (i) Maintaining, in relation to each class of shares, the register of shareholders of the Fund and generally performing all actions related to the issuance and transfer of Participating Shares and the safe-keeping of certificates, if any;
- (ii) Recording in the register all redemption and/or issue of Redeemable Participating Shares;
- (iii) Dealing with and replying to all correspondence and other communications addressed to the Fund in relation to the replacement or transfer of Redeemable Participating Shares; and
- (iv) Performing all other incidental services necessary to its duties, which duties are set out in the registrar and transfer agent agreement.

(c) Corporate Secretary

Apex Fund & Corporate Services (Mauritius) Ltd has been appointed corporate secretary. The Corporate Secretary is incorporated under the laws of Mauritius and is licensed by the FSC as a Management Company to, inter alia, provide company management services to global business companies. The duties of the Corporate Secretary include:

- (i) Providing guidance to the Board relating to their duties, responsibilities and powers;
- (ii) Informing the Board of all legislation pertaining to meetings of the shareholders and the Board;
- (iii) Ensuring that the minutes of all meetings of shareholders and Board are properly recorded, and that all statutory registers are properly maintained; and
- (iv) Certifying in the annual financial statements, that the Fund has filed with the Registrar of Companies all such returns as are and may be required under Mauritian laws.

8.4 Shareholders Holding more than 5% of the Fund

Holders of Management Shares as at June 30, 2023

MCB Investment Management Co. Ltd	100.0%
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Messrs. Patrick Eric Ronald Lam Yan Foon and Gilbert Gnany are directors of the Fund, the Manager and MCBCM. Mr. Gnany is also a director at the level of MCBG.

8.5 Share Option Plan

No such scheme currently exists within the Fund.

MCB INDIA SOVEREIGN BOND ETF

CORPORATE GOVERNANCE REPORT FOR THE YEAR ENDED JUNE 30, 2023

8.6 Timetable of important events

The Board aims to hold board meetings at least four times a year. Annual Meeting of Shareholders is usually held in November/ December.

8.7 Distribution Policy

The holders of Management Share do not have any rights to dividends whereas holders of Redeemable Participating Shares are entitled to dividends twice a year (subject to solvency requirements).

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors collectively as a Board acknowledge their responsibilities for the following and state that:

- (i) the financial statements fairly present the state of affairs of the Fund as at the end of the financial year and the result of operations and cash flows for the year;
- (ii) adequate accounting records and effective internal control systems and risk management have been maintained;
- (iii) appropriate accounting policies supported by reasonable and prudent judgements and estimates have been used consistently;
- (iv) the financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), International Accounting Standard (IAS), the Mauritius Companies Act 2001 and the Mauritius Financial Reporting Act 2004;
- (v) the financial statements have been prepared on a going concern basis;
- (vi) they are responsible for safeguarding the assets of the Fund;
- (vii) they are responsible for leading and controlling the organization and meeting all legal and regulatory requirements;
- (viii) they have taken reasonable steps for the prevention and detection of fraud and other irregularities.

The external auditor is responsible for reporting on whether the financial statements are fairly presented.

Having taken all the matters considered by the Board and brought to the attention of the Board during the year into account, we are satisfied that the annual report and financial statements taken as a whole are fair, balanced and understandable.

For and on behalf of the board of directors:



Mr Patrick Eric Ronald Lam Yan Foon
Director



Ms Li Fa Cheung Kai Suet
Director

Date: September 22, 2023

MCB INDIA SOVEREIGN BOND ETF

CORPORATE GOVERNANCE REPORT FOR THE YEAR ENDED JUNE 30, 2023

STATEMENT OF COMPLIANCE FOR THE YEAR ENDED JUNE 30, 2023

As per circular letter issued by the FSC on October 28, 2021

Name of Fund : MCB India Sovereign Bond ETF

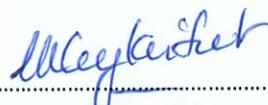
Reporting Period : July 01, 2022 to June 30, 2023

We, the directors of MCB India Sovereign Bond ETF, confirm to the best of our knowledge that the Fund has complied with all of its obligations and requirements under the Code of Corporate Governance except for certain sections as mentioned and explained in section 1.2 of the Corporate Governance Report.

Signed for and on behalf of the Board of Directors on September 22, 2023.



.....
Mr Patrick Eric Ronald Lam Yan Foon
Director



.....
Ms Li Fa Cheung Kai Suet
Director

MCB INDIA SOVEREIGN BOND ETF

MANAGER'S REPORT

FOR THE YEAR ENDED JUNE 30, 2023

MCB India Sovereign Bond ETF Returns (USD)				
Security	3 Months	6 Months	1 Year	Inception (Annualised Return)
MCB India Sovereign Bond ETF (NAV to NAV)	2.20%	4.90%	2.70%	1.40%
MCB India Sovereign Bond ETF (Market price) ¹	4.50%	5.30%	1.00%	1.40%
Benchmark	3.10%	5.80%	5.10%	3.00%

1.Adjusted for Dividends

Inception date : 6 June 2016

Benchmark : ZyFin India Sovereign Bond Liquid Index

June 2023 Review

Interest rates in India underwent a paradigm shift during the year as the RBI aggressively tightened monetary policy in reaction to external variables and a higher internal inflation trajectory. Debt investors suffered a substantial mark-to-market hit as a result of the year's rapid rise in domestic interest rates with a flattening bias.

Amid global uncertainty, the Indian economy remained a bright spot with inflation edging down while the growth outlook consolidated. Despite the RBI Governor reiterating that the back to back pauses by the Monetary Policy Committee (MPC) in their April and June meetings were not be construed as a definitive change in policy direction, the high real rates and warnings from external MPC members coupled with the policy pause by the US Federal Reserve in June indicated that interest rates were nearing their peak in the absence of major shocks on the inflation and geopolitical front.

