

AFRICAN DOMESTIC BOND FUND

the "FUND"

ANNUAL REPORT

FOR THE YEAR ENDED JUNE 30, 2022

AFRICAN DOMESTIC BOND FUND
ANNUAL REPORT
FOR THE YEAR ENDED JUNE 30, 2022

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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.

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MANAGEMENT & ADMINISTRATION

		<u>Date of appointment</u>	<u>Date of resignation</u>
BOARD MEMBERS	Mr Gilbert Gnany	May 04, 2017	-
	Mr Patrick Eric Ronald Lam Yan Foon	May 04, 2017	-
	Mr Jean Hok Yui How Hong	October 05, 2017	-
	Ms Li Fa Cheung Kai Suet	January 31, 2022	-
	Ms Divya Basanta Lala	October 14, 2020	August 03, 2021
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	Standard Chartered Bank (Mauritius) Limited 19 Bank Street, 6th Floor, Standard Chartered Tower Cybercity, Ebène, 72201, MAURITIUS		
AUDITOR	BDO & Co. 10, Frère Felix de Valois Street Port Louis, MAURITIUS		
ISIN	MU0607S00004		

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CORPORATE GOVERNANCE REPORT FOR THE YEAR ENDED JUNE 30, 2022

1. GOVERNANCE STRUCTURE

1.1 Overview

African Domestic Bond Fund (the "Fund") was incorporated in Mauritius under the Mauritius Companies Act 2001 on May 04, 2017 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 September 19, 2018 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, 2022, 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 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. Moreover, the board of the Manager, is fully compliant with this Principle.
4	Appointment of independent board evaluator	Given that the Fund is a Collective Investment Scheme with no employees, no board evaluator was appointed.

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

1.3 Constitutive Documents

1.3.1 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.

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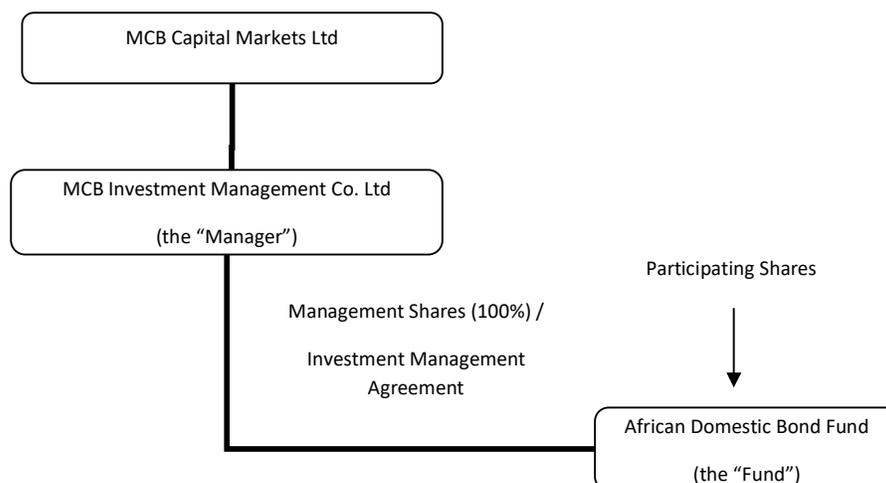
CORPORATE GOVERNANCE REPORT FOR THE YEAR ENDED JUNE 30, 2022

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.

1.3.2 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.



1.3.3 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:

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 shareholders 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.

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CORPORATE GOVERNANCE REPORT FOR THE YEAR ENDED JUNE 30, 2022

1.3.4 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 four 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 four members, residents of Mauritius, out of whom two (2) 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.

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 four members as detailed below:

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

Given that the Fund has no employees, it is not possible to have executive directors.

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.

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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) of Happy World Ltd.

Directorship in other listed companies: Innodis Ltd and MCB India Sovereign Bond ETF (Stock Exchange of Mauritius)

(ii) Gilbert Gnany, Non-Executive Director

Mr. Gilbert Gnany holds a Master's degree in Econometrics from the University of Toulouse and a 'DESS' in Management/Micro-Economics from Paris-X. He 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)

(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: MCB India Sovereign Bond ETF (Stock Exchange of Mauritius)

(iv) Li Fa Cheung Kai Suet, Independent Director (Appointed on January 31, 2022)

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 and 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'

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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. Directorship in listed funds: MCB India Sovereign Bond ETF (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 Ebène 72201 Mauritius ("Corporate Secretary"). All board members have access to the Corporate Secretary for information relating to the Board matters.

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. Jean Desire Gilbert Gnany	4
Mr. Patrick Eric Ronald Lam Yan Foon	4
Mr. Jean Hok Yui How Hong *	4
Ms. Li Fa Cheung Kai Suet (Appointed on January 31, 2022)	2

* *Physically or through their duly appointed alternate director pursuant to Article 24.9 of the constitution.*

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 and Ethics Committee (RCGEC) 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 RCGEC then proposes the selected candidates to the Manager and the Board of the Fund for review and approval.

3.2 Election and Re-election of Directors

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

3.3 Induction of new Directors

Ms. Li Fa Cheung Kai Suet was appointed as director on January 31, 2022. 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.

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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.

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 Fund does not have any staff and as such does not have a remuneration philosophy.

4.3 Directors' Remuneration

Directors	Remuneration from the Fund	
	2022	2021
	USD	USD
Mr Gilbert Gnany	-	-
Mr Patrick Eric Ronald Lam Yan Foon	-	-
Mr Jean Hok Yui How Hong	345	378
Ms Li Fa Cheung Kai Suet (Appointed on January 31,2022)	140	-
Ms. Divya Basanta Lala (Resigned on August 3, 2021)	30	282
	<u>515</u>	<u>660</u>

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 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.

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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).

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

For related party transactions, please refer to note 14 of the Financial Statements.

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.

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.

5. RISK GOVERNANCE AND INTERNAL CONTROL

The Board has ultimate responsibility for risk management which is delegated to the Manager of the Fund.

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.

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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.

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 risks are managed by the Manager, taking advice from the Fund's legal advisor where appropriate. The Board also takes out appropriate insurance cover.

Regulatory risks are managed by the Manager and involves the setting out of proper processes and procedures in order to meet the licensing requirements set by the Financial Services Commission and the Fund's responsibilities under The Financial Intelligence and Anti-Money Laundering Act 2002 of Mauritius.

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

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, 2022

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.

6.6 Assessment of the organisation's financial, environmental, social and governance position performance and outlook

The assessment of the organisation's financial, social and governance position performance and outlook are detailed in the Manager's report.

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.

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

The Board recommends the appointment of external auditor 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

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- 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. BDO & Co has been the auditor of the Fund since 2018.

