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MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

Annual report
For the financial year ended 31 January 2020

CORPORATE INFORMATION

MANAGER

Maybank Asset Management Sdn Bhd (199701006283 (421779-M))

BUSINESS OFFICE

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MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

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MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

Manager's report

For the financial year ended 31 January 2020

A. Fund Information

1. Name of Fund

Maybank Financial Institutions Income Fund ("Fund")

2. Type of Fund

Income

3. Category of Fund

Wholesale fixed income fund

4. Duration of Fund

The Fund is an open-ended fund

5. Fund launch date

17 December 2009

6. Fund's investment objective

The objective of the Fund is to achieve regular income stream which is deriving from the portfolio.

7. Fund distribution policy

The Fund intends to distribute income, if any, at least half-yearly on best effort basis. However, the Manager reserves the right not to distribute income, at its absolute discretion.

8. Fund's performance benchmark

12-month Maybank fixed deposit rate.

9. Fund's investment policy and principal investment strategy

The Fund seeks to achieve its objective by investing up to 95% of its Net Asset Value ("NAV") in fixed income securities issued by financial institutions and/or bank guaranteed fixed income securities.

The Fund will also invest between 5% to 100% of the Fund's NAV in fixed deposits and/or money market instruments.

The Fund will be actively managed by investing in a diversified portfolio of bonds issued by financial institutions and/or bank guaranteed bonds and/or money market instruments and fixed deposits. The active management of the Fund aims to provide steady returns.

MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

Manager's report

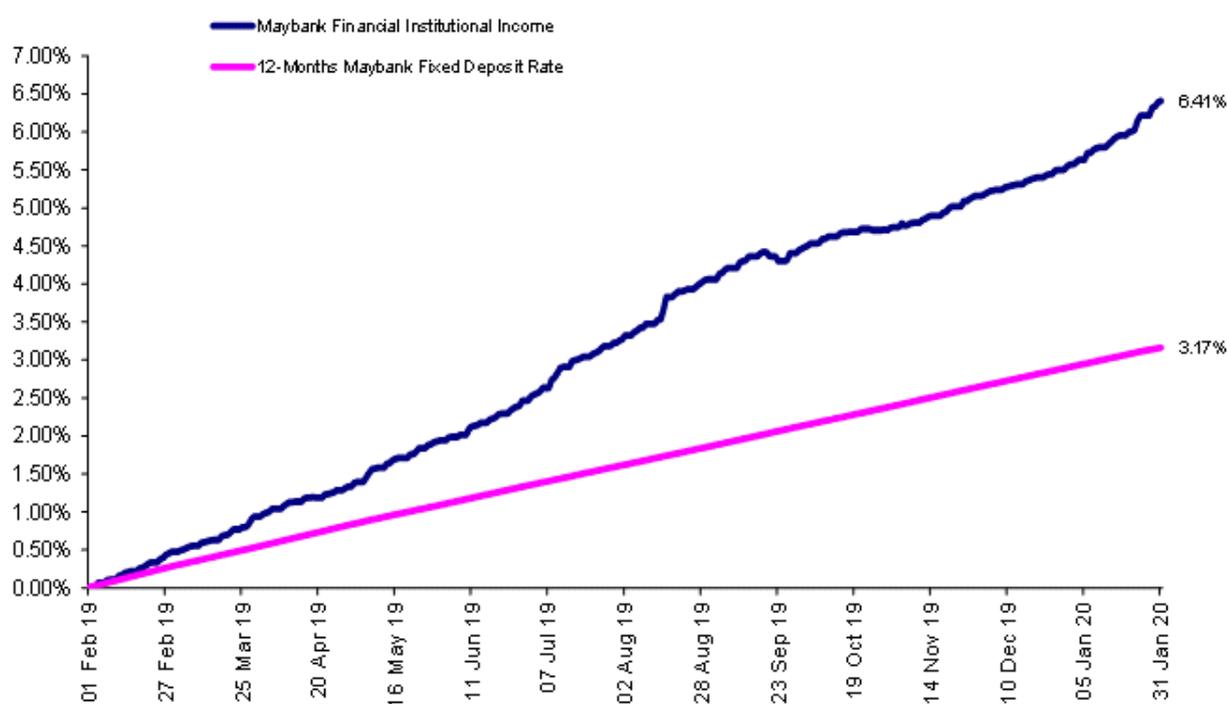
For the financial year ended 31 January 2020 (cont'd)

B. Performance Review

Returns of the Fund and its benchmark for the financial year ended 31 January 2020 are as follows:

Period	The Fund %	Benchmark %
1 February 2019 to 31 January 2020	6.41	3.17

Performance of the Fund for the financial year ended 31 January 2020:



Source: Lipper, as at 31 January 2020

Investors are reminded that past performance of the Fund is not necessarily indicative of its future performance and that unit prices and investment returns may fluctuate.

The Fund has generated a return of 6.41% for the financial year ended 31 January 2020, compared to the benchmark which registered a return of 3.17% over the same period.

The outperformance was due to a combination of stronger returns benefitting from lower yields and tightening credit spreads as well as income derived from the bonds held in the Fund during the period under review.

MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

Manager's report

For the financial year ended 31 January 2020 (cont'd)

C. Market Review

The Malaysian sovereign bond yields continued its rally into 2019 as the positive market sentiment was aided by concerns on slower global growth, rising expectation of a peaking United States ("US") Federal Fund Rate ("FFR"), and more dovish central banks globally. Central banks turned even more dovish in March 2019, with the US Federal Reserve ("Fed") signalled the likelihood of no hike in 2019 (down from expectation of 2 hikes) and indicated that it will conclude their balance sheet reduction in September 2019 instead of in December 2019 as generally expected. Bank Negara Malaysia ("BNM") also lowered their 2019 Gross Domestic Product ("GDP") growth projection to 4.3% - 4.8% from 4.9% previously, prompting market expectations of an Overnight Policy Rate ("OPR") cut in 2019. Malaysian Government Securities ("MGS") and Government Investment Issue ("GII") rallied further in March 2019, with yields down by 10 basis points ("bps") - 35bps since the start of 2019.

However, a slew of bad news in April 2019 (Norway's sovereign wealth fund pullout from Emerging Market ("EM"), Malaysia's possible exclusion from World Global Bond Index ("WGBI"), and Moody's negative statement on the government's aid to Felda) have caused a knee-jerk reaction and led to a sell-off in the bond market and the Malaysian Ringgit ("MYR" or "RM"). Sovereign bond yields went up by about 10-20bps across the board on the news but have since recovered by 5-10bps. As a result of the bad news in April 2019, foreigners turned net sellers with outflows of -RM9.8 billion ("bn"), erasing previous two months inflows (March 2019: +RM2.9bn, February 2019: +RM4.5bn). Consequently, foreign holdings of MGS and GII declined to 37.1% (March 2019: 38.7%) and 4.8% (March 2019: 5.8%) respectively. The outflow was in line with regional market's sentiment toward EM debts and stronger USD for the month. Despite this outflow, the bond market remained supported by local players with yields recovered back to March 2019 levels, or even slightly lower, especially the yields for 15 years and below.

In May 2019, BNM decided to cut the OPR by 25bps to 3.00% on external risks to growth mainly due to escalating US-China trade tensions, as well as low inflation rate outlook. The cut was seen as pre-emptive in nature in order to maintain its accommodative monetary policy stance. The Malaysian government bonds rallied in May 2019 and in June 2019, in line with global bond markets on the back of safe haven flows as concerns grew over the trade war as well as dovish global central banks. Expectation of rate cuts increased as the Fed indicated its openness to policy easing as US macro data softened while there were talks of possible stimulus by European Central Bank ("ECB"). Also supporting the rally was BNM's initiative to enhance market liquidity and accessibility announced in May 2019, which includes expansion of dynamic hedging programme and MYR liquidity beyond local trading hours. The initiative is to address the risk of the exclusion of MGS from the WGBI by FTSE Russell.

MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

Manager's report

For the financial year ended 31 January 2020 (cont'd)

C. Market Review (cont'd)

Malaysian bond market mostly extended gains in July 2019, as Malaysian govies' yields were lower across the curve by 3-13bps month-on-month ("m-o-m") except for belly of the curve which increased slightly by 0.3-1.5bps m-o-m. Corporate bonds followed suit with yield lower by 9-28bps on resilient investor demand, thus tightening credit spreads. As widely expected, OPR was maintained in July 2019'S Monetary Policy Committee ("MPC") meeting while the US Fed announced a cut in the FFR at end-July 2019, lowering the target range by 25bps to 2% to 2.25%. However, while Federal Open Market Committee ("FOMC") signalled willingness to ease rates further if necessary, US Fed Chairman Jerome Powell commented that the rate cut is "not the beginning of a long series of rate cuts". Malaysian govies corrected slightly but was short-lived as concerns on US-China trade tensions re-emerged on renewed tariff threats by the US on the remaining untaxed Chinese goods. Yields for Malaysian govies ended lower on the mid- to long-end of the curve by 13-29bps in August 2019, with corporate bonds following suit.

During the month of September 2019, local bond market activities remained fairly active for govies and there were more competing Private Debt Securities ("PDS") issuances as well. Broadly higher global yields and fears of Malaysian government bonds dropping out from the FTSE Russell Global Bond Index triggered a sell-off in local govies and bear steepened the yield curve. Also, the large PDS issuances during the month did not lend a helping hand to the investors' sentiment as well, we saw more investors switching out govies as a result.

In the month of October 2019 saw bond yield bounced higher as negotiation between US and China seems to be making positive progress. US was also seen to cut its benchmark rate by another 25bps to 1.50% level but Fed notes was seen on neutral tone indicating that further cut is unnecessary. The Malaysia new government also deliver its second national budget with indication that its deficit goal to widen to 3.2% of GDP in 2020 instead of 3.0% projected last year due expecting drops in revenue while to spend more towards development. Malaysia also expects economy to grow at a faster 4.8% pace in 2020. In the month of November 2019 saw market continue to remain as players positioned for steeper yield curve given the positive outlook on US – China trade war negotiation. Malaysia corporates was also seen to take the advantage to issue PDS due to the current low yield environment ahead of year end. We saw good subscription amount on the belly of the curve thou the long dated ones remain cold as most players prefer short duration in their portfolio.

The local bond market continued its strong rally momentum into January 2020, that were further fuelled when BNM unexpectedly cut its OPR by 25 bps to 2.75% on 22 January 2020. Malaysia sovereign bond yields were down m-o-m, with the 10-year MGS and GII down by 17bps and 22bps to 3.13% and 3.20% respectively as at end-January 2020. Investor sentiment towards local bonds remained positive as global economic growth looks to be affected by the current coronavirus threat on global economic activities.

We expect BNM to maintain its OPR at 2.75% in 2020 with a dovish bias to cut 25bps after the "pre-emptive" cut in January 2020 on continued resilience in domestic growth outlook and subdued inflation rate in the country barring significant negative headwinds from escalating trade disputes between the US and China and worsening coronavirus threat. Meanwhile, the US Fed cut its target rate in October 2019 by 25bps to 1.50% with tone to indicate that there may not be any further cut as the current level seen to be accommodative. As the situation for coronavirus remains fluid, central banks around the globe could provide further stimulus to the economy if the situation warrants it.

MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

Manager's report

For the financial year ended 31 January 2020 (cont'd)

D. Market Outlook & Investment Strategy

On the Coronavirus outbreak, given the pro-active steps taken by China as well as other countries worldwide, the correction could prove to be short-lived followed by a rapid recovery. Should the situation blow out of control, the economic impact may be more severe thus prolonging the correction. However, accommodative policy and ample liquidity should help bolster a recovery later. Hence this could provide short-term boost to fixed income performance in general.

Newly formed Malaysian government since Pilihan Raya Umum 14 ("PRU14"), Pakatan Harapan ("PH") lost their governing power after one of the main party, Parti Pribumi Bersatu Malaysia ("PPBM") has pulled out from the coalition and the Prime Minister resigned. This has heightened the uncertainty and volatility for both equities and fixed income markets. Investors are concerns on the stability of the future government and how it will be formed i.e. another coalition or snap election. Our Fund positioning of having slightly higher cash recently should benefit from these uncertainties as it cushion the downside risk and provide opportunistic trade in the market. Beyond the short term volatility, we should expect market to come to senses and back to normal growth trajectory.

We are neutral with our duration view given our expectations that OPR will be maintained in 2020 with a dovish bias, and continue to prefer corporate bonds over sovereign bonds to anchor the Fund's income in corporate bonds' coupons as they are less volatile and provide higher yields to buffer against potential mark-to-market losses in the event of a turnaround in sovereign bond yields. We will continue to trade opportunistically and also look into new primary issuances that offer higher yields to deliver the required performance.

F. Asset Allocation

The comparison of the Fund's asset allocation as at 31 January 2020 and 31 January 2019 are as follows:

Asset allocation	2020		2019	
	RM	%	RM	%
Unquoted fixed income	154,782,027	86.28	161,211,411	83.22
Cash, deposits with licensed financial institutions and other net assets	24,620,115	13.72	32,510,821	16.78
Total NAV	179,402,142	100.00	193,722,232	100.00

G. Soft Commissions and Rebates

The Manager and its delegates will not retain any form of soft commissions or rebates from or otherwise share in any commission with any broker in consideration for directing dealings in the investments of the Fund unless the commissions received are retained in the form of goods and services such as financial wire services and stock quotations system incidental to investment management of the Fund. All dealings with brokers are executed on best available terms.

During the financial year ended 31 January 2020, the Manager and its delegates did not receive any soft commissions and rebates from brokers or dealers.

TRUSTEE'S REPORT

TO THE UNITHOLDERS OF MAYBANK FINANCIAL INSTITUTIONS INCOME FUND FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2020

We have acted as Trustee of Maybank Financial Institutions Income Fund (the "Fund") for the financial year ended 31 January 2020. In our opinion and to the best of our knowledge, Maybank Asset Management Sdn Bhd (the "Manager") has operated and managed the Fund in accordance with the following:

- (a) Limitations imposed on the investment powers of the Manager and the Trustee under the Deeds, the Securities Commission's Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework, the Capital Markets and Services Act 2007 and other applicable laws;
- (b) Valuation/pricing of the Fund has been carried out in accordance with the Deeds and relevant regulatory requirements;
- (c) Creation and cancellation of units have been carried out in accordance with the Deeds and relevant regulatory requirements; and
- (d) The distributions to the unitholders during the financial year ended 31 January 2020 are consistent with the objectives of the Fund.

For and on behalf of
PB Trustee Services Berhad

Cheah Kuan Yoon
Chief Executive Officer

Kuala Lumpur, Malaysia
12 March 2020

STATEMENT BY MANAGER

**TO THE UNITHOLDERS OF
MAYBANK FINANCIAL INSTITUTIONS INCOME FUND
FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2020**

We, Dr Hasnita Binti Dato' Hashim and Ahmad Najib Bin Nazlan, being two of the Directors of Maybank Asset Management Sdn Bhd (the "Manager"), do hereby state that, in the opinion of the Manager, the accompanying financial statements are drawn up in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards so as to give a true and fair view of the financial position of Maybank Financial Institutions Income Fund as at 31 January 2020 and of its results, changes in equity and cash flows for the financial year then ended and comply with the requirements of the Deeds.