Yield Movement

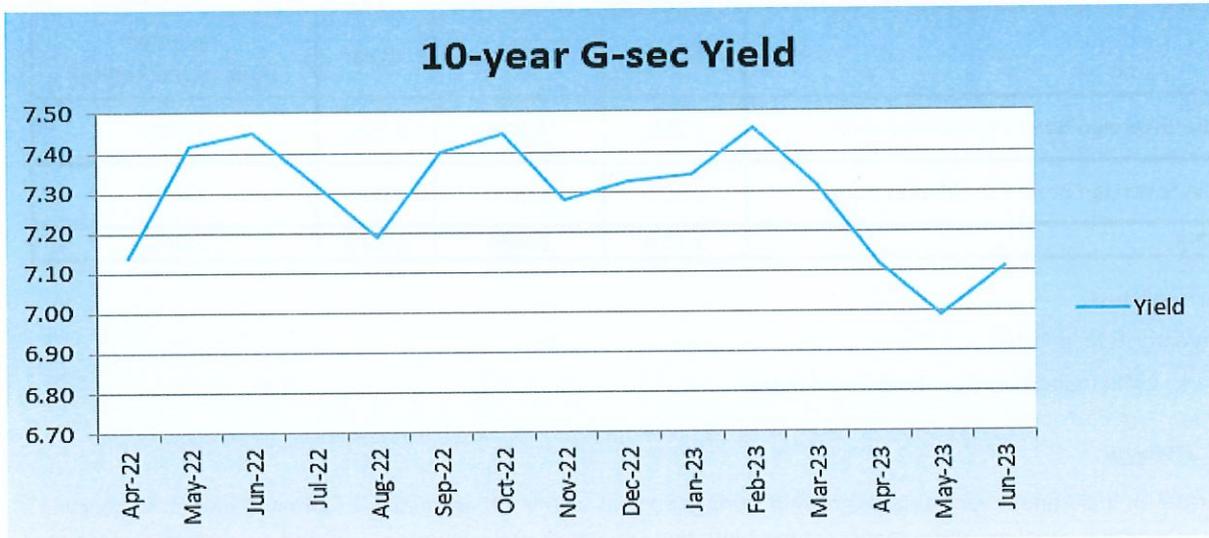
Strong appetite for G-Secs pulled down the benchmark bond yields even as the overnight money market and T-Bill rates firmed up during Q4-FY23. While having a steady decline in the headline inflation numbers, the fall in US yields and crude oil prices amid strong demand from market participants, pulled down the longer end of the yield curve and shorter end rates up to 5 years found support from increasing expectations of an extended pause by RBI. However, the very short end moved up sharply reflecting higher cut-off in the T-Bill auctions and the impact of previous rate hikes. The yield curve flattened further, with the 10Y-LAF Repo spread contracting to 48 bps on June 2nd, before settling around 60 bps at end-June. The yield curve is expected to steepen gradually as increased supply in the longer end is expected to pull up the yields, while the larger than budgeted RBI dividend and robust tax collections are expected to ease the pressure on the shorter end.

MCB INDIA SOVEREIGN BOND ETF

MANAGER'S REPORT

FOR THE YEAR ENDED JUNE 30, 2023

Yield Movement (Cont'd)



Year 2023: Expected to bring a fresh life to fixed income market as risk-reward turn favourable

2023 commenced on a positive note with many Central Banks already starting to moderate the rate hikes from the so-called jumbo ones as the inflation trajectory has reversed. This indicates the market conditions returning to a more normal level. As the global growth slowdown/recession fears take the centre stage during the year, correction in global commodity prices, better resolution of supply chain bottlenecks and most critically - relatively stable currency market points to a benign environment for interest rates, especially as the rates are already highly elevated.

MANAGER

For and on behalf of

MCB INVESTMENT MANAGEMENT CO. LTD

MCB INDIA SOVEREIGN BOND ETF
SECRETARY'S CERTIFICATE
FOR THE YEAR ENDED JUNE 30, 2023

Pursuant to section 166(d) of the Companies Act 2001, we certify that, to the best of our knowledge and belief, the Fund has filed with the Registrar of Companies all such returns as are required under the Companies Act 2001.



SECRETARY

For and on behalf of

Apex Fund & Corporate Services (Mauritius) Ltd

Date: September 22, 2023

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of MCB India Sovereign Bond ETF

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of MCB India Sovereign Bond ETF (the "Fund"), on pages 21 to 44 which comprise the statement of financial position as at June 30, 2023, and the statement of profit or loss and other comprehensive income, statement of changes in net assets attributable to holders of redeemable participating shares 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 financial statements on pages 21 to 44 give a true and fair view of the financial position of the Fund as at June 30, 2023, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Mauritian Companies Act 2001.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (the "IESBA Code"). 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



INDEPENDENT AUDITOR'S REPORT

To the Shareholders of MCB India Sovereign Bond ETF

Key Audit Matters (cont'd)

Refer to the significant accounting policies note 3(f) and note 6 (Financial Assets at Fair Value through Profit or Loss) of the accompanying financial statements	
Key Audit Matter	How our audit addressed the key audit matter
<p>Valuation of financial assets at fair value through profit or loss</p> <p>As at 30 June 2023, the Fund had investments in financial assets amounting to USD 6,956,346. The financial assets are classified as financial assets at fair value through profit or loss (FVTPL) and comprise of local currency bond issued by the Central Government of India.</p> <p>Financial assets at FVTPL are subsequently measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss.</p> <p>In accordance with IFRS 13 Fair Value Measurement, the financial assets are a Level 1 fair value hierarchy since they have quoted prices (unadjusted) in active markets for identical assets.</p> <p>The carrying value of the financial asset is a significant item on the statement of financial position and is considered as a key audit matter.</p>	<ul style="list-style-type: none"> - We assessed the design and operating effectiveness of the Fund's key controls supporting the existence and valuation of the currency bond. - We ensured existence and completeness of the currency bond through independent confirmation. - We agreed the share price to Bloomberg screen. - We recomputed the carrying value of the financial asset and agreed to valuation report. - We ensured that the measurement basis for the valuation method used was in accordance with International Financial Reporting Standards. - We reviewed and assessed the completeness of the disclosures in the financial statements for compliance with International Financial Reporting Standards.

Other Information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

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.



INDEPENDENT AUDITOR'S REPORT (CONT'D)

To the Shareholders of MCB India Sovereign Bond ETF

Responsibilities of Directors and Those Charged with Governance for the Financial Statements

The Directors 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 Mauritian Companies Act 2001, and for such internal control as the Directors determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance 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.

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

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

20(b)



INDEPENDENT AUDITOR'S REPORT (CONT'D)

To the Shareholders of MCB India Sovereign Bond ETF

Auditor's Responsibilities for the Audit of the Financial Statements (cont'd)

- 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.