7.2 Auditor's Fees

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

	2022	2021
	USD	USD
Ad-hoc assignment – BDO & Co.	-	3,450
Audit fees - BDO & Co - Yearly Audit	4,025	3,450
	<u>4,025</u>	<u>6,900</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;
- 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;

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- (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 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 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 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, 2022	
MCB Investment Management Co. Ltd	<u>100.0%</u>

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.

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.

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CORPORATE GOVERNANCE REPORT FOR THE YEAR ENDED JUNE 30, 2022

8.7 Distribution Policy

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES

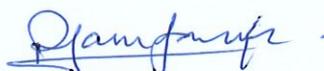
The directors collectively as a Board acknowledge their responsibilities for the following and state that:

- (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 21, 2022

AFRICAN DOMESTIC BOND FUND

STATEMENT OF COMPLIANCE FOR THE YEAR ENDED JUNE 30, 2022

STATEMENT OF COMPLIANCE FOR THE YEAR ENDED JUNE 30, 2022

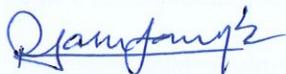
As per circular letter issued by the FSC on October 28, 2021.

Name of Fund : African Domestic Bond Fund

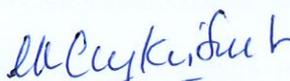
Reporting Period : July 01, 2021 to June 30, 2022

We, the directors of African Domestic Bond Fund, 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 21, 2022.



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



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

AFRICAN DOMESTIC BOND FUND

MANAGER'S REPORT

FOR THE YEAR ENDED JUNE 30, 2022

Performance Review

As at June 30, 2022, the Fund size stood at USD 43m. The Fund posted a return of 32.8% against its benchmark which returned 45.5% since its launch on September 18, 2018. For FY22, the Fund was down by 7.6% against -5.7% , in USD for the benchmark.

Portfolio Review

As per its investment objective, the Fund invests in local currency government and quasi-government bonds of African countries and seeks to provide investment returns that corresponds closely to the return of the AfDB/AFMISM Bloomberg® African Bond Index 25% Capped ("Index"), before fees and expenses.

Portfolio characteristics as at the end of June 2022 are shown below:

Statistic	Fund	Benchmark
Modified duration (Years)	4.64	4.46
No. of bonds	56	492
Current Yield %	9.32%	11.50%

Country allocation in Fund as at June 2022:

Country	Fund allocation	Benchmark
Egypt	28.60%	26.02%
Nigeria	11.60%	15.23%
South Africa	24.65%	23.30%
Kenya	7.20%	8.62%
Ghana	2.10%	2.52%
Zambia	3.39%	2.52%
Morocco	16.66%	17.89%
Mauritius	0.00%	1.95%
Namibia	0.00%	1.26%
Botswana	0.59%	0.66%

Outlook for Markets

The Fund invests in Pan-African local currency government and quasi-government bonds on an unhedged basis and as a result provides access to a growing asset class that has significant performance tail winds and remains relatively uncorrelated to major asset classes. The ETF structure allows the Fund to do this in a liquid, transparent and cost-efficient manner.

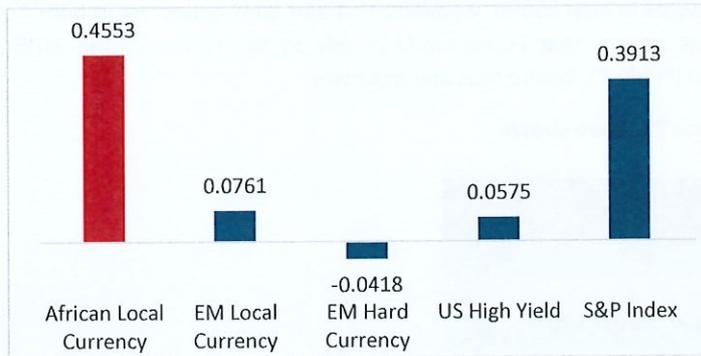
The Fund is exposed to interest and exchange rate risks from within the markets it invests in. The underlying universe is inherently diverse, with commodity exporters such as Nigeria, to commodity importers such as Egypt and well diversified economies in Kenya and South Africa to name a few. While we are constructive on the asset class as a whole - due to a mix of growth potential, underlying demographics, commodity risks moderating, better macro economic management - the Manager is more exposed to Egypt, South Africa, Zambia and Ghana with an underweight in Nigeria, Mauritius and Morocco compared to the benchmark. The Fund will aim to track its benchmark and attempt to implement the above views within the constraints of the mandate.

AFRICAN DOMESTIC BOND FUND

MANAGER'S REPORT

FOR THE YEAR ENDED JUNE 30, 2022

Since inception and even on a year to date basis, the asset class has outperformed its global peers, be it EM Hard Currency or Local Currency bonds, US High Yield and the S&P500, as displayed below. This outperformance has been maintained despite a significant interest rate rising and USD strengthening environment and we believe this outperformance relative to other fixed income asset class will continue into the near to medium future.



A. Ibrahim

MANAGER

For and on behalf of

MCB INVESTMENT MANAGEMENT CO. LTD

AFRICAN DOMESTIC BOND FUND

SECRETARY'S CERTIFICATE

FOR THE YEAR ENDED JUNE 30, 2022

Pursuant to section 166(d) of the Mauritius 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 Mauritius Companies Act 2001.



SECRETARY

For and on behalf of

Apex Fund & Corporate Services (Mauritius) Ltd

Date: September 21, 2022

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of African Domestic Bond Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of African Domestic Bond Fund (the "Fund"), on pages 18 to 43 which comprise the statement of financial position as at June 30, 2022, and the statement of profit or loss and other comprehensive income, statement of changes in net assets and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements on pages 18 to 43 give a true and fair view of the financial position of the Fund as at June 30, 2022, 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 Company 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 judgment, were of most significance in our audit of the 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.

Refer to the significant accounting policies note 3(e) and note 6 to the 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 Financial assets at fair value through profit or loss comprise of investment in debt obligations of various African governments and quasi-governments. The carrying value of the financial assets 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 bonds. • 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 and valuation methods used were in accordance with International Financial Reporting • We reviewed and assessed the completeness of the disclosures in the financial statements for compliance with International Financial Reporting Standards.

INDEPENDENT AUDITOR'S REPORT (CONT'D)

To the Shareholders of African Domestic Bond Fund

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.

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 judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

INDEPENDENT AUDITOR'S REPORT (CONT'D)

To the Shareholders of African Domestic Bond Fund

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

- 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.
- 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 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.

The Fund did not comply with Section 133 (2) (b) of the Mauritian Companies Act 2001 for the year ended June 30, 2022, where all public company's director should not be over 70 years of age and the Fund is a public company.