For and on behalf of the Manager

Dr Hasnita Binti Dato' Hashim
Director

Ahmad Najib Bin Nazlan
Director

Kuala Lumpur, Malaysia
12 March 2020

Independent auditors' report to the Unitholders of Maybank Financial Institutions Income Fund

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Maybank Financial Institutions Income Fund (the "Fund"), which comprise the statement of financial position as at 31 January 2020 of the Fund, and statement of comprehensive income, statement of changes in equity and statement of cash flows of the Fund for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, as set out on pages 11 to 43.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 31 January 2020, and of its financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence and other ethical responsibilities

We are independent of the Fund in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Information other than the financial statements and auditors' report thereon

The Manager of the Fund ("the Manager") is responsible for the other information. The other information comprises the information included in the annual report of the Fund, but does not include the financial statements of the Fund and our auditors' report thereon.

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

Independent auditors' report to the Unitholders of Maybank Financial Institutions Income Fund (cont'd)

Information other than the financial statements and auditors' report thereon (cont'd)

In connection with our audit of the financial statements of the Fund, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Fund 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 the Manager and Trustee for the financial statements

The Manager is responsible for the preparation of financial statements of the Fund that give a true and fair view in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards. The Manager is also responsible for such internal control as the Manager determines is necessary to enable the preparation of financial statements of the Fund that are free from material misstatement, whether due to fraud or error.

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

The Trustee is responsible for overseeing the Fund's financial reporting process. The Trustee is also responsible for ensuring that the Manager maintains proper accounting and other records as are necessary to enable true and fair presentation of these financial statements.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Fund as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 approved standards on auditing in Malaysia and International Standards on Auditing 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.

Independent auditors' report to the Unitholders of Maybank Financial Institutions Income Fund (cont'd)

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

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Fund, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.
- Conclude on the appropriateness of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Fund 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 auditors' 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 of the Fund, including the disclosures, and whether the financial statements of the Fund represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Manager 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.

**Independent auditors' report to the Unitholders of
Maybank Financial Institutions Income Fund (cont'd)**

Other matters

This report is made solely to the Unit Holders of the Fund, as a body, in accordance with the Guidelines on Unlisted Capital Market Products Under the Lodge and Launch Framework issued by the Securities Commission Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young PLT
202006000003 (LLP0022760-LCA) & AF 0039
Chartered Accountants

Yeo Beng Yean
03013/10/2020 J
Chartered Accountant

Kuala Lumpur, Malaysia
12 March 2020

MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2020**

	Note	2020 RM	2019 RM
INVESTMENT INCOME			
Interest income	3	8,508,572	8,110,579
Net gain on financial asset at fair value through profit and loss ("FVTPL")	8 (b)		
- Realised gain/(loss)		1,029,948	(282,622)
- Unrealised gain		2,956,495	590,038
Other income		-	7,500
		<u>12,495,015</u>	<u>8,425,495</u>
EXPENSES			
Manager's fee	4	658,738	978,011
Trustee's fee	5	94,105	87,996
Auditors' remuneration		5,585	9,150
Tax agent's fee		3,500	3,500
Administrative expenses		7,514	30,629
		<u>769,442</u>	<u>1,109,286</u>
Net income before taxation		11,725,573	7,316,209
Income tax expense	6	-	-
Net income after taxation, and total comprehensive income for the financial year		<u>11,725,573</u>	<u>7,316,209</u>
Net income after taxation is made up of the following:			
Net unrealised income		2,956,495	590,038
Net realised income		8,769,078	6,726,171
		<u>11,725,573</u>	<u>7,316,209</u>
Distributions for the financial year:			
Net distributions	14	3,338,669	6,952,652
Gross/net distribution per unit (sen)	14	2.00	4.00
Distribution date (ex-date)	14		
		31 July 2019	Please refer Note 14 for further disclosure on the distribution dates

The accompanying notes form an integral part of the audited financial statements.

MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

**STATEMENT OF FINANCIAL POSITION
AS AT 31 JANUARY 2020**

	Note	2020 RM	2019 RM
ASSETS			
Financial assets at FVTPL	8	154,782,027	161,211,411
Deposits with a licensed financial institution	7	22,495,748	39,231,000
Interest income receivable		1,819,341	2,162,387
Cash at bank		381,099	147,058
TOTAL ASSETS		<u>179,478,215</u>	<u>202,751,856</u>
LIABILITIES			
Amount due to Manager	9	53,102	57,429
Amount due to Trustee	10	7,586	8,204
Amount due to broker	11	-	5,115,651
Distributions payable		-	3,831,368
Other payables and accruals	12	15,385	16,972
TOTAL LIABILITIES		<u>76,073</u>	<u>9,029,624</u>
NET ASSET VALUE ("NAV") OF THE FUND		<u>179,402,142</u>	<u>193,722,232</u>
EQUITY			
Unitholders' capital	13(a)	169,892,469	192,077,052
Retained earnings	13(b) & (c)	9,509,673	1,645,180
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS		<u>179,402,142</u>	<u>193,722,232</u>
NUMBER OF UNITS IN CIRCULATION (UNIT)	13(a)	<u>169,985,191</u>	<u>191,568,412</u>
NAV PER UNIT (RM)		<u>1.0554</u>	<u>1.0112</u>

The accompanying notes form an integral part of the audited financial statements.

MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

**STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2020**

	Unitholders' capital Note 13(a) RM	Retained earnings Note 13(b) and 13 (c) RM	Total equity RM
At 1 February 2018	219,273,729	1,666,022	220,939,751
Total comprehensive income for the financial year	-	7,316,209	7,316,209
Creation of units	45,607,271	-	45,607,271
Reinvestment of units	6,948,593	-	6,948,593
Cancellation of units	(80,136,940)	-	(80,136,940)
Distributions (Note 14)	384,399	(7,337,051)	(6,952,652)
At 31 January 2019	<u>192,077,052</u>	<u>1,645,180</u>	<u>193,722,232</u>
At 1 February 2019	192,077,052	1,645,180	193,722,232
Total comprehensive income for the financial year	-	11,725,573	11,725,573
Creation of units	4,105,513	-	4,105,513
Reinvestment of units	6,564,162	-	6,564,162
Cancellation of units	(33,376,669)	-	(33,376,669)
Distributions (Note 14)	522,411	(3,861,080)	(3,338,669)
At 31 January 2020	<u>169,892,469</u>	<u>9,509,673</u>	<u>179,402,142</u>

The accompanying notes form an integral part of the audited financial statements.

MAYBANK FINANCIAL INSTITUTIONS INCOME FUND**STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2020**

	2020	2019
	RM	RM
CASH FLOWS FROM OPERATING AND INVESTING ACTIVITIES		
Net purchase of financial assets at FVTPL	(83,153,610)	(58,489,305)
Net proceeds from sale and redemption of financial assets at FVTPL	87,847,599	115,820,423
Interest income received	9,457,806	8,648,521
Manager's fee paid	(663,065)	(1,046,505)
Trustee's fee paid	(94,723)	(90,286)
Payment of other fees and expenses	(18,187)	(36,499)
Net cash generated from operating and investing activities	<u>13,375,820</u>	<u>64,806,349</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash received from units created	4,105,513	45,607,271
Cash paid on units cancelled	(33,376,669)	(95,136,940)
Distributions to unitholders	(605,875)	(553,306)
Net cash used in financing activities	<u>(29,877,031)</u>	<u>(50,082,975)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS FOR THE FINANCIAL YEAR	(16,501,211)	14,723,374
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR	<u>39,378,058</u>	<u>24,654,684</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	<u>22,876,847</u>	<u>39,378,058</u>
Cash and cash equivalents comprise:		
Cash at bank	381,099	147,058
Deposits with licensed financial institutions with maturity of less than 3 months (Note 7)	22,495,748	39,231,000
	<u>22,876,847</u>	<u>39,378,058</u>

The accompanying notes form an integral part of the audited financial statements.

MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2020

1. THE FUND, THE MANAGER AND THEIR PRINCIPAL ACTIVITIES

Maybank Financial Institutions Income Fund (the "Fund") was constituted pursuant to the execution of a Deed dated 5 November 2009, First Supplementary Deed dated 08 October 2012, and a Second Supplementary Deed dated 30 March 2015 between the Manager, Maybank Asset Management Sdn Bhd ("Maybank AM") and the Trustee, PB Trustee Services Berhad. The Deed and Supplemental Deeds are collectively referred to as 'Deeds'.

The principal activity of the Fund is to invest up to 95% of its net asset value ("NAV") in RM-denominated fixed income securities issued by financial institutions and/or bank guaranteed bonds. The remaining balance will be invested in fixed deposit and/or money market instruments.

The Manager of the Fund is Maybank AM, a company incorporated in Malaysia. It is a holder of the Capital Markets Services Licence ("CMSL") with fund management as its regulated activity under the Capital Markets and Services Act 2007 ("CMSA"). The principal place of business of Maybank AM is at Level 12, Tower C, Dataran Maybank, No. 1 Jalan Maarof, 59000 Kuala Lumpur, Malaysia. Maybank AM is a subsidiary of Maybank Asset Management Group Berhad ("MAMG"), which in turn is a subsidiary of Malayan Banking Berhad ("MBB").

The financial statements were authorised for issue by the Board of Directors ("the Directors") of the Manager in accordance with a resolution of the Directors on 12 March 2020.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements of the Fund have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") as issued by the Malaysian Accounting Standards Board ("MASB"), International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), the Deeds and any regulatory requirements.

The Fund has adopted the MFRS, Amendments to Standards and Interpretations Committee ("IC") interpretation which have become effective during the financial year ended 31 January 2020. The adoption of the new pronouncements did not result in any material impact to the financial statements.

The financial statements have been prepared on a historical cost basis except as disclosed in the accounting policies in Note 2.3 to Note 2.14 to the financial statements.

The financial statements are presented in Ringgit Malaysia ("RM").

MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Standards, amendments and interpretations issued but not yet effective

The following are Standards and Amendments to Standards and Interpretations issued by the MASB, but not yet effective, up to the date of issuance of the Fund's financial statements. The Fund intends to adopt the relevant standards, if applicable, when they become effective.

Description	Effective for annual periods beginning on or after
Revised Conceptual Framework for Financial Reporting	1 January 2020
Amendments to MFRS 3: <i>Definition of a Business</i>	1 January 2020
Amendments to MFRS 101 and MFRS 108: <i>Definition of Material</i>	1 January 2020
Amendments to MFRS 7, MFRS 9 and MFRS 139: <i>Interest Rate Benchmark</i>	1 January 2020
MFRS 17: <i>Insurance Contracts</i>	1 January 2021
Amendments to MFRS 10 and MFRS 128: <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred

The Fund expects that the adoption of the above standards and amendments to standards will not have any material impact on the financial statements in the period of initial application.

2.3 Financial instruments

Financial assets and financial liabilities are recognised when the Fund becomes a party to the contractual provision of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets and financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

All recognised financial assets are subsequently measured in their entirety at amortised cost or fair value, depending on the classification of the assets.

MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Financial assets

(i) Financial assets at amortised cost

Classification

The Fund classifies cash and cash equivalents and interest income receivables as financial assets at amortised cost, and are subsequently measured at amortised cost.

Unless designated as at FVTPL on initial recognition, debt instruments that meet the following conditions are subsequently measured at amortised cost less impairment loss:

- the assets are held within a business model whose objectives is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that do not meet the criteria above are classified as either fair value through other comprehensive income ("FVTOCI") or FVTPL.

(ii) Financial assets at FVTPL

Investments in unquoted fixed income securities are classified as FVTPL, unless the Fund designates an investment that is not held for trading as FVTOCI on initial recognition.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of the portfolio of identified financial instruments that the Fund manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instruments or a financial guarantee.

Debt instruments that do not meet the amortised cost or FVTOCI criteria are measured at FVTPL. In addition, debt instruments that meet the amortised cost criteria but are designated as at FVTPL are measured at FVTPL. A debt instrument may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Debt instruments are reclassified from amortised cost to FVTPL when the business model is changed such that the amortised cost criteria are no longer met. Reclassification of debt instruments that are designated as at FVTPL on initial recognition is not allowed.

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

MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Financial assets (cont'd)

(ii) Financial assets at FVTPL (cont'd)

Interest income on debt instruments as at FVTPL is disclosed separately in the profit or loss.

The carrying cost of unquoted fixed income securities denominated in RM are revalued on a daily basis based on fair value prices quoted by Bond Pricing Agency ("BPA") registered with the Securities Commission Malaysia ("SC"). Where such quotations are not available or where the Manager is of the view that the price quoted by the BPA for a specific unquoted fixed income securities differs from the market price by more than 20 basis points, the Manager may use the market price, provided that the Manager:

- records its basis for using a non-BPA price;
- obtain necessary internal approvals to the use of non-BPA price; and
- keeps an audit trail of all decisions and basis for adopting the market yield.

(iii) Impairment of financial assets

Credit losses are recognised based on the 'Expected Credit Loss' ("ECL") model. The Fund recognises loss allowances for ECL on financial instruments that are not measured at FVTPL. The impairment model does not apply to equity investments.

ECL is a probability-weighted estimate of credit losses. It is measured as follows:

- Financial assets that are not credit-impaired at the reporting date:
As the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Fund expects to receive);
- Financial assets that are credit-impaired at the reporting date:
As the difference between the gross carrying amount and the present value of estimated future cash flows.

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

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

- Significant financial difficulty of the issuer or counterparty;
- Significant downgrade in credit rating of the instrument by a rating agency;
- A breach of contract such as a default or past due event; or
- The disappearance of an active market for a security because of financial difficulties.

For balances with short-term nature, full impairment will be recognised on uncollected balances after the grace period.

MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Financial assets (cont'd)

(iv) Derecognition of financial assets

The Fund derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Fund neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Fund recognises its retained profit in the asset and an associated liability for amounts it may have to pay. If the Fund retains substantially all the risks and rewards of ownership of a transferred financial asset, the Fund continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of financial asset classified as FVTPL, the cumulative unrealised gain or loss previously recognised is transferred to realised gain or loss on disposal in profit or loss.

On derecognition of financial asset at amortised cost, gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

2.5 Financial liabilities

Classification

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

The Fund classifies amount due to Manager, amount due to Trustee, distributions payable, other payables and accruals and amount due to broker as financial liabilities.

Recognition and measurement

Financial liabilities are recognised in the statement of financial position when, and only when, the Fund becomes a party to the contractual provisions of the financial instrument.

The Fund's financial liabilities are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest rate method.

A financial liability is derecognised when the obligation under the liability is extinguished. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.6 Fair value measurement

The Fund measures its financial instruments at fair value, at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- (i) In the principal market for the asset or liability; or
- (ii) In the absence of a principal market, in the most advantageous market for the asset or

The principal or the most advantageous market must be accessible by the Fund.

The fair value of an asset or a liability is measured using the assumptions that the market participants would use when pricing the asset or liability, assuming that the market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

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

For the purpose of fair value disclosures, the Fund has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2.7 Functional and presentation currency

The financial statements of the Fund are measured using the currency of the primary economic environment in which the Fund operates (the "functional currency"). The financial statements are presented in Ringgit Malaysia, which is also the Fund's functional currency.

MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.8 Unitholders' capital

The unitholders' contributions to the Fund meet the criteria to be classified as equity instruments under MFRS 132 *Financial Instruments: Presentation*. Those criteria include:

- (i) the units entitle the holder to a proportionate share of the Fund's NAV;
- (ii) the units are the most subordinated class and class features are identical;
- (iii) there is no contractual obligations to deliver cash or another financial asset other than the obligation on the Fund to repurchase; and
- (iv) the total expected cash flows from the units over its life are based substantially on the profit or loss of the Fund.