We also provide the those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Mauritian Companies Act 2001

The Mauritian Companies Act 2001 requires that in carrying out our audit we consider and report on the following matters. We confirm that:

- We have no relationship with, or interests in, the Fund, other than in our capacity as auditor, and dealings in the ordinary course of business.
- We have obtained all information and explanations we have required.
- In our opinion, proper accounting records have been kept by the Fund as far as it appears from our examination of those records.



INDEPENDENT AUDITOR'S REPORT (CONT'D)

To the Shareholders of MCB India Sovereign Bond ETF

Report on Other Legal and Regulatory Requirements (cont'd)

Mauritian Financial Services Act 2007

Our responsibility under the Mauritian Financial Services Act 2007 Circular Letter CL281021 is to report on the compliance with the Code of Corporate Governance ("Code") 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 Fund has complied with the requirements of the Code.

Other Matter

This report is made solely to the Fund's shareholders, as a body, in accordance with Section 205 of the Mauritian Companies Act 2001. Our audit work has been undertaken so that we might state to the Fund's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund and the Fund's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

BDO & Co

Chartered Accountants

Ameenah Ramdin, FCCA, FCA
Licensed by FRC

Port Louis,
Republic of Mauritius

September 22, 2023

20(d)

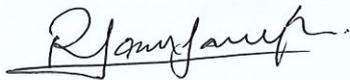
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BDO is the brand name for the BDO network and for each of the BDO Member Firms.

MCB INDIA SOVEREIGN BOND ETF
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2023

	Notes	2023 USD	2022 USD
ASSETS			
Other receivables	7	12,791	17,936
Financial assets at fair value through profit or loss	6(i)	6,956,346	7,274,410
Cash and cash equivalents	12(b)	2,521	683
Total assets		6,971,658	7,293,029
EQUITY			
Management Share	10	10	10
LIABILITIES			
Current tax liabilities	13(a)	29,396	24,346
Other payables	11	11,312	16,862
Total liabilities (excluding net assets attributable to holders of redeemable participating shares)		40,708	41,208
Net assets attributable to holders of redeemable participating shares	9(iv)	6,930,940	7,251,811
Total liabilities		6,971,648	7,293,019
Total equity and liabilities		6,971,658	7,293,029
Net asset value per share	9(iv)	7.69	7.92

These financial statements have been approved for issue by the Board of Directors on September 22, 2023.



Mr Patrick Eric Ronald Lam Yan Foon
 Director



Ms Li Fa Cheung Kai Suet
 Director

The notes on pages 25 to 43 form an integral part of these financial statements.
 Independent auditor's report on pages 20 to 20 (d).

MCB INDIA SOVEREIGN BOND ETF

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2023

	Notes	2023 USD	2022 USD
Income			
Interest on fixed income securities	3(d)	474,404	491,765
Other interest income		-	791
Refund from Manager		31,064	29,139
		<u>505,468</u>	<u>521,695</u>
Expenses			
Manager's fees	14(a)	51,444	58,841
Licence fees		16,721	18,552
Professional fees		10,053	8,141
Custodian's fees		9,397	9,147
Other direct fees		7,772	8,040
Registrar's fees	14(b)	5,223	6,010
		<u>100,610</u>	<u>108,731</u>
Operating profit		<u>404,858</u>	412,964
Net losses from financial instruments at fair value through profit or loss	6(ii)	(207,531)	(1,198,183)
Foreign exchange gains/(losses)		42,859	(32,422)
		<u>(164,672)</u>	<u>(1,230,605)</u>
Profit/(loss) before distribution		240,186	(817,641)
Distribution to holders of redeemable participating shares	8	(381,322)	(357,183)
Loss before taxation		<u>(141,136)</u>	(1,174,824)
Taxation	13(b)	(67,158)	(42,918)
Loss for the year		<u>(208,294)</u>	(1,217,742)
Equalisation			
Income paid on units liquidated		(1,870)	-
Decrease in net assets attributable to holders of redeemable participating		<u>(210,164)</u>	<u>(1,217,742)</u>

The notes on pages 25 to 43 form an integral part of these financial statements.
Independent auditor's report on pages 20 to 20 (c).

MCB INDIA SOVEREIGN BOND ETF

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE PARTICIPATING SHARES FOR THE YEAR ENDED JUNE 30, 2023

	<u>Notes</u>	<u>2023</u> USD	<u>2022</u> USD
At July 01		7,251,811	8,469,553
Redemption of redeemable participating shares	9(ii)	(110,707)	-
Decrease in net assets attributable to holders of redeemable participating shares		<u>(210,164)</u>	<u>(1,217,742)</u>
At June 30		<u>6,930,940</u>	<u>7,251,811</u>

The notes on pages 25 to 43 form an integral part of these financial statements.
Independent auditor's report on pages 20 to 20 (c).

MCB INDIA SOVEREIGN BOND ETF

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2023

	<u>Notes</u>	<u>2023</u>	<u>2022</u>
		USD	USD
Cash flows from operating activities			
Cash used in operations	12(a)	(68,682)	(80,347)
Tax paid	13(a)	<u>(62,108)</u>	<u>(19,207)</u>
Net cash used in operating activities		(130,790)	(99,554)
Cash flows from investing activities			
Interest received on fixed income securities		502,426	309,574
Purchase of financial assets	6(i)	(14,648,412)	(16,207,706)
Proceeds from disposal of financial assets		<u>14,730,923</u>	<u>16,372,665</u>
Net cash generated from investing activities		584,937	474,533
Cash flows from financing activities			
Redemption of redeemable participating shares	9(ii)	(110,707)	-
Income paid on redeemable participating shares liquidated		(1,870)	-
Distribution paid to holders of redeemable participating shares	8	<u>(381,322)</u>	<u>(357,183)</u>
Net cash used in financing activities		(493,899)	(357,183)
(Decrease)/increase in cash and cash equivalents		<u>(39,752)</u>	<u>17,796</u>
Movement in cash and cash equivalents			
At July 01,		683	15,309
(Decrease)/increase in cash and cash equivalents		(39,752)	17,796
Effect of foreign exchange differences		<u>41,590</u>	<u>(32,422)</u>
At June 30,	12(b)	<u>2,521</u>	<u>683</u>

The notes on pages 25 to 43 form an integral part of these financial statements.
Independent auditor's report on pages 20 to 20 (c).

MCB INDIA SOVEREIGN BOND ETF

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

1 OBJECTIVE

The Fund's objective is to track the performance of Zyfin India Sovereign Bond Liquid Index in USD which is constituted of the most liquid, fixed rate, local currency bond issued by the Central Government of India.