INDEPENDENT AUDITOR'S REPORT (CONT'D)

To the Shareholders of African Domestic Bond Fund

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 members of the Fund, 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 members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund and the Fund's members as a body, for our audit work, for this report, or for the opinions we have formed.



BDO & Co
Chartered Accountants



Galina Rangasamy, FCCA
Licensed by FRC

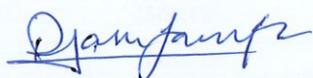
Port Louis,
Mauritius

21 SEP 2022

AFRICAN DOMESTIC BOND FUND
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2022

	Notes	June 30, 2022	(Restated)* June 30, 2021	(Restated)* July 01, 2020
		USD	USD	USD
ASSETS				
Other receivables	7	8,143	8,376	8,272
Financial assets at fair value through profit or loss	6	40,601,094	35,963,536	25,082,116
Cash and cash equivalents	12(c)	4,178,864	2,756,080	81,560
Total assets		44,788,101	38,727,992	25,171,948
EQUITY				
Management share	10	10	10	10
LIABILITIES				
Other payables	11	1,744,793	2,366,506	36,423
Current tax liabilities	13(a)	12,531	12,778	4,724
Total liabilities (excluding net assets attributable to holders of redeemable participating shares)		1,757,324	2,379,284	41,147
Net assets attributable to holders of redeemable participating shares	9(iv)	43,030,767	36,348,698	25,130,791
Total liabilities		44,788,091	38,727,982	25,171,938
Total equity and liabilities		44,788,101	38,727,992	25,171,948
Net asset value per share		9.33	10.97	10.68

These financial statements have been approved for issue by the Board of Directors on: September 21, 2022



Mr Patrick Eric Ronald Lam Yan Foon
 Director



Ms Li Fa Cheung Kai Suet
 Director

*Refer to prior year adjustments, note 15.

The notes on pages 22 to 43 form an integral part of these financial statements.
 Independent auditor's report on pages 17 to 17 (d).

AFRICAN DOMESTIC BOND FUND

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2022

	Notes	2022	(Restated)*
		USD	2021
			USD
Income			
Interest on fixed income securities	3(c)	<u>3,685,522</u>	<u>3,544,066</u>
Expenses			
Manager's fees		113,160	99,932
Custodian's fees		66,139	57,412
Licence fees		39,592	35,886
Registrar's fees		26,497	23,432
Other direct expenses		22,685	18,527
Professional fees		<u>8,584</u>	<u>4,695</u>
		<u>276,657</u>	<u>239,884</u>
Operating profit		<u>3,408,865</u>	<u>3,304,182</u>
Fair value (losses)/gains on financial assets	6	(5,920,931)	138,101
Foreign exchange losses		(185,955)	(46,730)
(Losses)/gains on disposal of financial assets		<u>(118,079)</u>	<u>518,779</u>
		<u>(6,224,965)</u>	<u>610,150</u>
(Loss)/profit before distribution		<u>(2,816,100)</u>	<u>3,914,332</u>
Distribution to holders of redeemable participating shares*	8	<u>(3,133,423)</u>	<u>(3,419,965)</u>
(Loss)/profit before taxation		<u>(5,949,523)</u>	<u>494,367</u>
Taxation	13(b)	<u>(351,314)</u>	<u>(273,642)</u>
(Loss)/profit for the year		<u>(6,300,837)</u>	<u>220,725</u>
Equalisation			
Income received on units created		454,180	531,056
Income paid on units liquidated		<u>(63,002)</u>	<u>(38,749)</u>
		<u>391,178</u>	<u>492,307</u>
(Decrease)/increase in net assets attributable to holders of redeemable participating shares		<u>(5,909,659)</u>	<u>713,032</u>

*Refer to prior year adjustments, note 15.

The notes on pages 22 to 43 form an integral part of these financial statements.

Independent auditor's report on pages 17 to 17 (d).

AFRICAN DOMESTIC BOND FUND

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE PARTICIPATING SHARES FOR THE YEAR ENDED JUNE 30, 2022

	<u>Notes</u>	<u>Total USD</u>
At July 01, 2021		36,348,698
Issue of redeemable participating shares	9 (ii)	15,518,460
Redemption of redeemable participating shares	9 (ii)	(2,926,732)
Decrease in net assets attributable to holders of redeemable participating shares		<u>(5,909,659)</u>
At June 30, 2022		<u>43,030,767</u>
At July 01, 2020		25,130,791
Issue of redeemable participating shares	9 (ii)	12,808,307
Redemption of redeemable participating shares	9 (ii)	(2,303,432)
Increase in net assets attributable to holders of redeemable participating shares		<u>713,032</u>
At June 30, 2021		<u>36,348,698</u>

The notes on pages 22 to 43 form an integral part of these financial statements.
Independent auditor's report on pages 17 to 17 (d).

AFRICAN DOMESTIC BOND FUND

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2022

	<u>Notes</u>	<u>2022</u> USD	<u>2021</u> USD
Cash flows from operating activities			
Cash (used in)/generated from operations	12 (a)	(2,614,035)	2,090,095
Tax paid	13 (a)	(351,561)	(265,588)
Net cash (used in)/generated from operating activities		(2,965,596)	1,824,507
Cash flows from investing activities			
Interest received		3,479,559	3,272,802
Purchase of financial assets		(12,997,246)	(18,423,728)
Proceeds from disposal of financial assets		4,242,539	8,470,452
Net cash used in investing activities		(5,275,148)	(6,680,474)
Cash flows from financing activities			
Issue of redeemable participating shares	9 (ii)	14,117,821	11,973,944
Redemption of redeemable participating shares	9 (ii)	(2,926,732)	(2,303,432)
Income received on redeemable participating shares created		454,180	531,056
Income paid on redeemable participating shares liquidated		(63,002)	(38,749)
Distribution paid to holders of redeemable participating shares	8	(1,732,784)	(2,585,602)
Net cash generated from financing activities		9,849,483	7,577,217
Increase in cash and cash equivalents		1,608,739	2,721,250
Movement in cash and cash equivalents			
At July 01,		2,756,080	81,560
Increase in cash and cash equivalents		1,608,739	2,721,250
Foreign exchange difference		(185,955)	(46,730)
At June 30,	12(c)	4,178,864	2,756,080

The notes on pages 22 to 43 form an integral part of these financial statements.

Independent auditor's report on pages 17 to 17 (d).

AFRICAN DOMESTIC BOND FUND

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

1 OBJECTIVE

The Fund's objective is to track the performance of the AfDB/ AFMI Bloomberg African Bond Index (Bloomberg ticker: BADBC Index) which is a rules-based market value weighted composite index. The Fund is a foreign debt securities collective investment scheme and invests its assets principally in the sovereign bonds of African countries.