The outstanding units are carried at the redemption amount that is payable at each financial year if unitholder exercises the right to put the unit back to the Fund. Units are created and cancelled at prices based on the Fund's NAV per unit at the time of creation or cancellation. The Fund's NAV per unit is calculated by dividing the net assets attributable to unitholders with the total number of outstanding units.

Distribution equalisation represents the average distributable amount included in the creation and cancellation prices of units. This amount is either refunded to unitholders by way of distribution and/or adjusted accordingly when units are cancelled.

2.9 Distributions

Any distribution to the Fund's unitholders is accounted for as a deduction from realised reserves except where distribution is sourced out of distribution equalisation which is accounted for as a deduction from unitholders' capital. A proposed distribution is recognised as a liability in the financial year in which it is approved. Distribution is either reinvested or paid in cash to the unitholders on the income payment date. Reinvestment of units is based on the NAV per unit on the income payment date which is also the time of creation.

2.10 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and deposits with licensed financial institutions with original maturity of three (3) months or less which have an insignificant risk of changes in value.

MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.11 Revenue / Income

Income is recognised to the extent that it is probable that the economic benefits will flow to the Fund and the income can be reliably measured. Income is measured at the fair value of consideration received or receivable.

Interest income from unquoted fixed income securities includes amortisation of premium and accretion of discount, and is recognised using the effective interest rate method.

Interest income from deposits with licensed financial institutions is recognised on the accruals basis using the effective interest rate method.

Realised gain or loss on disposal of unquoted fixed income securities is accounted for as the difference between the net disposal proceeds and the carrying amount of the investments, determined on cost adjusted for accretion of discount or amortisation or premium.

2.12 Income tax

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

Current taxes are recognised in profit or loss, except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax expense is determined according to Malaysian tax laws at the current tax rate based upon the taxable profit earned during the financial year.

No deferred tax is recognised as no temporary differences have been identified.

2.13 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting used by the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments.

2.14 Critical accounting estimates and judgements

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

No major judgement have been made by the Manager in applying the Fund's accounting policies. There are no key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities.

MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

3. INTEREST INCOME

	2020 RM	2019 RM
Interest income from unquoted fixed income securities	8,274,781	8,102,319
Interest income from deposits with licensed financial institutions	798,359	831,419
Amortisation of premium, net of accretion of discount	(564,568)	(823,159)
	<u>8,508,572</u>	<u>8,110,579</u>

4. MANAGER'S FEE

Effective 29 November 2018, the Manager's fee was computed on a daily basis at 0.35% per annum ("p.a.") of the NAV of the Fund before deducting the Manager's fee and Trustee's fees for that particular day.

Prior to 29 November 2018, the Manager's fee was computed on a daily basis at 0.60% p.a. of the NAV of the Fund before deducting the Manager's fee and Trustee's fees for that particular day.

5. TRUSTEE'S FEE

The Trustee's fee is computed on a daily basis at 0.05% (2019: 0.05%) p.a. of the NAV of the Fund before deducting the Manager's fee and Trustee's fees for that particular day, subject to a minimum fee of RM18,000 p.a.

6. TAXATION

Income tax is calculated at the Malaysian statutory tax rate of 24% (2019: 24%) of the estimated assessable income for the financial year.

The tax charge for the financial year is in relation to the taxable income earned by the Fund after deducting tax allowable expenses. In accordance with Schedule 6 of the Income Tax Act 1967, the interest income earned by the Fund from investment is exempted from tax.

A reconciliation of income tax expense applicable to net income before taxation at the statutory income tax rate to income tax expense at the effective income tax rate is as follows:

	2020 RM	2019 RM
Net income before taxation	<u>11,725,573</u>	<u>7,316,209</u>
Tax at Malaysian statutory rate of 24% (2019: 24%)	2,814,138	1,755,890
Effects of income not subject to tax	(2,998,804)	(2,022,119)
Effects of expenses not deductible for tax purposes	<u>184,666</u>	<u>266,229</u>
Tax expense for the financial year	<u>-</u>	<u>-</u>

MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

7. DEPOSITS WITH A LICENSED FINANCIAL INSTITUTION

	2020 RM	2019 RM
Deposits with a licensed financial institution with maturity of less than 3 months	<u>22,495,748</u>	<u>39,231,000</u>

The weighted average effective interest rates (“WAEIR”) p.a. and average maturity of deposits with a licensed financial institution as at the reporting date are as follows:

	2020		2019	
	WAEIR % p.a.	Average maturity Days	WAEIR % p.a.	Average maturity Days
Deposits with maturity of less than 3 months	<u>2.75</u>	<u>3</u>	<u>3.30</u>	<u>4</u>

8. FINANCIAL ASSETS AT FVTPL

	2020 RM	2019 RM
(a) Unquoted fixed income securities	<u>154,782,027</u>	<u>161,211,411</u>

The composition of financial assets at FVTPL as at 31 January 2020 are as follows:

Name of issuer	Quantity Unit	Aggregate cost RM	Market value RM	Percentage of NAV %
2020				
Unquoted fixed income securities				
Affin Bank Bhd				
- 5.45% / 05.02.2027	9,500,000	9,645,740	9,839,530	5.48
- 5.80% / 31.07.2023	5,000,000	5,088,823	5,220,500	2.91
Affin Islamic Bank Bhd				
- 5.65% / 18.10.2023	10,000,000	10,347,233	10,440,400	5.82
- 5.05% / 23.10.2028	8,400,000	8,435,663	8,753,304	4.88

MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

8. FINANCIAL ASSETS AT FVTPL (CONT'D)

Name of issuer	Quantity Unit	Aggregate cost RM	Market value RM	Percentage of NAV %
2020 (cont'd)				
Unquoted fixed income securities (cont'd)				
AmBank Islamic Bhd				
- 4.88% / 18.10.2028	10,000,000	10,244,787	10,471,900	5.84
- 5.20% / 15.03.2027	5,000,000	5,037,737	5,180,550	2.89
Bank Muamalat Malaysia Bhd				
- 5.50% / 25.11.2021	18,100,000	18,173,182	18,565,894	10.35
CIMB Group Holdings Bhd				
- 4.88% / 25.05.2116	10,000,000	10,000,000	10,307,300	5.75
- 5.15% / 23.12.2025	5,000,000	5,049,790	5,073,950	2.83
- 5.80% / 25.05.2021	5,000,000	5,049,709	5,124,400	2.86
- 6.35% / 03.04.2020	5,000,000	5,014,122	5,021,600	2.80
Krung Thai Bank PCL				
- 5.10% / 04.07.2025	10,000,000	10,037,451	10,056,100	5.61
Malayan Banking Bhd *				
- 4.08% / 25.09.2024	10,000,000	10,000,000	10,140,000	5.65
- 4.63% / 31.01.2029	10,000,000	10,000,000	10,414,900	5.81
MBSB Bank				
- 5.05% / 20.12.2029	5,000,000	5,000,000	5,037,300	2.81
National Bank of Abu Dhabi				
- 4.75% / 09.12.2027	5,500,000	5,480,120	5,923,720	3.30

MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

8. FINANCIAL ASSETS AT FVTPL (CONT'D)

Name of issuer	Quantity Unit	Aggregate cost RM	Market value RM	Percentage of NAV %
2020 (cont'd)				
Unquoted fixed income securities (cont'd)				
Public Bank Bhd - 4.85% / 23.04.2027	3,000,000	3,020,540	3,092,580	1.72
Sabah Development Bank Bhd - 5.50% / 27.02.2026	15,000,000	15,606,062	16,118,099	8.98
Total unquoted fixed income securities	149,500,000	151,230,959	154,782,027	86.29
Unrealised gain on unquoted fixed income securities			3,551,068	

