

LESOTHO UNIT TRUST FUND
Financial Statements
For the year ended 31 December 2019

STANLIB

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Lesotho Unit Trust Fund

Registered address

Ground Floor, MGC Office Park
Cnr Pope John Paul II and Mpilo Boulevard
Maseru, Lesotho

Trustees

Minet Lesotho

Directors of the Management Company

K Mofelefetsi
K Rametse
L Lebete
J Mnisi
M Sebolaoa
M Maharasoa

Directors Report

Statement of Responsibility by the Board of Directors for the year ended 31 December 2019

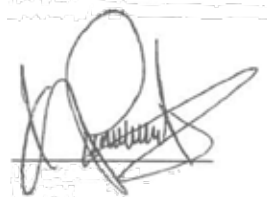
The directors are responsible for the preparation of the financial statements in accordance with the basis of accounting described in note 1 to the financial statements and for determining that the basis of preparation is acceptable in the circumstances and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors 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.

The financial statements which appear on pages 10 to 14 were approved by the board of directors on 27 February 2020 and signed on its behalf



Khabele Mofelehetsi
Chairman



Kelello Rametse
Director

Report of the Independent Auditor

SHEERAN & ASSOCIATES

Chartered accountants (Lesotho)

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Pope John Paul II and
Katlehong Road
Maseru

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Independent auditor's report

To the members of Lesotho Unit Trust Fund

Our opinion

In our opinion, the financial statements Lesotho Unit Trust Fund (the Fund) as at 31 December 2019 are prepared, in all material respects, in accordance with the basis of accounting described in note 1 to the financial statements.

What we have audited

Lesotho Unit Trust Fund's financial statements set out on pages 8 to 12 comprise:

- the balance sheet as at 31 December 2019;
- the income statement for the year then ended;
- the statement of changes in funds for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies;

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Fund in accordance with the *International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code)*. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Emphasis of matter- Basis of Accounting

We draw attention to note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with the Fund's own accounting policies to satisfy the financial information needs of the Fund's directors. As a result, the financial statements may not be suitable for any other purpose. Our opinion is not modified in respect of this matter.

Other information

Directors are responsible for the other information. The other information comprises the information included in the Lesotho Unit Fund financial statements for the year ended 31 December 2019. Other information 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 and will not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above 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 for the financial statements

Directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, 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 Directors either intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

We communicate with Directors 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.



SHEERAN & ASSOCIATES
Chartered Accountants (Lesotho)

Date: 18 March 2020

Trustee Report



Aon | Global Network Correspondent

16 March 2020

Lesotho Unit Trust Fund
Ground Floor, MGC Park
Corner Pope John Paul II and Mpilo Boulevard
P O Box 115
Maseru
Lesotho

Dear Sir/Madam,

REPORT OF THE TRUSTEE OF THE LESOTHO UNIT TRUST FUND TO THE REGISTRAR OF THE COLLECTIVE INVESTMENT SCHEME

We have reviewed the books and records of the Lesotho Unit Trust Fund for the year ended 31st December 2019 with the objective of reporting on the compliance by the Management of the Trust with Sections 38, 39 and 40 of the Central Bank of Lesotho (Collective Investment Schemes) Regulations of 2018.

In terms of Section 38 of the same regulations, we have enquired into the administration of the scheme by the Management of the Trust in terms of observing the limitations imposed on the investment and borrowing powers.

We do review on monthly basis, by verification, the administration of the Collective Investment Scheme. We have observed from our review that:

1. The Trust has invested in Lesotho and Foreign based assets (i.e. outside Common Monetary Area) in accordance with the amended Trust Deed.
2. The Trust's valuation reports represent the market value of the Fund's investment.
3. The Trust is managed in accordance with the limitations on the investment and borrowing powers of Management Company as set out by the Collective Investment Scheme Regulations and the Trust Deed. The limits of investment as required by Section 5.7 of the Trust Deed were adhered to.
4. The Trust was without Loans or Borrowings at the end of December 2019.

It is our opinion that based on the information received; the Stanlib Lesotho Unit Trust Management conducted the investment scheme in accordance with the requirements of Sections 38, 39 and 40 of the Collective Investment Scheme Regulations of 2018.

Minet Lesotho (Pty) Ltd
Trustees of Lesotho Unit Trust Fund

Retselisitsoe Leboela
Chief Executive Officer

Cc: The General Manager – Stanlib Lesotho

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Directors: Mr J N O Onsando Chairman, Mr D M H J Schuurmans, Mr R D Koojman, Mrs. L. Mchapeloa,
Mr. J. Mawere, Mr R Leboela Chief Executive Officer, Mrs. T Mokela