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 the Fund comply with the Mauritius Companies Act 2001 and have been prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements are prepared under the historical cost convention, except for financial instruments at fair value through profit or loss which are stated at fair value.

The financial statements are presented in US Dollars (USD) and all values are rounded to the nearest dollar, except when otherwise indicated.

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

Interest Rate Benchmark Reform Phase 2

IFRS 4 Insurance Contracts: The amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 amend requirements relating to changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities, hedge accounting and disclosures. The amendment to IFRS 4 enables an insurer applying the temporary exemption from IFRS 9 to apply a practical expedient to account for a change in the contractual cash flows that are required by IBOR reform by updating the effective interest rate to reflect any change arising from the reform. The amendments have no impact on the Fund's financial statements.

IFRS 7 Financial Instruments - Disclosures: The amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 amend requirements relating to changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities, hedge accounting and disclosures. The amendment to IFRS 7 requires a company to make additional disclosures in its financial statements so that investors can better understand the effects of IBOR reform on that company. The amendments have no impact on the Fund's financial statements.

IFRS 9 Financial Instruments: The amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 amend requirements relating to changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities, hedge accounting and disclosures. The amendments to IFRS 9 enable a company to apply a practical expedient to account for a change in the contractual cash flows that are required by IBOR reform by updating the effective interest rate to reflect any change arising from the reform. The amendments to IFRS 9 enable (and require) companies to continue hedge accounting in circumstances when changes to hedged items and hedging instruments arise as a result of changes required by the IBOR reform, by requiring companies to amend their hedging relationships to reflect:

AFRICAN DOMESTIC BOND FUND

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

2 BASIS OF PREPARATION (CONT'D)

Standards, Amendments to published Standards and Interpretations effective in the reporting period (cont'd)

Interest Rate Benchmark Reform Phase 2 (cont'd)

- designating an alternative benchmark rate as the hedged risk; or
- changing the description of the hedged item, including the designated portion, or of the hedging instrument.

The amendments have no impact on the Fund's financial statements.

IFRS 16 Leases: The amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 amend requirements relating to changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities, hedge accounting and disclosures. The amendment to IFRS 16 enables a company to apply a practical expedient to account for a lease modification required by the IBOR reform. The amendments have no impact on the Fund's financial statements.

Covid 19 related rent concessions: Effective June 1, 2020, further to IFRS 16 amendment to provide a practical expedient for lessees accounting for rent concessions that arise as a direct consequence of the COVID-19 pandemic. The amendment provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. The amendments have no impact on the Fund's financial statements.

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, 2022 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, 2022

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.

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.

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.

AFRICAN DOMESTIC BOND FUND

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

2 BASIS OF PREPARATION (CONT'D)

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

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.

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.

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.

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 (Non-current)

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.

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.

AFRICAN DOMESTIC BOND FUND

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

2 BASIS OF PREPARATION (CONT'D)

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

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.

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.

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 Mauritius 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 translation at year-end mid-exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss and other comprehensive income.

AFRICAN DOMESTIC BOND FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) *Foreign currencies (cont'd)*

(ii) *Transactions and balances (cont'd)*

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

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

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) *Fees and other expenses*

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

(c) *Revenue recognition*

Interest income is recognised in profit or loss as it accrues.

(d) *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 sustainability enacted by the end of the reporting period.

Deferred 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.

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 realised or the deferred income tax liability is settled.

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

(e) *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.

AFRICAN DOMESTIC BOND FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) *Financial assets (cont'd)*

Initial recognition and measurement (cont'd)

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

(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 cash and cash equivalents in the statement of financial position.

Cash and cash equivalents include bank balances.

(f) *Financial liabilities*

The Fund classifies its financial liabilities as follows:

- Other payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

(g) *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.

AFRICAN DOMESTIC BOND FUND

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) *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.

4 FINANCIAL RISK MANAGEMENT

(a) **Fair value estimation**

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The carrying amounts of financial assets approximate their fair value.

(b) **Financial risk factors**

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

- Foreign currency risk;
- Liquidity risk and
- Market 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 risks arising from various currency exposures. Appropriate diversification is ensured through the investment policy and guidelines approved by the Fund's Board of Directors. The currency profile is disclosed in the schedule of investment on page 42 .

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.

AFRICAN DOMESTIC BOND FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

4 FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Financial risk factors (cont'd)

Liquidity risk (cont'd)

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

As at June 30, 2022	On demand	Less than 1 year	Total
	USD	USD	USD
Financial assets			
Financial assets at fair value through profit or loss	40,601,094	-	40,601,094
Cash and cash equivalents	4,178,864	-	4,178,864
	<u>44,779,958</u>	<u>-</u>	<u>44,779,958</u>
Financial liabilities			
Other payables	28,895	1,715,898	1,744,793
Net assets attributable to holders of redeemable participating shares	43,030,767	-	43,030,767
	<u>43,059,662</u>	<u>1,715,898</u>	<u>44,775,560</u>
Net position	<u>1,720,296</u>	<u>(1,715,898)</u>	<u>4,398</u>
As at June 30, 2021	On demand	Less than 1 year	Total
	USD	USD	USD
Financial assets			
Financial assets at fair value through profit or loss	35,963,536	-	35,963,536
Cash and cash equivalents	2,756,080	-	2,756,080
	<u>38,719,616</u>	<u>-</u>	<u>38,719,616</u>
Financial liabilities			
Other payables	24,325	2,342,181	2,366,506
Net assets attributable to holders of redeemable participating shares	36,348,698	-	36,348,698
	<u>36,373,023</u>	<u>2,342,181</u>	<u>38,715,204</u>
Net position	<u>2,346,593</u>	<u>(2,342,181)</u>	<u>4,412</u>

AFRICAN DOMESTIC BOND FUND

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

4 FINANCIAL RISK MANAGEMENT (CONT'D)

Market 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 diversification is ensured through the investment policy and guidelines approved by the Fund's Board of Directors.

Price risk

To manage its price risk arising from investments in securities, the Fund diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Fund. The sensitivity analysis is disclosed in the schedule of investments on page 42.

(c) *Capital management*

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 is not subject to any externally imposed capital requirements.

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.

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.

Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rated. The Fund uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Fund's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

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.

AFRICAN DOMESTIC BOND FUND
NOTES TO THE FINANCIAL STATEMENTS
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6 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	2022	2021
	USD	USD
At July 01,	34,813,261	24,203,105
Additions during the year	14,713,144	18,423,728
Disposal during the year	(4,314,921)	(8,297,035)
Fair value (losses)/gains on financial assets	(5,920,931)	138,101
Fair value release on disposal	(45,697)	345,362
	39,244,856	34,813,261
Interest receivable	1,356,238	1,150,275
At June 30,	40,601,094	35,963,536

Fair value for the above investments was determined by reference to published price quotations in an active market (classified as level 1 in the fair value hierarchy) as disclosed on page 42.