The composition of financial assets at FVTPL as at 31 January 2019 are as follows:

Name of issuer	Quantity Unit	Aggregate cost RM	Market value RM	Percentage of NAV %
2019				
Unquoted fixed income securities				
Affin Bank Bhd - 5.03% / 20.09.2027	19,000,000	19,303,363	19,368,790	10.00
- 5.80% / 31.07.2023	5,000,000	5,111,417	5,134,200	2.65
- 5.03% / 20.09.2027	10,000,000	10,029,063	10,069,200	5.20
Affin Islamic Bank Bhd - 5.05% / 23.10.2028	8,400,000	8,443,950	8,451,492	4.36

MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

8. FINANCIAL ASSETS AT FVTPL (CONT'D)

Name of issuer	Quantity Unit	Aggregate cost RM	Market value RM	Percentage of NAV %
2019 (cont'd)				
Unquoted fixed income securities (cont'd)				
AmBank Bhd				
- 8.25% / 19.08.2019	5,000,000	5,091,624	5,102,850	2.63
- 5.20% / 15.03.2027	10,000,000	10,106,223	10,177,500	5.25
AmBank Islamic Bhd				
- 4.88% / 18.10.2028	5,000,000	5,000,000	5,033,650	2.60
- 5.20% / 15.03.2027	5,000,000	5,053,112	5,088,600	2.63
Bank Muamalat Malaysia Bhd				
- 5.50% / 25.11.2021	18,100,000	18,215,413	18,319,915	9.46
CIMB Group Holdings Bhd				
- 5.80% / 25.05.2021	5,000,000	5,085,792	5,117,900	2.64
- 6.35% / 03.04.2020	5,000,000	5,097,253	5,098,250	2.63
- 5.15% / 23.12.2025	5,000,000	5,056,955	5,065,050	2.61
CIMB Islamic Bank Bhd				
- 5.85% / 25.09.2019	1,200,000	1,210,749	1,212,648	0.63
CIMB Thai				
- 5.20% / 29.03.2028	5,000,000	5,018,846	5,024,450	2.59
Hong Leong Bank Bhd				
- 4.50% / 24.06.2019	4,200,000	4,200,655	4,206,636	2.17
Krung Thai Bank PCL				
- 5.10% / 04.07.2025	10,000,000	10,043,407	10,070,600	5.20
Malayan Banking Bhd *				
- 4.63% / 31.01.2029	10,000,000	10,000,000	10,004,800	5.16
- 4.20% / 20.02.2032	15,000,000	15,000,000	15,024,600	7.76

MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

8. FINANCIAL ASSETS AT FVTPL (CONT'D)

Name of issuer	Quantity Unit	Aggregate cost RM	Market value RM	Percentage of NAV %
2019 (cont'd)				
National Bank of Abu Dhabi - 4.75% / 09.12.2027	5,500,000	5,478,114	5,557,090	2.87
Public Bank Bhd - 7.50% / 05.06.2019	5,000,000	5,048,005	5,053,400	2.61
- 4.85% / 23.04.2027	3,000,000	3,022,897	3,029,790	1.56
Total unquoted fixed income securities	159,400,000	160,616,838	161,211,411	83.22
Unrealised gain on unquoted fixed income securities			594,573	

* Malayan Banking Bhd is the ultimate holding company of the Manager.

- (b) Changes in the fair value of FVTPL investments are recognised in 'unrealised gain on FVTPL investments' in profit and loss. Accumulated unrealised gains or losses are reclassified to 'realised gain/(loss) on FVTPL investments' in profit or loss when the associated assets are sold. See accounting policy Note 2.4(ii) for details.

9. AMOUNT DUE TO MANAGER

The amount represents the amount payable to the Manager arising from the accruals for Manager's fee at the end of the financial year. The normal credit term for Manager's fee is 15 days (2019: 15 days).

10. AMOUNT DUE TO TRUSTEE

The amount due to Trustee relates to the amount payable to the Trustee arising from the accrued Trustee's fee at the end of the financial year. The normal credit term for Trustee's fee is 15 days (2019: 15 days).

MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

11. AMOUNT DUE TO BROKER

Amount due to brokers relates to the amount receivable from a broker arising from the sale of unquoted fixed income securities. There was no amount due to broker as at reporting date. The settlement period in the previous financial year was 3 working days.

12. OTHER PAYABLES AND ACCRUALS

Other payables and accruals comprise the following:

	2020 RM	2019 RM
Due to external auditors	10,229	9,150
Due to tax agent	4,505	3,500
Other payables	651	4,322
	<u>15,385</u>	<u>16,972</u>

13. TOTAL EQUITY

	Note	2020 RM	2019 RM
Unitholders' capital	13 (a)	169,892,469	192,077,052
Accumulated realised income	13 (b)	5,958,605	1,050,607
Accumulated unrealised income	13 (c)	3,551,068	594,573
		<u>179,402,142</u>	<u>193,722,232</u>

(a) Unitholders' capital

	2020		2019	
	No. of units	RM	No. of units	RM
At the beginning of the financial year	191,568,412	192,077,052	219,030,772	219,273,729
Creation of units	4,006,034	4,105,513	44,408,546	45,607,271
Reinvestment of units	6,444,348	6,564,162	6,886,452	6,948,593
Cancellation of units	(32,033,603)	(33,376,669)	(78,757,358)	(80,136,940)
Distribution equalisation (Note 14)	-	522,411	-	384,399
At the end of the financial year	<u>169,985,191</u>	<u>169,892,469</u>	<u>191,568,412</u>	<u>192,077,052</u>

MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

13. TOTAL EQUITY (CONT'D)

(a) Unitholders' capital (cont'd)

As of end of the financial year, there were no units held by the Manager and related party (2019: Nil).

(b) Accumulated realised income

	2020	2019
	RM	RM
At the beginning of the financial year	1,050,607	1,661,487
Net realised income for the financial year	8,769,078	6,726,171
Distributions out of realised reserve (Note 14)	<u>(3,861,080)</u>	<u>(7,337,051)</u>
At the end of the financial year	<u>5,958,605</u>	<u>1,050,607</u>

(c) Accumulated unrealised income

	2020	2019
	RM	RM
At the beginning of the financial year	594,573	4,535
Net unrealised income for the financial year	<u>2,956,495</u>	<u>590,038</u>
At the end of the financial year	<u>3,551,068</u>	<u>594,573</u>

14. DISTRIBUTIONS

Net distributions to unitholders are from the following sources:

	2020	2019
	RM	RM
Interest income	3,093,869	6,633,132
Previous period's net realised income *	1,050,607	1,661,487
Less: Expenses	<u>(283,396)</u>	<u>(957,568)</u>
Distributions out of realised reserve (Note 13(b))	3,861,080	7,337,051
Distribution equalisation (Note 13(a))	<u>(522,411)</u>	<u>(384,399)</u>
Distributions for the financial year	<u>3,338,669</u>	<u>6,952,652</u>

* Part of the distribution declared in the current financial year was from prior year's realised income.