2 BASIS OF PREPARATION

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented unless otherwise stated and where necessary, comparative figures have been amended to conform with changes in presentation in the current year.

The financial statements of MCB India Sovereign Bond ETF comply with the Companies Act 2001 and have been prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements are presented in US Dollars (USD) and all values are rounded to the nearest dollar, except when otherwise indicated. The financial statements are prepared under the historical cost convention, except for financial assets at fair value through profit or loss which is stated at fair value. (Note 6)

Standards, Amendments to published Standards and Interpretations effective in the reporting period

IFRS 1 First-time Adoption of International Financial Reporting Standards

Annual Improvements to IFRS Standards 2018– 2020: Extension of an optional exemption permitting a subsidiary that becomes a first-time adopter after its parent to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs. A similar election is available to an associate or joint venture. The amendments have no impact on the Fund's financial statements.

IFRS 3 Business Combinations

Reference to the Conceptual Framework: The amendment updates a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. The amendments have no impact on the Fund's financial statements.

IFRS 9 Financial Instruments

Annual Improvements to IFRS Standards 2018– 2020: The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in assessing whether to derecognise a financial liability. The amendments have no impact on the Fund's financial statements.

IAS 16 Property, Plant and Equipment

Property, Plant and Equipment: Proceeds before Intended Use: The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss. The amendments have no impact on the Fund's financial statements.

IAS 37 Provisions, Contingent Liabilities and Contingent Assets

Onerous Contracts—Cost of Fulfilling a Contract: The amendments specify which costs should be included in an entity's assessment whether a contract will be loss-making. The amendments have no impact on the Fund's financial statements.

IAS 41 Agriculture

Annual Improvements to IFRS Standards 2018– 2020: The amendment removes the requirement for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. The amendments have no impact on the Fund's financial statements.

MCB INDIA SOVEREIGN BOND ETF

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

2 BASIS OF PREPARATION (CONT'D)

Standards, Amendments to published Standards and Interpretations issued but not yet effective

Certain standards, amendments to published standards and interpretations have been issued that are mandatory for accounting periods beginning on or after January 1, 2023 or later periods, but which the Fund has not early adopted.

At the reporting date of these financial statements, the following were in issue but not yet effective:

Effective date January 1, 2023

IFRS 17 Insurance contracts

IFRS 17 creates one accounting model for all insurance contracts in all jurisdictions that apply IFRS. IFRS 17 requires an entity to measure insurance contracts using updated estimates and assumptions that reflect the timing of cash flows and take into account any uncertainty relating to insurance contracts. The financial statements of an entity will reflect the time value of money in estimated payments required to settle incurred claims. Insurance contracts are required to be measured based only on the obligations created by the contracts. An entity will be required to recognise profits as an insurance service is delivered, rather than on receipt of premiums. This standard replaces IFRS 4 – Insurance Contracts.

IAS 1 Presentation of Financial Statements

Disclosure of Accounting Policies: The amendments require companies to disclose their material accounting policy information rather than their significant accounting policies, with additional guidance added to the Standard to explain how an entity can identify material accounting policy information with examples of when accounting policy information is likely to be material.

IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

Definition of Accounting Estimates: The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates, by replacing the definition of a change in accounting estimates with a new definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”. The requirements for recognising the effect of change in accounting prospectively remain unchanged.

IAS 12 Income Taxes

Deferred Tax related to Assets and Liabilities arising from a Single Transaction: The amendment clarifies how a company accounts for income tax, including deferred tax, which represents tax payable or recoverable in the future. In specified circumstances, companies are exempt from recognising deferred tax when they recognise assets or liabilities for the first time. The aim of the amendments is to reduce diversity in the reporting of deferred tax on leases and decommissioning obligations, by clarifying when the exemption from recognising deferred tax would apply to the initial recognition of such items.

International Tax Reform — Pillar Two Model Rules: The amendments provide a temporary exception to the requirements regarding deferred tax assets and liabilities related to pillar two income taxes.

MCB INDIA SOVEREIGN BOND ETF

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

2 BASIS OF PREPARATION (CONT'D)

Standards, Amendments to published Standards and Interpretations issued but not yet effective (Cont'd)

Effective date January 1, 2024

IAS 1 Presentation of Financial Statements

Classification of Liabilities as Current or Non-current: Narrow-scope amendments to IAS 1 to clarify how to classify debt and other liabilities as current or non-current.

Non-current Liabilities with Covenants: Subsequent to the release of amendments to IAS 1 Classification of Liabilities as Current or Non-Current, the IASB amended IAS 1 further in October 2022. If an entity's right to defer is subject to the entity complying with specified conditions, such conditions affect whether that right exists at the end of the reporting period, if the entity is required to comply with the condition on or before the end of the reporting period and not if the entity is required to comply with the conditions after the reporting period. The amendments also provide clarification on the meaning of 'settlement' for the purpose of classifying a liability as current or non-current.

IFRS 16 Leases

Lease Liability in a Sale and Leaseback: The amendment clarifies how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale.

IAS 7 Statement of Cash Flows & IFRS 7 Financial Instruments: Disclosures

Supplier Finance Arrangements: The amendments add disclosure requirements, and 'signposts' within existing disclosure requirements, that ask entities to provide qualitative and quantitative information about supplier finance arrangements.

Amendment for which effective date has been deferred indefinitely until further notice

IFRS 10 Consolidated Financial Statements

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28): Narrow scope amendment address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

IAS 28 Investments in Associates and Joint Ventures

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28): Narrow scope amendment to address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

Where relevant, the Fund is still evaluating the effect of these Standards, Amendments to published Standards and Interpretations issued but not yet effective, on the presentation of its financial statements.

MCB INDIA SOVEREIGN BOND ETF

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been consistently applied to all the years presented in these financial statements, unless otherwise stated.

(a) Foreign currencies

(i) *Functional and presentation currency*

The financial statements are presented in US Dollars (USD), which is the Fund's functional and presentation currency. The Fund's business or other activity is carried out in a currency other than the Mauritian rupee, which is a requirement of the Financial Services Act 2007. Subscriptions and redemptions of the redeemable participating shares in the Fund are denominated in US Dollar. The performance of the Fund is measured and reported to the investors in USD. The Board of Directors considers the USD as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions.

(ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency of the Fund using the mid-exchange rates prevailing on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss and other comprehensive income.

Foreign exchange gains and losses that relate to cash and cash equivalents and other items are presented in profit or loss within 'foreign exchange gains/(losses)'.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rate prevailing at the date that their fair value are determined.

(b) Net losses from financial instruments at fair value through profit or loss

Net losses from financial instruments at fair value through profit or loss includes all realised and unrealised fair value changes.

(c) Fees & Other Expenses

Fees and other expenses are recognised in profit or loss on an accrual basis.

(d) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Fund and the revenue can be reliably measured.

Interests receivable are accrued as and when the Fund is entitled to receive interest income over time.

(e) Current and Deferred income tax

Current Tax

The current income tax is based on taxable income for the year calculated on the basis of tax laws enacted or substantively enacted by the end of the reporting period.

Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

MCB INDIA SOVEREIGN BOND ETF

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Current and Deferred income tax (Cont'd)

Deferred income tax (Cont'd)

Deferred income tax is determined using the tax rates that have been enacted or substantively enacted at the reporting date and are expected to apply in the period when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which deductible temporary differences can be utilized.

(f) 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 depends on the Fund's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset.

The Manager determines the classification of investments at initial recognition.

The Fund classifies its financial assets into one of the categories discussed below, depending on the business model assessment and contractual cashflows of the assets. The Fund's accounting policy for each category is as follows:

(i) Fair value through profit or loss

The Fund classifies the following financial assets at fair value through profit or loss (FVTPL):

- investment in debt instruments which are held for trading and elected to be classified as FVTPL by the directors.
- debt investments that do not qualify for measurement at either amortised cost or FVOCI.

Financial assets at FVTPL are subsequently measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss.

(ii) Amortised cost

These assets arise principally where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

The Fund's financial assets measured at amortised cost comprise other receivables, excluding prepayments and cash and cash equivalents in the statement of financial position.

Cash and cash equivalents includes bank balances.

MCB INDIA SOVEREIGN BOND ETF
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Financial liabilities

The Fund classifies its financial liabilities as follows:

Other payables are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

(h) Redeemable Participating Shares

The Fund classifies financial instruments issued as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments.

The Participating Shares are the most subordinate classes of financial instruments in the Fund and rank pari passu in all material respects and have the same terms and conditions. The Participating Shares provide investors with the right to require redemption for cash at a value proportionate to the investor's share in the Fund's net assets at each redemption date being every business day and also in the event of the Fund's liquidation.

The Participating Shares are classified as financial liabilities and are measured at the present value of the redemption amounts.

(i) Management Share

Management share is classified as equity. Incremental costs directly attributable to the issue of management share is recognised as a deduction from equity, net of any tax effects.

MCB INDIA SOVEREIGN BOND ETF
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

4 FINANCIAL RISK MANAGEMENT

(a) Financial Risk Factors

The Fund's activities expose it to a variety of financial risks, including:

- Foreign currency risk;
- Liquidity risk and
- Price risk.

A description of the significant risk factors is given below together with the risk management policies applicable.

Foreign Currency Risk

The Fund operates internationally and is exposed to foreign exchange risk arising from Indian Rupees. Refer to the currency profile sensitivity analysis in note 16(c).

Liquidity Risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivery of cash or another financial asset.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the ability to close out market positions. The Fund keeps a minimum cash ratio and invests primarily in easily marketable securities to meet any redemptions.

The following are the contractual maturities of financial assets and financial liabilities, including estimated interest payments.

<u>As at June 30, 2023</u>	<u>On demand</u>	<u>Less than 1 Year</u>	<u>Total</u>
	<u>USD</u>	<u>USD</u>	<u>USD</u>
Financial assets			
Other receivables*	2,880	-	2,880
Financial assets at fair value through profit or loss	6,956,346	-	6,956,346
Cash and cash equivalents	2,521	-	2,521
	<u>6,961,747</u>	<u>-</u>	<u>6,961,747</u>
Financial liabilities			
Other payables	11,312	-	11,312
Net assets attributable to holders of redeemable participating shares	6,930,940	-	6,930,940
	<u>6,942,252</u>	<u>-</u>	<u>6,942,252</u>
Net position	<u>19,496</u>	<u>-</u>	<u>19,496</u>

*Expenses prepaid have been excluded from other receivables.

MCB INDIA SOVEREIGN BOND ETF
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

4 FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Financial Risk Factors (Cont'd)

Liquidity Risk (Cont'd)

As at June 30, 2022

	On demand	Less than 1 Year	Total
	USD	USD	USD
Financial assets			
Other receivables*	7,082	-	7,082
Financial assets at fair value through profit or loss	7,274,410	-	7,274,410
Cash and cash equivalents	683	-	683
	<u>7,282,175</u>	<u>-</u>	<u>7,282,175</u>
Financial liabilities			
Other payables	16,862	-	16,862
Net assets attributable to holders of redeemable participating shares	<u>7,251,811</u>	<u>-</u>	<u>7,251,811</u>
	<u>7,268,673</u>	<u>-</u>	<u>7,268,673</u>
Net position	<u>13,502</u>	<u>-</u>	<u>13,502</u>

*Expenses prepaid have been excluded from other receivables.

Price Risk

The Fund is exposed to market risk, i.e., the risk that the value of the financial instruments will fluctuate as a result of changes in market prices, whether these changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded on the market. Appropriate strategies are ensured through the investment policy and guidelines approved by the Fund's Board of Directors. Refer to the market risk sensitivity analysis in note 16(d).

(b) Fair value estimation

Except where stated elsewhere, the carrying amounts of the Fund's financial assets and financial liabilities approximate their fair value.

(c) Capital Management

The capital of the Fund is represented by the net assets attributable to holders of redeemable participating shares. The Participating Shares issued by the Fund provide an investor with the right to require redemption for cash at a value proportionate to the investor's share in the Fund's net assets at each redemption date being every business day and are classified as liabilities. See note 9 for a description of the terms of the Redeemable Participating Shares issued by the Fund.

The Fund's objectives in managing the Participating Shares are to ensure a stable base to maximise returns to all investors, and to manage liquidity risk arising from redemptions. The Fund's management of the liquidity risk arising from Participating Shares is discussed in note 4(a).

The Fund is not subject to any externally imposed capital requirements.