7 OTHER RECEIVABLES	2022	2021
	USD	USD
Share capital receivable	10	10
Prepayments	8,133	8,366
	8,143	8,376

The carrying amounts of other receivables 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	2022	2021
	USD	USD
Distribution declared during the year	3,133,423	3,419,965
Distribution paid during the year	1,732,784	2,585,602
Distribution re-invested during the year	1,400,639	834,363
	3,133,423	3,419,965
Interim per unit	0.42	0.52
Final per unit	0.45	0.60
	0.87	1.12

On April 06, 2021, the Board approved and implemented a dividend reinvestment plan, whereby investors have the option to reinvest their dividends in the Fund automatically by completing an Election Form available online at www.mcbscapitalmarkets.mu and returning it by e-mail to contact.rs@mcbscm.mu or to MCB Registry & Securities Ltd, Sir William Newton Street, Port Louis, Mauritius.

AFRICAN DOMESTIC BOND FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

9 MOVEMENT IN PARTICIPATING SHARES

	2022	2021
	No. of Shares	No. of Shares
Issued and fully paid		
(i) At July 01,	3,312,795	2,353,184
Issue of shares during the year	1,585,226	1,174,885
Redemption of shares during the year	<u>(286,373)</u>	<u>(215,274)</u>
At June 30,	<u>4,611,648</u>	<u>3,312,795</u>
	2022	2021
	USD	USD
(ii) At July 01,	34,701,801	24,196,926
Issue of shares during the year - Cash consideration	14,117,821	11,973,944
Issue of shares during the year - Non cash	1,400,639	834,363
Redemption of shares during the year	<u>(2,926,732)</u>	<u>(2,303,432)</u>
At June 30,	<u>47,293,529</u>	<u>34,701,801</u>

(iii) Class Rights

Rights of Redeemable Participating Shares

(a) 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.

(b) Dividends

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

(c) 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 Asset Value per Share

In accordance with the Fund's Prospectus, the formation cost of the Fund is amortised over a period of five years for the purpose of calculating the issue and redemption prices of the participating shares.

	2022	2021
	USD	USD
Net Assets calculated as per Prospectus	43,036,719	36,359,383
Adjustments:		
Formation costs	(5,770)	(12,874)
Other receivable	3	7
Other payables	(557)	27
Tax liabilities	372	2,155
Share capital receivable	<u>10</u>	<u>10</u>
Net Assets as per Financial Reporting	<u>43,030,777</u>	<u>36,348,708</u>

AFRICAN DOMESTIC BOND FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

9 MOVEMENT IN PARTICIPATING SHARES (CONT'D)

(iv) Reconciliation of Net Assets and Net Asset Value per Share (cont'd)

	<u>Per Share</u>	<u>Per Share</u>
	USD	USD
Net Assets per share calculated as per Prospectus	9.33	10.98
Adjustments:		
Formation costs	0.00	(0.01)
Other receivable	0.00	0.00
Other payables	(0.00)	0.00
Tax liabilities	0.00	0.00
Share capital receivable	0.00	0.00
Net Assets per share as per Financial Reporting	<u>9.33</u>	<u>10.97</u>

10 MANAGEMENT SHARE

One Management Share of USD 10 was issued by the Fund to MCB Investment Management Co. Ltd on incorporation.

Rights of Management Share

(a) 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 shareholders' approval under the Act.

(b) Dividends:

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

(c) 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.

The Management Share shall be non-redeemable.

11 OTHER PAYABLES

	<u>2022</u>	<u>2021</u>
	USD	USD
Manager's fees payable	10,028	9,518
Registrar's fees payable	2,306	2,189
Custodian's fees payable	5,745	5,494
Index provider fee payable	6,199	3,110
Redemption payable*	-	2,342,181
Professional fees payable	4,617	4,014
Investment settlement**	1,715,898	-
	<u>1,744,793</u>	<u>2,366,506</u>

*Redemption payable consisted of participating shares that have been redeemed for which settlement was made after year end.

**The investment settlement arises from purchase of debt security which was settled after year end.

AFRICAN DOMESTIC BOND FUND
NOTES TO THE FINANCIAL STATEMENTS
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12 NOTES TO THE STATEMENT OF CASH FLOWS	2022	(Restated*) 2021
	USD	USD
(a) Cash (used in)/generated from operations		
(Loss)/profit before taxation*	(5,949,523)	494,367
Adjustments for:		
Distribution to holders of redeemable participating shares*	3,133,423	3,419,965
Fair value losses/(gains) on financial assets	5,920,931	(138,101)
Foreign exchange losses	185,955	46,730
Losses/(gains) on disposal of financial assets	118,079	(518,779)
Interest income	<u>(3,685,522)</u>	<u>(3,544,066)</u>
	(276,657)	(239,884)
Changes in working capital:		
Other receivables	233	(104)
Other payables	<u>(2,337,611)</u>	<u>2,330,083</u>
Cash (used in)/generated from operations	<u>(2,614,035)</u>	<u>2,090,095</u>
<i>*Refer to prior year adjustments, note 15.</i>		
(b) Reconciliation of liabilities arising from financing activities		
	2022	2021
	USD	USD
At July 01,	33,867,438	24,196,926
Net cash flows	<u>11,191,089</u>	<u>9,670,512</u>
At June 30,	<u>45,058,527</u>	<u>33,867,438</u>
At July 01,	-	-
Distribution declared during the year	3,133,423	3,419,965
Distribution paid during the year	(1,732,784)	(2,585,602)
Distribution re-invested during the year (non-cash)	<u>(1,400,639)</u>	<u>(834,363)</u>
At June 30,	<u>-</u>	<u>-</u>
	2022	2021
	USD	USD
(c) Cash and cash equivalents		
Cash at bank	<u>4,178,864</u>	<u>2,756,080</u>

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

AFRICAN DOMESTIC BOND FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

13 INCOME TAX

The Fund is a tax incentive 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

	2022	2021
	USD	USD
At July 01,	12,778	4,724
Charge for the year	351,314	273,642
Paid during the year	(351,561)	(265,588)
At June 30,	12,531	12,778

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

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

	2022	(Restated)* 2021
	USD	USD
(Loss)/profit after distribution and before taxation	(5,949,523)	494,367
Tax calculated at a rate of 15% (2021 : 15%)	(892,428)	74,155
Tax effect on:		
Expenses not deductible for tax purposes	1,407,459	515,002
Income not subject to tax	(251,175)	(98,532)
Foreign tax credit	-	(247,278)
Relief on foreign tax suffered	(208,930)	(181,529)
Withholding tax suffered	296,388	211,824
Tax charge	351,314	273,642

Expenses not deductible for tax purposes relates to fair value loss on financial assets, loss on disposal of investment, loss on revaluation of disposed investments, Legal and professional fees, distribution to holders of redeemable participating shares and expenses relating to exempt income.