Analysed by:

Cash distribution	301,979	567,330
Reinvestment of units (Note 13(a))	<u>3,036,690</u>	<u>6,385,322</u>
Distributions for the financial year	<u>3,338,669</u>	<u>6,952,652</u>

MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

14. DISTRIBUTIONS (CONT'D)

The gross and net distributions per unit and the distribution dates in the current and previous financial year is as follows:

Distribution date	Gross/net distribution per unit (sen)
2020	
31 July 2019	2.00
2019	
31 July 2018	2.00
31 January 2019	2.00
	4.00

15. TRANSACTIONS WITH BROKERS/DEALERS/FINANCIAL INSTITUTIONS

Details of transactions with brokers/dealers for the financial year are as follows:

	2020		2019	
	Value of trade RM	Percentage of total trade %	Value of trade RM	Percentage of total trade %
Affin Hwang Investment Bank Bhd	25,553,408	17.88	10,300,178	6.93
Alliance Bank (M) Bhd	30,957,500	21.66	20,192,328	13.58
AmBank Bhd	-	-	15,638,315	10.52
CIMB Bank Bhd	10,000,000	7.00	15,373,726	10.34
Hong Leong Bank Bhd	20,103,000	14.06	38,222,316	25.70
Malayan Banking Bhd *	10,000,000	7.00	10,000,000	6.72
RHB Investment Bank Bhd	31,268,740	21.88	14,497,024	9.75
Standard Chartered Bank Malaysia Bhd	15,051,870	10.52	24,482,560	16.46
	<u>142,934,518</u>	<u>100.00</u>	<u>148,706,447</u>	<u>100.00</u>

* Malayan Banking Bhd is the ultimate holding company of the Manager.

MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

15. TRANSACTIONS WITH BROKERS/DEALERS/FINANCIAL INSTITUTIONS (CONT'D)

Details of transactions, primarily deposits with licensed financial institutions for the financial year are as follows:

	2020		2019	
	Value of placements RM	Percentage of total placements %	Value of placements RM	Percentage of total placements %
Financial institutions				
Malayan Banking Bhd *	2,640,428,000	42.40	6,156,414,000	99.15
Public Bank Bhd	3,586,676,042	57.60	-	-
Public Investment Bank Bhd	-	-	52,719,142	0.85
	<u>6,227,104,042</u>	<u>100.00</u>	<u>6,209,133,142</u>	<u>100.00</u>

* Malayan Banking Bhd is the ultimate holding company of the Manager.

16. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

For the purpose of these financial statements, parties are considered to be related to the Fund or the Manager if the Fund or the Manager has the ability directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decision, or vice versa, or where the Fund or the Manager and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

In addition to the related party information disclosed elsewhere in the financial statements, the following are the significant related party transactions and balances of the Fund:

	2020 RM	2019 RM
(a) <u>Significant related party transactions</u>		
Malayan Banking Bhd:		
Interest income from deposits	<u>356,458</u>	<u>821,227</u>

MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

16. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONT'D)

	2020 RM	2019 RM
(b) <u>Significant related party balances</u>		
Malayan Banking Bhd:		
Deposits with licensed financial institutions	-	39,231,000
Interest income receivables	-	3,547
	<u>-</u>	<u>39,234,547</u>

The Manager is of the opinion that the transactions with the related parties have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from that obtainable in transactions with unrelated parties.

17. MANAGEMENT EXPENSE RATIO ("MER")

The MER of the Fund is the total expenses expressed as an annual percentage of the Fund's daily average NAV. For the financial year ended 31 January 2020, the MER of the Fund stood at 0.41% (2019: 0.63%).

18. PORTFOLIO TURNOVER RATIO ("PTR")

The PTR of the Fund is the ratio of average of the total acquisitions and disposals of the investment in the Fund for the financial year to the daily average NAV of the Fund. For the financial year ended 31 January 2020, the PTR of the Fund stood at 0.39 times (2019: 0.51 times).

19. SEGMENT INFORMATION

The Portfolio Management Committee (the "PMC") of the Manager, being the chief operating decision-maker, makes the strategic decisions on resources allocation of the Fund. The decisions are based on an integrated investment strategy to ensure the Fund achieves its targeted return with an acceptable level of risk within the portfolio.

The PMC is responsible for the performance of the Fund by investing up to 95% of its NAV in RM-denominated fixed income securities issued by financial institutions and/or bank guaranteed bonds. The remaining balance will be invested in fixed deposit and/or money market instruments.

MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

19. SEGMENT INFORMATION (CONT'D)

On this basis, the PMC considers the business of the Fund to have a single operating segment located in Malaysia. Asset allocation decisions are based on a single, integrated investments strategy and the Fund's performance is evaluated on an overall basis.

The internal reporting of the Fund's assets, liabilities and performance is prepared on a consistent basis with the measurement and recognition principles of MFRS and IFRS.

There were no changes in the reportable operating segments during the financial year.

20. FINANCIAL INSTRUMENTS

(a) Classification of financial instruments

The Fund's financial assets and financial liabilities are measured on an ongoing basis at either fair value or at amortised cost based on their respective classification. The significant accounting policies in Note 2.3 to Note 2.14 to the financial statements describe how the classes of financial instruments are measured and how income and expenses are recognised.

The following table analyses the financial assets and financial liabilities (excluding tax-related matters) of the Fund in the statement of financial position as at the reporting date by the classes of financial instrument to which they are assigned, and therefore by the measurement basis.

	Financial assets at FVTPL RM	Financial assets at amortised cost RM	Financial liabilities at amortised cost RM	Total RM
2020				
Financial assets				
Financial assets at FVTPL	154,782,027	-	-	154,782,027
Deposit with a licensed financial institution bank	-	22,495,748	-	22,495,748
Interest income receivable	-	1,819,341	-	1,819,341
Cash at bank	-	381,099	-	381,099
Total financial assets	154,782,027	24,696,188	-	179,478,215

MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

20. FINANCIAL INSTRUMENTS (CONT'D)

(a) Classification of financial instruments

2020 (cont'd)	Financial assets at FVTPL RM	Financial assets at amortised cost RM	Financial liabilities at amortised cost RM	Total RM
Financial liabilities				
Amount due to Manager	-	-	53,102	53,102
Amount due to Trustee	-	-	7,586	7,586
Other payables and accruals	-	-	15,385	15,385
Total financial liabilities	-	-	76,073	76,073
2019	Financial assets at FVTPL RM	Financial assets at amortised cost RM	Financial liabilities at amortised cost RM	Total RM
Financial assets				
Financial assets at FVTPL	161,211,411	-	-	161,211,411
Deposit with a licensed financial institution bank	-	39,231,000	-	39,231,000
Interest income receivable	-	2,162,387	-	2,162,387
Cash at bank	-	147,058	-	147,058
Total financial assets	161,211,411	41,540,445	-	202,751,856

MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

20. FINANCIAL INSTRUMENTS (CONT'D)

(a) Classification of financial instruments (cont'd)

2019 (cont'd)	Financial assets at FVTPL RM	Financial assets at amortised cost RM	Financial liabilities at amortised cost RM	Total RM
Financial liabilities				
Amount due to Manager	-	-	57,429	57,429
Amount due to Trustee	-	-	8,204	8,204
Amount due to broker	-	-	5,115,651	5,115,651
Distributions payable			3,831,368	3,831,368
Other payables and accruals	-	-	16,972	16,972
Total financial liabilities	-	-	9,029,624	9,029,624

(b) Financial instruments that are carried at fair value

The Fund's FVTPL financial assets are carried at fair value.

(c) Fair value hierarchy

The Fund uses the following hierarchy for determining the fair value of financial instruments by valuation technique:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

20. FINANCIAL INSTRUMENTS (CONT'D)

(c) Fair value hierarchy (cont'd)

	Level 1 RM	Level 2 RM	Level 3 RM
2020			
Financial assets at FVTPL	-	154,782,027	-
	<hr/>	<hr/>	<hr/>
2019			
Financial assets at FVTPL	-	161,211,411	-
	<hr/>	<hr/>	<hr/>

(d) Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximations of fair value

Other than its securities, the Fund's financial instruments are not carried at fair value but their carrying amounts are reasonable approximations of fair value due to their short term nature. There were no financial instruments which are not carried at fair value and whose carrying amounts are not reasonable approximations of their respective fair values.

21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(a) Introduction

The Fund's objective in managing risk is the creation and protection of unitholders' capital. Risks are inherent in the Fund's activities, but they are managed through a process of ongoing identification, measurement and monitoring of risks.