MCB INDIA SOVEREIGN BOND ETF

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Fund makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Judgements

(a) Limitation of sensitivity analysis

Sensitivity analysis in respect of market risk demonstrates the effect of a change in a key assumption while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and the other factors. It should also be noted that these sensitivities are non-linear and larger or smaller impacts should not be interpolated or extrapolated from these results.

(b) Election of debt instrument classified as FVTPL

Debt instruments that are held for trading as well as those that do not meet the criteria for classification as amortised cost or FVOCI are classified as FVTPL. Movement in fair values and interest income is recognised in profit or loss in the period in which it arises.

6 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

(i) The movement in financial assets at fair value through profit or loss may be summarised as follows and has been disclosed in the schedule of investments as per note 17(a) to these financial statements:

	2023	2022
	USD	USD
At July 01,	7,050,607	8,413,749
Additions during the year	14,648,412	16,207,706
Disposal during the year	(15,489,483)	(17,014,119)
Fair value losses on financial assets	(18,672)	(569,700)
Fair value release on disposal	569,701	12,971
	6,760,565	7,050,607
Interest receivable	195,781	223,803
At June 30,	6,956,346	7,274,410

As at June 30, 2023, the Fund has investment in one bond which is quoted on the National Stock Exchange of India Limited (NSE) and easily tradable with settlement received/paid the following day after trade has been executed. The Fund does not foresee any credit risk. Debt instrument is not secured by any collateral. All change in fair value is attributable to changes in market conditions as credit risk is low. The maximum exposure to credit risk is USD 6,956,346 for the financial year June 30, 2023 (2022: USD 7,274,410).

(ii) Net losses from financial instruments at fair value through profit or loss

	USD	USD
Fair value losses on financial assets	(18,672)	(569,700)
Losses on disposal of financial assets	(188,859)	(628,483)
	(207,531)	(1,198,183)

MCB INDIA SOVEREIGN BOND ETF
NOTES TO THE FINANCIAL STATEMENTS
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7 OTHER RECEIVABLES

	2023	2022
	USD	USD
Expenses prepaid	9,911	10,854
Receivable from Manager	2,870	7,072
Share capital receivable (note 10)	10	10
	12,791	17,936

The carrying amounts of other receivables (except prepayments) approximate their fair values and do not contain impaired balances. The Fund does not hold any collateral as security.

8 DISTRIBUTION TO REDEEMABLE PARTICIPATING SHAREHOLDERS

	2023	2022
	USD	USD
Paid during the year	381,322	357,183
	381,322	357,183
Interim per unit	0.22	0.18
Final per unit	0.20	0.21
	0.42	0.39

9 MOVEMENT IN PARTICIPATING SHARES

Issued and fully paid

	2023	2022
	No. of Shares	No. of Shares
(i) At July 01,	915,853	915,853
Redemption of shares during the year	(14,550)	-
At June 30,	901,303	915,853
	USD	USD
(ii) At July 01,	12,447,341	12,447,341
Redemption of shares during the year	(110,707)	-
At June 30,	12,336,634	12,447,341

The Board may issue shares at any time and there is no limit on the number of shares to be issued of no par value.

(iii) Class Rights

Rights of Redeemable Participating Shares

1 Voting rights

The holders of Redeemable Participating Shares shall not have the right to receive notice of meeting of shareholders of the Fund and shall have no right to vote at any such meetings and/or to approve any resolution of the Fund except in the circumstances permitted by the Constitution or required under Mauritian Law.

2 Dividends

The holders of Redeemable Participating Shares shall have rights to dividends.

MCB INDIA SOVEREIGN BOND ETF
NOTES TO THE FINANCIAL STATEMENTS
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9 MOVEMENT IN PARTICIPATING SHARES (CONT'D)

(iii) Class Rights (Cont'd)

Rights of Redeemable Participating Shares (Cont'd)

3 Distribution of surplus assets

Upon winding up of the Fund, the holders of Redeemable Participating Shares shall have the right to a pro-rata share of any surplus assets of the Fund but in priority to the holder of Management Share in accordance with the Constitution.

(iv) Reconciliation of Net Assets and Net Assets Value per Share

	2023	2022
	USD	USD
Net Assets calculated as per Prospectus	6,944,147	7,256,825
Adjustments:		
Income tax adjustment	(13,213)	(2,472)
Other payables	(4)	683
Other receivables	10	(3,225)
Net Assets as per Financial Reporting	6,930,940	7,251,811
	Per Share	Per Share
	USD	USD
Net Assets per share calculated as per Prospectus	7.70	7.92
Adjustments:		
Income tax adjustment	(0.01)	(0.00)
Other payables	(0.00)	0.00
Other receivables	0.00	(0.00)
Net Assets per share as per Financial Reporting	7.69	7.92

10 MANAGEMENT SHARE

One Management Share of USD 10 was issued by the Fund to MCB Investment Management Co. Ltd on incorporation. The management share is receivable at as June 30, 2023 as disclosed in note 7 to the annual report. The Board shall issue Management Share only to the Manager. The Management Share shall be non-redeemable. The Board may issue shares at any time and there is no limit on the number of shares to be issued of no par value.

Rights of Management Share

1 Voting rights

The holder of the Management Share shall have the right to receive notice of meeting of any meeting of the shareholders of the Fund and shall have all the voting rights of the Fund requiring shareholder's approval under the Act.

2 Dividends

The holder of the Management Share shall not have any rights to dividends.

3 Distribution of surplus assets

Upon winding up of the Fund, the holder of the Management Share shall have the right to receive an amount equal to the sums paid up on such Management Share but after payment to the holders of Participating Shares in accordance with the Constitution.

MCB INDIA SOVEREIGN BOND ETF
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

11 OTHER PAYABLES

	2023	2022
	USD	USD
Manager's fees payable	4,179	8,980
Registrar's fees payable	395	414
Custodian's fees payable	1,504	2,157
Professional fees payable	5,060	4,554
Index Provider fees	173	757
	11,312	16,862

The carrying amounts of other payables approximate their fair values.

12 NOTES TO THE STATEMENT OF CASH FLOWS

	2023	2022
	USD	USD
(a) Cash used in operations		
Loss before taxation	(141,136)	(1,174,824)
Adjustments for:		
Distribution to holders of redeemable participating shares	381,322	357,183
Interest income on fixed income securities	(474,404)	(491,765)
Fair value losses on financial assets	18,672	569,700
Foreign exchange (gains)/losses	(41,590)	32,422
Losses on disposal of financial assets	188,859	628,483
	(68,277)	(78,801)
Changes in working capital:		
Other receivables	5,145	(5,861)
Other payables	(5,550)	4,315
Cash used in operations	(68,682)	(80,347)
(b) Cash and cash equivalents		
	2023	2022
	USD	USD
Cash at bank	2,521	683

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, no impairment loss was recognised during the year.