The withholding tax suffered was incurred on the interest received.

AFRICAN DOMESTIC BOND FUND
NOTES TO THE FINANCIAL STATEMENTS
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14 RELATED PARTY TRANSACTIONS

The transactions of the Fund with related parties during the years 2022 and 2021 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>2022</u>	<u>2021</u>
	USD	USD
MCB Investment Management Co. Ltd	<u>113,160</u>	<u>99,932</u>

(b) Registrar Fees

MCB Registry & Securities Ltd 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>2022</u>	<u>2021</u>
	USD	USD
MCB Registry & Securities Ltd	<u>26,497</u>	<u>23,432</u>

(c) Outstanding balances as at June 30,

	<u>2022</u>	<u>2021</u>
	USD	USD
Payables to related parties:		
-MCB Investment Management Co. Ltd	10,028	9,518
-MCB Registry & Securities Ltd	<u>2,306</u>	<u>2,189</u>
	<u>12,334</u>	<u>11,707</u>

-The above transactions reflect the commercial objective of the Fund and occurred in the normal course of business.

-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.

(d) Bank balances

	<u>2022</u>	<u>2021</u>
	USD	USD
The Mauritius Commercial Bank Ltd	<u>8,925</u>	<u>2,351,425</u>

All the above transactions have been carried out at least under market terms and conditions. There have been no guarantees provided or received for any related party receivables or payables.

AFRICAN DOMESTIC BOND FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

15 PRIOR YEAR ADJUSTMENTS

(a) Change in presentation

The Fund changed its presentation from non-current and current to the liquidity approach as it provides more reliable and relevant presentation.

(b) Net assets attributable to holders of redeemable participating shares and distributions

During the current year, management reclassified its redeemable participating shares from equity to liability. In previous financial statements, redeemable participating shares were incorrectly presented in the statement of financial position as part of equity and distribution to holders of redeemable participating shares were also incorrectly disclosed in the statement of changes in net assets.

In line with IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, the reclassification of redeemable participating shares from equity to financial liability has been corrected by retrospective restatement of the statement of financial position as at June 30, 2021 and the reclassification pertaining to financial periods ended before July 01, 2020 has been adjusted for against the opening balances of equity and liabilities as at July 1, 2020. Similarly, distributions to holders of redeemable participating shares are now presented in the statement of profit or loss and other comprehensive income. Comparative figures for the year ended June 30, 2021 have been restated accordingly.

The reclassification has been corrected by restating each of the affected financial statement line items for the prior periods as follows:

Statement of Financial Position June 30, 2021

	As previously reported	Reclassification adjustments	As restated
	USD	USD	USD
ASSETS			
Other receivables	8,376	-	8,376
Financial assets at fair value through profit or loss	35,963,536	-	35,963,536
Cash and cash equivalents	2,756,080	-	2,756,080
Total assets	38,727,992	-	38,727,992
EQUITY			
Net assets attributable to holders of redeemable participating shares	36,348,698	(36,348,698)	-
Management share	10	-	10
	36,348,708	(36,348,698)	10
LIABILITIES			
Other payables	2,366,506	-	2,366,506
Current tax liabilities	12,778	-	12,778
Total liabilities (excluding net assets attributable to holders of redeemable participating shares)	2,379,284	-	2,379,284
Net assets attributable to holders of redeemable participating shares	-	36,348,698	36,348,698
Total liabilities	2,379,284	36,348,698	38,727,982
Total equity and liabilities	38,727,992	-	38,727,992
Net asset value per share	10.97	-	10.97

AFRICAN DOMESTIC BOND FUND
NOTES TO THE FINANCIAL STATEMENTS
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15 PRIOR YEAR ADJUSTMENTS (CONT'D)

(b) Net assets attributable to holders of redeemable participating shares and distributions (cont'd)

Statement of Financial Position July 01, 2020

	<u>As previously reported</u>	<u>Reclassification adjustments</u>	<u>As restated</u>
	USD	USD	USD
ASSETS			
Other receivables	8,272	-	8,272
Financial assets at fair value through profit or loss	25,082,116	-	25,082,116
Cash and cash equivalents	81,560	-	81,560
Total assets	<u>25,163,676</u>	<u>-</u>	<u>25,163,676</u>
EQUITY			
Net assets attributable to holders of redeemable participating shares	25,130,791	(25,130,791)	-
Management share	10	-	10
	<u>25,130,801</u>	<u>(25,130,791)</u>	<u>10</u>
LIABILITIES			
Other payables	36,423	-	36,423
Current tax liabilities	4,724	-	4,724
Total liabilities (excluding net assets attributable to holders of redeemable participating shares)	41,147	-	41,147
Net assets attributable to holders of redeemable participating shares	<u>-</u>	<u>25,130,791</u>	<u>25,130,791</u>
Total liabilities	<u>41,147</u>	<u>25,130,791</u>	<u>25,171,938</u>
Total equity and liabilities	<u>25,171,948</u>	<u>-</u>	<u>25,171,948</u>
Net asset value per share	<u>10.68</u>	<u>-</u>	<u>10.68</u>

AFRICAN DOMESTIC BOND FUND
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FOR THE YEAR ENDED JUNE 30, 2022

15 PRIOR YEAR ADJUSTMENTS (CONT'D)

(b) Net assets attributable to holders of redeemable participating shares and distributions (cont'd)

Statement of Profit or Loss and Other Comprehensive Income year ended June 30, 2021

	As previously reported	Reclassification adjustments	As restated
	USD	USD	USD
Income			
Interest on fixed income securities	3,544,066	-	3,544,066
Expenses			
Manager's fees	99,932	-	99,932
Custodian's fees	57,412	-	57,412
Licence fees	35,886	-	35,886
Registrar's fees	23,432	-	23,432
Other direct expenses	18,527	-	18,527
Professional fees	4,695	-	4,695
	<u>239,884</u>	<u>-</u>	<u>239,884</u>
Operating profit	<u>3,304,182</u>	<u>-</u>	<u>3,304,182</u>
Fair value gains on financial assets	138,101	-	138,101
Foreign exchange losses	(46,730)	-	(46,730)
Gains on disposal of financial assets	518,779	-	518,779
	<u>610,150</u>	<u>-</u>	<u>610,150</u>
Profit before distribution	3,914,332	-	3,914,332
Distribution to holders of redeemable participating shares	-	(3,419,965)	(3,419,965)
Profit before taxation	3,914,332	(3,419,965)	3,914,332
Taxation	(273,642)	-	(273,642)
Profit for the year	<u>3,640,690</u>	<u>(3,419,965)</u>	<u>3,640,690</u>
Equalisation			
Income received on units created	531,056	-	531,056
Income paid on units liquidated	(38,749)	-	(38,749)
	<u>492,307</u>	<u>-</u>	<u>492,307</u>
Increase in net assets attributable to holders of redeemable participating shares	<u>4,132,997</u>	<u>(3,419,965)</u>	<u>4,132,997</u>