Financial risk management is also carried out through sound internal control systems and adherence to the investment restrictions as stipulated in the Deeds, the SC's Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework and the Capital Markets and Services Act 2007.

MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(b) Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and security prices. However, the Fund is not exposed to currency risk as it does not hold investments denominated in currencies other than in RM as at the reporting date. The Fund is also not exposed to equity price risk as it does not hold any equity investments as at the reporting date.

(i) Interest rate risk

Unquoted fixed income securities are particularly sensitive to movements in market interest rates. When interest rates rise, the value of fixed income securities will fall and vice versa, thus affecting the NAV of the Fund. The sensitivity to market interest rate changes are normally greater for longer tenured securities when compared to shorter tenured securities.

The table below summarises the sensitivity of the Fund's NAV to movements in prices of unquoted fixed income securities held by the Fund as a result of movements in market interest rates. The analysis is based on the assumptions that the interest rates increased and decreased by 1% (100 basis points) with all other variables held constant.

	Changes in interest rates %	Effect on NAV (Decrease)/ Increase RM
2020		
Financial assets	+1	(5,531,323)
at FVTPL	-1	5,839,310
		<hr/>
2019		
Financial assets	+1	(7,161,361)
at FVTPL	-1	7,706,768
		<hr/>

The impact to net income/(loss) after taxation is expected to be the same as the effects on NAV.

MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(c) Credit risk (cont'd.)

Credit risk is the risk that the issuer/counterparty to a financial instrument will default on its obligation resulting in a financial loss to the Fund. The Fund is exposed to the risk of credit-related losses that can occur as a result of an issuer/counterparty's inability or unwillingness to honour its contractual obligations to make timely repayments of profit, principal and proceeds from realisation of investments. These credit exposures exist within financing relationships and other transactions.

The Manager manages the Fund's credit risk by undertaking credit evaluation and close monitoring of any changes to the issuer/counterparty's credit profile to minimise such risk. It is the Fund's policy to enter into financial instruments with reputable counterparties. The Manager also closely monitors the creditworthiness of the Fund's other counterparties (e.g. brokers, custodian, banks, etc.) by reviewing their credit ratings and credit profile on a regular basis.

(i) Credit risk exposure

At the reporting date, the Fund's maximum exposure to credit risk is represented by the carrying amount of each class of financial asset recognised in the statement of financial position. None of the Fund's financial assets were past due or impaired as at the reporting date.

(ii) Credit risk concentration

The following table analyses the Fund's investments in unquoted fixed income securities, cash at bank, deposit with a licensed financial institution, interest receivables on unquoted fixed income securities and interest receivable on deposit with a licensed financial institution by rating categories. The ratings for the Fund's investments in unquoted fixed income securities and interest receivables on unquoted fixed income securities were obtained from RAM and MARC while the ratings for cash at bank, deposit with a licensed financial institution and interest receivable on deposit with a licensed financial institution were obtained from RAM's official website.

MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(c) Credit risk (cont'd)

	2020		2019	
	RM	As a percentage of NAV %	RM	As a percentage of NAV %
Financial assets				
AAA	24,696,188	13.77	64,534,821	33.31
AA1	35,549,300	19.82	14,128,773	7.29
AA2	15,130,050	8.43	20,311,085	10.48
AA3	30,814,050	17.18	30,977,207	15.99
A1	34,024,534	18.97	49,157,289	25.38
A2	18,565,893	10.35	18,507,686	9.55
A3	20,698,200	11.54	5,134,995	2.65
	<u>179,478,215</u>	<u>100.06</u>	<u>202,751,856</u>	<u>104.66</u>

(d) Liquidity risk

Liquidity risk is defined as the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Exposure to liquidity risk arises because of the possibility that the Fund could be required to pay its liabilities or redeem its units earlier than expected.

The Fund is exposed to cash redemptions of its units on a regular basis. Units sold to unitholders by the Manager are redeemable at the unitholders' option based on the Fund's NAV per unit at the time of redemption calculated in accordance with the Deeds of the Fund.

The Manager's policy is to always maintain a prudent and sufficient level of liquid assets so as to meet normal operating requirements and expected redemption requests by unitholders. Liquid assets comprise cash at bank and deposits with licensed financial institutions which are capable of being converted into cash within 7 days.

MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(d) Liquidity risk (cont'd)

The following table summarises the maturity profile of the Fund's financial assets, financial liabilities and unitholders' equity to provide a complete view of the Fund's contractual commitments and liquidity:

	Less than 1 month RM	More than 1 month RM	Total RM
2020			
Financial assets			
Financial assets at FVTPL	-	154,782,027	154,782,027
Deposits with licensed financial institutions	22,495,748	-	22,495,748
Interest income receivables	342,996	1,476,345	1,819,341
Cash at bank	381,099	-	381,099
Total undiscounted financial assets	<u>23,219,843</u>	<u>156,258,372</u>	<u>179,478,215</u>
Financial liabilities and unitholders' equity			
Amount due to Manager	53,102	-	53,102
Amount due to Trustee	7,586	-	7,586
Distributions payable	-	-	-
Other payables and accruals	15,385	-	15,385
Unitholders' equity	179,402,142	-	179,402,142
Total undiscounted financial liabilities and unitholders' equity	<u>179,478,215</u>	<u>-</u>	<u>179,478,215</u>
Liquidity (gap)/surplus	<u>(156,258,372)</u>	<u>156,258,372</u>	<u>-</u>

MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(d) Liquidity risk (cont'd)

The following table summarises the maturity profile of the Fund's financial assets, financial liabilities and unitholders' equity to provide a complete view of the Fund's contractual commitments and liquidity (cont'd):

2019	Less than 1 month RM	More than 1 month RM	Total RM
Financial assets			
Financial assets at FVTPL	-	161,211,411	161,211,411
Deposits with licensed financial institutions	39,231,000	-	39,231,000
Interest income receivables	817,552	1,344,835	2,162,387
Cash at bank	147,058	-	147,058
Total undiscounted financial assets	<u>40,195,610</u>	<u>162,556,246</u>	<u>202,751,856</u>
Financial liabilities and unitholders' equity			
Amount due to Manager	57,429	-	57,429
Amount due to Trustee	8,204	-	8,204
Amount due to broker	5,115,651	-	5,115,651
Distributions payable	3,831,368	-	3,831,368
Other payables and accruals	16,972	-	16,972
Unitholders' equity	193,722,232	-	193,722,232
Total undiscounted financial liabilities and unitholders' equity	<u>202,751,856</u>	<u>-</u>	<u>202,751,856</u>
Liquidity (gap)/surplus	<u>(162,556,246)</u>	<u>162,556,246</u>	<u>-</u>

(i) Financial assets

Deposits with licensed financial institutions are grouped based on the expected date on which these assets will be realised. For other assets, the analysis into maturity groupings is based on the remaining period from the end of the reporting year to the contractual maturity date or if earlier, the expected date on which the assets will be realised.

(ii) Financial liabilities

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

MAYBANK FINANCIAL INSTITUTIONS INCOME FUND

21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(d) Liquidity risk (cont'd)

(iii) Unitholders' equity (cont'd)

As unitholders could request for cancellation of their units within ten calendar day from transaction date, unitholders' equity has been categorised as having a maturity of "less than 1 month".

22. CAPITAL MANAGEMENT

The capital of the Fund can vary depending on the demand for cancellations and subscriptions to the Fund.

The Fund's objectives for managing capital are:

- (a) To invest in investments meeting the description, risk exposure and generate higher returns the prescribed benchmark as indicated in its information memorandum;
- (b) To achieve consistent returns while safeguarding capital by using various investment strategies;
- (c) To maintain sufficient liquidity to meet the expenses of the Fund and to meet cancellation requests as they arise; and
- (d) To maintain sufficient fund size to ensure that the operations of the Fund are cost-efficient.

No changes were made to the capital management objectives, policies or processes during the current financial year.