MCB INDIA SOVEREIGN BOND ETF
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

13 INCOME TAX

The Fund is a tax resident company in Mauritius and under current laws and regulations is liable to pay tax on its net income at a rate of 15%. The Fund is entitled to either (a) a foreign tax credit equivalent to the actual foreign tax suffered on its foreign income against the Fund's tax liability computed at 15% on such income, or (b) a partial exemption of 80% of some of the income derived, including but not limited to foreign source dividends or interest income.

(a) In the Statement of Financial Position

	2023	2022
	USD	USD
At July 1	24,346	635
Charge for the year	67,158	42,918
Paid for the year	(62,108)	(19,207)
At June 30	29,396	24,346
Payable to:		
The Mauritius Revenue Authority	3,347	4,688
The Indian Tax Authority	26,049	19,658
	29,396	24,346

The Fund suffers withholding tax at source on the interest income earned.

(b) In the Statement of Profit or Loss and Other Comprehensive Income

The tax on the Fund's loss before tax differs from the theoretical amount that would arise using the basic tax rate of the Fund as follows:

	2023	2022
	USD	USD
Loss before taxation	(141,136)	(1,174,824)
Tax effect on:		
Expenses not deductible for tax purposes	588,853	1,674,952
Income not subject to tax	-	(407,016)
Chargeable income	447,717	93,112
Tax calculated at 15%	67,158	13,966
Relief on foreign tax suffered	(50,826)	-
Withholding Tax suffered	50,826	28,952
Taxation charge	67,158	42,918

MCB INDIA SOVEREIGN BOND ETF
NOTES TO THE FINANCIAL STATEMENTS
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13 INCOME TAX (CONT'D)

(b) In the Statement of Profit or Loss and Other Comprehensive Income (Cont'd)

Expenses not deductible for tax purposes comprise of expenses relating to exempt income, loss on disposal, distribution to holders of redeemable participating shares and fair value losses on financial assets.

Income not subject to tax comprises of exempt income and gains on disposal of financial assets.

Withholding tax has been suffered on income on fixed income securities

14 RELATED PARTY TRANSACTIONS

The transactions of the Fund with parties related to the Manager during the years 2023 and 2022 are as follows:

(a) Manager's Fees

The Fund appointed MCB Investment Management Co. Ltd to implement the investment strategy as specified in the Prospectus. MCB Group Limited is the ultimate holding company of the Manager. The investment management fees are detailed below:

	<u>2023</u>	<u>2022</u>
	USD	USD
MCB Investment Management Co. Ltd	<u>51,444</u>	<u>58,841</u>

(b) Registrar Fees

MCB Registry & Securities Ltd which is an entity under common control, acts as the Registrar and Transfer Agent of the Fund. MCB Group Limited is the ultimate holding company of the Registrar. The Registrar fees are detailed below:

	<u>2023</u>	<u>2022</u>
	USD	USD
MCB Registry & Securities Ltd	<u>5,223</u>	<u>6,010</u>

(c) Key Management Personnel (including Directors' Remuneration)

	<u>2023</u>	<u>2022</u>
	USD	USD
Directors fees	<u>654</u>	<u>515</u>

(d) Outstanding balances as at June 30

	<u>June 30, 2023</u>	<u>June 30, 2022</u>
	USD	USD
<i>Payables to related parties</i>		
MCB Investment Management Co. Ltd	4,179	8,980
MCB Registry & Securities Ltd	<u>395</u>	<u>414</u>
	<u>4,574</u>	<u>9,394</u>
<i>Receivable from related party</i>		
MCB Investment Management Co. Ltd	<u>10</u>	<u>10</u>

MCB INDIA SOVEREIGN BOND ETF
NOTES TO THE FINANCIAL STATEMENTS
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14 RELATED PARTY TRANSACTIONS (CONT'D)

(e) Bank balances	2023	2022
	USD	USD
The Mauritius Commercial Bank Ltd	170	346

The above transactions reflect the commercial objective of the Fund and occurred in the normal course of business. They have been carried out at least under market terms and conditions.

There has been no guarantees provided or received for any related party receivables or payables.

The outstanding balances as at year end are unsecured, interest-free and repayable on demand.

Settlement for above transactions occurs in cash.

15 EVENTS AFTER THE REPORTING PERIOD

There have been no material events since the end of the reporting period which would require disclosure or adjustment to the financial statements for the year ended June 30, 2023.

MCB INDIA SOVEREIGN BOND ETF
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

16 (a) Schedule of investments as at

June 30, 2022 Market Value (USD)	Security Description	June 30, 2023 Market Value (USD)	% of Net Assets
	Quoted Foreign Fixed Income Securities		
7,050,607	6.54% GOI 2032	-	-
-	7.26% GOI 2033	6,760,565	97.54%
7,050,607	TOTAL QUOTED FOREIGN FIXED INCOME SECURITIES	6,760,565	97.54%
223,803	TOTAL INTEREST RECEIVABLES	195,781	2.82%
7,274,410	TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	6,956,346	100.36%
(22,589)	OTHER ASSETS AND LIABILITIES	(25,396)	(0.36%)
7,251,821	NET ASSETS	6,930,950	100.0%
	Currency Profile		
7,254,752	INR	6,932,648	100.02%
(2,931)	USD	(1,698)	(0.02%)
7,251,821	NET ASSETS	6,930,950	100.0%
	Fair Value Hierarchy		
7,274,410	Level 1	6,956,346	100.36%
7,274,410	TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	6,956,346	100.36%

MCB INDIA SOVEREIGN BOND ETF
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16 (b) Categories of financial instruments