16 EVENTS AFTER THE REPORTING PERIOD

The Fund has obtained the requisite regulatory approvals under the laws of Mauritius and under the laws of Botswana for the secondary listing of the participating shares of the Fund (the "Participating Shares") on the Exchange Traded Funds Board of the Botswana Stock Exchange Limited (the "BSE"). The first day of trading of the Participating Shares on the BSE was September 15, 2022.

AFRICAN DOMESTIC BOND FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

June 30, 2021 Market Value (USD)	Schedule of Investments as at Security Description	June 30, 2022 Market Value (USD)	% of Net Assets
Quoted Foreign Fixed Income Securities			
-	Botswana Government Bond 7.75% 09/10/31	253,864	0.59%
149,495	Egypt Government Bond 13.564% - 14-Jan-2030	116,944	0.27%
103,287	Egypt Government Bond 13.973% - 04-Feb-2023	85,319	0.20%
-	Egypt Government Bond 14.06% - 12-Jan-2026	1,588,737	3.69%
417,456	Egypt Government Bond 14.217% - 15-Oct-2026	346,874	0.81%
844,416	Egypt Government Bond 14.30% - 03-Sep-2022	-	-
1,726,958	Egypt Government Bond 14.313% - 13-Oct-2023	1,425,085	3.31%
300,319	Egypt Government Bond 14.382% - 12-Jan-2031	231,769	0.54%
1,113,632	Egypt Government Bond 14.35% - 10-Sep-2024	1,414,290	3.29%
301,937	Egypt Government Bond 14.40% - 10-Sep-2029	241,115	0.56%
606,332	Egypt Government Bond 14.50% 02/20/25	493,945	1.15%
-	Egypt Government Bond 14.522% - 04-Jan-2025	907,702	2.11%
320,011	Egypt Government Bond 14.556% - 13-Oct-2027	1,502,214	3.49%
369,826	Egypt Government Bond 14.80% 01/30/23	-	-
134,045	Egypt Government Bond 15.70% 11/07/27	107,661	0.25%
174,017	Egypt Government Bond 16.10% - 07-May-2029	134,776	0.31%
853,458	Egypt Government Bond 16.50% - 02-Apr-2026	680,772	1.58%
646,248	Egypt Government Bond 17.18% 05/09/27	519,992	1.21%
725,930	Egypt Government Bond 17.20% 08/09/23	586,667	1.36%
346,125	Egypt Government Bond 18.35% - 09-Oct-2023	277,180	0.64%
423,057	Ghana Government Bond 19.00% 11/02/26	183,090	0.43%
265,195	Ghana Government Bond 19.75% 03/15/32	117,778	0.27%
760,711	Ghana Government Bond 19.75% 03/25/24	542,407	1.26%
87,853	Ghana Government Bond 20.20% - 01-Aug-2039	39,970	0.09%
252,324	Ghana Government Bond 20.75% - 16-Jan-2023	-	-
1,244,816	Kenya Government Bond 11.75% - 08-Oct-2035	1,053,641	2.45%
748,536	Kenya Infrastructure Bond 11.95% - 25-Oct-2038	649,185	1.51%
273,514	Kenya Infrastructure Bond 12.20% - 22-Feb-2044	239,522	0.56%
956,680	Kenya Infrastructure Bond 12.667% - 21-Mar-2039	1,058,988	2.46%
-	Kenya Infrastructure Bond 12.737% - 18-Aug-2042	126,736	0.29%
1,111,387	Mor Govt Bond 1.80% - 15-Aug-2022	-	-
1,112,862	Mor Govt Int Bond 2.05% - 20-Apr-2026	977,413	2.27%
-	Mor Govt Bond 2.30% - 16-Jun-2031	2,251,162	5.23%
799,034	Mor Govt Int Bond 2.70% - 17-Jun-2030	696,424	1.62%
787,115	Mor Govt Bond 2.70% - 16-Jun-2031	-	-
2,058,147	Mor Govt Bond 2.85% - 15-Apr-2024	1,794,187	4.17%
1,184,749	Mor Govt Bond 3.00% - 16-Jul-2035	977,837	2.27%
569,505	Mor Govt Bond 4.00% - 14-Feb-2050	489,593	1.14%
970,291	Nigeria Government Bond 12.1493% 07/18/34	967,340	2.25%
787,861	Nigeria Government Bond 12.40% 03/18/36	795,864	1.85%
515,775	Nigeria Government Bond 12.50% 01/22/26	533,043	1.24%
309,806	Nigeria Government Bond 12.75% 04/27/23	306,354	0.71%
177,868	Nigeria Government Bond 12.98% - 27-Mar-2050	641,665	1.49%

AFRICAN DOMESTIC BOND FUND
NOTES TO THE FINANCIAL STATEMENTS
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June 30, 2021 Market Value (USD)	Schedule of Investments as at Security Description	June 30, 2022 Market Value (USD)	% of Net Assets
1,033,561	Nigeria Government Bond 13.98% 02/23/28	766,781	1.78%
381,589	Nigeria Government Bond 14.20% 03/14/24	383,004	0.89%
387,526	Nigeria Government Bond 14.80% - 26-Apr-2049	412,344	0.96%
-	Nigeria Government Bond 16.2884% - 17-Mar-2027	228,424	0.53%
369,646	Republic Of South Africa 6.25% 03/31/36	360,940	0.84%
219,999	Republic Of South Africa 6.50% 02/28/41	271,367	0.63%
439,543	Republic Of South Africa 7.00% 02/28/31	553,843	1.29%
-	Republic Of South Africa 7.75% 02/28/23	166,361	0.39%
1,879,530	Republic Of South Africa 8.00% 01/31/30	1,877,113	4.36%
872,257	Republic Of South Africa 8.25% 03/31/32	1,019,121	2.37%
859,452	Republic Of South Africa 8.50% 01/31/37	853,945	1.98%
753,403	Republic Of South Africa 8.75% 01/31/44	770,921	1.79%
1,190,744	Republic Of South Africa 8.75% 02/28/48	1,287,572	2.99%
796,170	Republic Of South Africa 8.875% 02/28/35	907,474	2.11%
483,241	Republic Of South Africa 9.00% 01/31/40	661,275	1.54%
441,567	Republic Of South Africa 10.00% 1/2 12/21/26	1,895,237	4.40%
-	Government Of Zambia 13.00% - 25-Jan-2031	1,170,492	2.73%
174,455	Government Of Zambia Bond 11.00% 02/26/23	301,537	0.70%
34,813,261	TOTAL QUOTED FOREIGN FIXED INCOME SECURITIES	39,244,856	91.20%
1,150,275	TOTAL INTEREST RECEIVABLE	1,356,238	3.15%
35,963,536	TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	40,601,094	94.35%
385,172	OTHER ASSETS AND LIABILITIES	2,429,683	5.65%
36,348,708	NET ASSETS	43,030,777	100.0%

AFRICAN DOMESTIC BOND FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

June 30, 2021	Schedule of Investments as at	June 30, 2022	
Market Value		Market Value	% of Net
(USD)	Security Description	(USD)	Assets
	Currency Profile		
-	BWP	261,458	0.61%
9,516,526	EGP	12,927,702	30.04%
1,875,491	GHS	963,477	2.24%
3,295,885	KES	3,204,376	7.45%
7,762,904	MAD	7,287,070	16.93%
5,151,712	NGN	5,241,496	12.18%
8,579,200	ZAR	11,035,220	25.64%
183,107	ZMW	1,598,297	3.71%
<u>(16,117)</u>	USD	<u>511,681</u>	<u>1.19%</u>
<u>36,348,708</u>	NET ASSETS	<u>43,030,777</u>	<u>100.0%</u>
	Fair Value Hierarchy		
<u>35,963,536</u>	Level 1	<u>40,601,094</u>	<u>94.35%</u>
<u>35,963,536</u>	TOTAL MARKET VALUE OF INVESTMENTS	<u>40,601,094</u>	<u>94.35%</u>

A reasonably possible strengthening/ weakening of the USD against mainly EGP, KES, MAD, NGN and ZAR at June 30, 2022 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 the above currencies by 5% (2021: 5%) based on historical observation and its corresponding impact on loss/profit.

	June 30, 2022	June 30, 2021
	Impact on Loss before taxation	Impact on Profit before taxation
Currency sensitivity		
USD Weakened by 5%	higher by USD2,126k	lower by USD1,818k
USD Strengthened by 5%	lower by USD2,126k	higher by USD1,818k

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.

The Fund is also exposed to price risk with the incidence of the market price of debt instrument held. 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% (2021: 10%) based on historical observation and its corresponding impact on loss/profit.

	June 30, 2022	June 30, 2021
	Impact on Loss before taxation	Impact on Profit before taxation
Market price sensitivity		
Increase in fair value by 10%	lower by USD3,924k	higher by USD3,481k
Decrease in fair value by 10%	higher by USD3,924k	lower by USD3,481k

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

AFRICAN DOMESTIC BOND FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

THREE YEARS SUMMARY OF PUBLISHED RESULTS AND ASSETS AND LIABILITIES
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	June 30, 2022	(Restated) June 30, 2021	(Restated) July 01, 2020
	USD	USD	USD
Income	3,685,522	3,544,066	2,964,992
Expenses	(276,657)	(239,884)	(196,901)
Operating profit	3,408,865	3,304,182	2,768,091
Fair value (losses)/gains on financial assets	(5,920,931)	138,101	(865,044)
Foreign exchange losses	(185,955)	(46,730)	(12,582)
(Losses)/gains on disposal of financial assets	(118,079)	518,779	9,840
	(6,224,965)	610,150	(867,786)
(Loss)/profit before distribution	(2,816,100)	3,914,332	1,900,305
Distribution to holders of redeemable participating shares	(3,133,423)	(3,419,965)	(2,619,523)
(Loss)/profit before taxation	(5,949,523)	494,367	(719,218)
Taxation	(351,314)	(273,642)	(246,753)
(Loss)/profit for the year	(6,300,837)	220,725	(965,971)
Equalisation			
Income received on units created	454,180	531,056	233,170
Income paid on units liquidated	(63,002)	(38,749)	(62,702)
	391,178	492,307	170,468
(Decrease)/increase in net assets attributable to holders of redeemable participating shares	(5,909,659)	713,032	(795,503)
STATEMENT OF FINANCIAL POSITION			
Total assets	44,788,101	38,727,992	25,171,948
Management share	10	10	10
Current liabilities	1,757,324	2,379,284	41,147
Net assets attributable to holders of redeemable participating shares	43,030,767	36,348,698	25,130,791
Total equity and liabilities	44,788,101	38,727,992	25,171,948
Net asset value per share	9.33	10.97	10.68

AFRICAN DOMESTIC BOND FUND

APPENDIX: STATEMENT OF FINANCIAL HIGHLIGHTS FOR THE YEAR ENDED JUNE 30, 2022

Closing exchange rate: **USD**

EGP	0.0532
NGN	0.0024
GHS	0.1240
ZMW	0.0594
KES	0.0085
ZAR	0.0614
MAD	0.0993
BWP	0.0804

Calculation notes:

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

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

	Year ended June 30, 2022	Year ended June 30, 2021	Year ended June 30, 2020	Year ended June 30, 2019
	USD	USD	USD	USD
Opening net asset value	36,348,708	25,130,801	20,105,101	10
Total revenue	3,685,522	3,544,066	2,964,992	1,814,796
Total expenses	(627,971)	(513,526)	(443,654)	(274,625)
Realised (losses)/gains for the year	(118,079)	518,779	9,840	133,721
Unrealised (losses)/gains for the year/period	(6,106,886)	91,371	(877,626)	956,235
Distribution declared from net income	(3,133,423)	(3,419,965)	(2,619,523)	(942,036)
Income received on issue of shares	454,180	531,056	233,170	41,277
Income paid on disposal of shares	(63,002)	(38,749)	(62,702)	-
Total (decrease)/increase from operations	(5,909,659)	713,032	(795,503)	1,729,368
Net subscriptions	12,591,728	10,504,875	5,821,203	18,375,723
Closing net asset value	43,030,777	36,348,708	25,130,801	20,105,101
Portfolio Turnover Rate	5.09%	38.13%	38.60%	29.64%
Redeemable Participating Shares				
Number of shares outstanding	4,611,648	3,312,795	2,353,184	1,825,886
Management Expense Ratio (Total Expense Ratio)	0.74%	0.72%	0.82%	0.93%
Closing market price per share	9.33	10.97	10.68	11.01