	<u>USD</u>	<u>INR</u>	<u>Total</u>
	<u>USD</u>	<u>USD</u>	<u>USD</u>
Assets and liabilities as per statement of financial position			
At June 30, 2023			
Financial Assets			
<u>At Amortised Cost</u>			
Other receivables	2,880	-	2,880
Cash and cash equivalents	170	2,351	2,521
<u>At Fair Value Through Profit or Loss</u>			
Financial assets at fair value through profit or loss	-	6,956,346	6,956,346
Total assets	<u>3,050</u>	<u>6,958,697</u>	<u>6,961,747</u>
Financial Liabilities			
<u>At Amortised Cost</u>			
Other payables	11,312	-	11,312
Net assets attributable to holders of redeemable participating shares	6,930,940	-	6,930,940
Total liabilities	<u>6,942,252</u>	<u>-</u>	<u>6,942,252</u>
At June 30, 2022			
Financial Assets			
<u>At Amortised Cost</u>			
Other receivables	7,082	-	7,082
Cash and cash equivalents	346	337	683
<u>At Fair Value Through Profit or Loss</u>			
Financial assets at fair value through profit or loss	-	7,274,410	7,274,410
Total assets	<u>7,428</u>	<u>7,274,747</u>	<u>7,282,175</u>
Financial Liabilities			
<u>At Amortised Cost</u>			
Other payables	16,862	-	16,862
Net assets attributable to holders of redeemable participating shares	7,251,811	-	7,251,811
Total liabilities	<u>7,268,673</u>	<u>-</u>	<u>7,268,673</u>

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16 (c) Currency profile sensitivity analysis

A reasonably possible strengthening/ weakening of the USD against INR at June 30, 2023 would have affected the measurement of financial instruments denominated in a foreign currency and affected profit or loss by the amounts shown below.

The analysis is based on the assumption that the USD strengthened/weakened against INR by 5% (2022: 5%) based on historical observation and its corresponding impact on loss/profit.

	<u>Jun 30, 2023</u>	<u>Jun 30, 2022</u>
	Impact on Loss before taxation	Impact on Loss before taxation
USD Weakened by 5%	higher by USD347k	higher by USD363k
USD Strengthened by 5%	lower by USD347k	lower by USD363k

The above reflects the impact on changes in USD against other currencies, with all other variables held constant, mainly as a result of retranslation of foreign currency denominated bank balances and financial assets on profit or loss before taxation.

16 (d) Price risk sensitivity analysis

The Fund is also exposed to price risk with the incidence of the market price of debt instrument held. The debt instrument is quoted on the National Stock Exchange of India Limited (NSE).

The table below summarises the impact of increases/(decreases) in the debt instrument price of the Fund. The analysis is based on the assumption that the price increases/decreases by 10% (2022: 10%) based on historical observation and its corresponding impact on loss/profit.

	<u>Jun 30, 2023</u>	<u>Jun 30, 2022</u>
	Impact on Loss before taxation	Impact on Loss before taxation
Increase in fair value by 10%	lower by USD676k	lower by USD705k
Decrease in fair value by 10%	higher by USD676k	higher by USD705k

The above reflects the impact of changes in market price, with all other variables held constant, on profit or loss before taxation.

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17 THREE YEARS SUMMARY OF PUBLISHED RESULTS AND ASSETS AND LIABILITIES

	Year ended June 30, 2023 USD	Year ended June 30, 2022 USD	<i>*Restated</i> Year ended June 30, 2021 USD
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME			
Income	505,468	521,695	538,388
Expenses	(100,610)	(108,731)	(116,058)
Operating profit	404,858	412,964	422,330
Fair value losses on financial assets	(18,672)	(569,700)	(12,971)
Foreign exchange losses	42,859	(32,422)	(76,267)
Losses on disposal of financial assets	(188,859)	(628,483)	(17,369)
	(164,672)	(1,230,605)	(106,607)
Profit/(loss) before distribution	240,186	(817,641)	315,723
Distribution to holders of redeemable participating shares	(381,322)	(357,183)	(448,526)
Loss before taxation	(141,136)	(1,174,824)	(132,803)
Taxation	(67,158)	(42,918)	(39,063)
Loss for the year	(208,294)	(1,217,742)	(171,866)
Equalisation			
Income received on units created	-	-	1,590
Income paid on units liquidated	(1,870)	-	(1,664)
	(1,870)	-	(74)
Decrease in net assets attributable to holders of redeemable participating shares	(210,164)	(1,217,742)	(171,940)
STATEMENT OF FINANCIAL POSITION			
Total assets	6,971,658	7,293,029	8,482,745
Management share	10	10	10
Current liabilities	40,708	41,208	13,182
Net assets attributable to holders of redeemable participating shares	6,930,940	7,251,811	8,469,553
Total equity and liabilities	6,971,658	7,293,029	8,482,745
Net asset value per share	7.69	7.92	9.24

MCB INDIA SOVEREIGN BOND ETF

APPENDIX: STATEMENT OF FINANCIAL HIGHLIGHTS FOR THE YEAR ENDED JUNE 30, 2023

Closing exchange rate:

INRUSD 0.0122

Calculation notes:

Total Expense Ratio = $\frac{\text{Management \& Administrative Expenses}}{\text{Daily Average Net Assets}}$

Portfolio Turnover Rate = $\frac{(\text{Purchases} - \text{Subscriptions}) + (\text{Disposals} - \text{Redemptions})}{\text{Daily Average Net Assets}}$

	Year ended June 30, 2023 USD	Year ended June 30, 2022 USD	Year ended June 30, 2021 USD	Year ended June 30, 2020 USD
Opening net asset value	7,251,821	8,469,563	8,631,076	9,193,209
Total revenue	505,468	521,695	538,388	608,120
Total expenses	(167,768)	(151,649)	(155,121)	(152,791)
Realised losses for the year	(188,859)	(628,483)	(17,369)	(306,286)
Unrealised gains/(losses) for the year	24,187	(602,122)	(89,238)	(120,252)
Distribution declared from net income	(381,322)	(357,183)	(448,526)	(421,146)
Income paid on redeemable participating shares liquidated	(1,870)	-	(1,664)	(6,772)
Income received on participating shares created	-	-	1,590	8,983
Total decrease in operations	(210,164)	(1,217,742)	(171,940)	(390,144)
Issue of redeemable participating shares	-	-	68,411	371,017
Redemption of redeemable participating shares	(110,707)	-	(57,984)	(543,006)
Closing net asset value	6,930,950	7,251,821	8,469,563	8,631,076
Portfolio turnover rate	416.62%	405.25%	600.77%	194.54%
Redeemable Participating Shares				
Number of shares outstanding	901,303	915,853	915,853	914,924
Management expense ratio (Total Expense Ratio)	0.99%	0.99%	0.99%	0.99%
Closing market price per share	7.69	7.92	9.24	9.43