Income Statement

For the year ended 31 December 2019

	2019 M	2018 M
Income	34 497 331	39 235 718
<i>Interest Received</i>	6 410 615	6 569 745
<i>Dividends Received</i>	27 768 379	33 094 289
<i>Sundry Income</i>	356 740	68 464
<i>Income adjustments on creations and cancellations of units</i>	(38 403)	(496 780)
Expenditure	(4 275 565)	(3 668 362)
<i>Auditor's remuneration</i>	(89 202)	(89 692)
<i>Service charges</i>	(3 487 654)	(3 138 464)
<i>Bank Charges</i>	(42)	(201)
<i>Sundry Expenses</i>	(199 453)	(201 097)
<i>Trustee/Custody Fees</i>	(200 642)	(1)
<i>Withholding tax</i>	(298 572)	(238 907)
Net income for the year	30 221 766	35 567 356

Balance Sheet

For the year ended 31 December 2019

		2019 M	2018 M
Assets			
Non Current Assets		397 427 948	349 493 730
<i>Investments at market value</i>	4	397 427 948	349 493 730
Current Assets		3 116 364	709 587
<i>Accrued income and accounts receivable</i>		207 490	265 622
<i>Cash and cash equivalents</i>		2 908 874	443 965
Total Assets		400 544 312	350 203 317
Liabilities			
Current Liabilities		15 847 628	18 673 826
<i>Accounts payable</i>		15 847 628	18 673 826
Total Liabilities		15 847 628	18 673 826
Net Assets Attributable to Unit Holders		384 696 684	331 529 491

Statement of Changes in Net Assets Attributable to Unit Holders

For the year ended 31 December 2019

	2019 M	2018 M
Distributable Income		
Balance at the beginning of the year	23 373	44 036
Undistributed inc. adjustment	5 245	2 101
Net income for the year	30 221 766	35 567 356
Income available for distribution	30 250 384	35 613 493
Income Distributions:	30 247 577	35 590 120
<i>June 2019: 12.32 per unit (2018: 16.33 per unit)</i>	<i>14 822 430</i>	<i>17 469 411</i>
<i>December 2019: 12.29 per unit (2018: 15.99 per unit)</i>	<i>15 425 147</i>	<i>18 120 709</i>
Balance at the end of the year	2 807	23 373
Capital value of unit portfolio - investors		
Balance at the beginning of the year	331 506 118	296 313 240
Creation of Units	3 31 552 358	25 287 198
Cancellation of Units	3 (9 262 632)	(19 449 462)
Capital (loss)/profit reinvested in the fund	30 898 033	29 355 142
Balance at the end of the year	384 693 877	331 506 118
Total net assets attributable to unit holders at the beginning of the year	331 529 491	296 357 276
Total net assets attributable to unit holders at the end of the year	384 696 684	331 529 491

Notes to the Financial Statements

1. Accounting policies

The following are the principle accounting policies, which are consistent with the prior year.

1.1 Basis of preparation

The annual financial statements have been compiled on the historical cost basis, except for investments comprising the unit portfolio, which are reflected at fair value.

1.2 Revenue recognition

- Revenue is recognised on the accrual basis, when the right to such revenue is established.
- Dividends are recognised when the right to receive payment is established.
- Interest is recognised on the accrual basis on a time proportionate basis.

1.3 Service charges

Service charges represent the fee paid to the manager for the management and administration of the portfolios and unit holder transactions.

1.4 Financial instruments

Financial instruments are initially measured at cost and subsequently at fair value. Fair value is determined as follows:

- Listed instruments are valued at the closing price as published by the relevant exchanger;
- Unlisted instruments are valued by discounting of nominal cash flows using current interest rates;
- Money market instruments are valued at accrued value.

Realised and unrealised profits or losses on investments are accounted for in the capital value of the portfolio.

1.5 Foreign currencies

Foreign currency income and expenses are converted at the rate of exchange on the transaction date. Foreign investments are converted at the year-end closing rate of exchange.

1.6 Accounts receivable

Accounts receivable are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end.

1.7 Cash and cash equivalents

Cash and cash equivalents comprise of cash on hand, balances with banks and funds at call or short notice.

1.8 Accounts payable

Liabilities are recognised when the fund has a present legal or constructive obligation as a result of past events, it is possible that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

2. Annual review of unit prices (Lisente per unit)

	Repurchase price (Lisente)					
	2019 minimum	2019 maximum	2019 last price	2018 minimum	2018 maximum	2018. last price
Class A	181.60	206.02	201.02	181.34	206.02	199.12

3. Creation and cancellation of units

	Maloti movement		Unit movement		Units in Issue	
	2019 M 000's	2018 M 000's	2019 000's	2018 000's	2019 000's	2018 000's
Class A	22 290	5 838	12 184	1 898	125 510	113 325

4. Investments at market value

	2019	2018
Value as per trust deed	248 529 443	225 492 280
Unlisted Lesotho equities	23 087 844	23 087 844
STANLIB Lesotho Money Market Fund	26 665 072	42 422 329
STANLIB Collective Investments - SA	92 099 655	60 417 178
STANLIB Lesotho Income Fund	46 459 318	45 467 680
SBO Collective Investments - Foreign	60 217 554	54 097 249
Unlisted Lesotho equities		
- market to market gain above trust deed value	148 898 505	124 001 450
	397 427 948	349 493 730

The fair value of unlisted securities are based on cash flows discounted using a rate based on the market interest rate and the risk premium specific to the unlisted securities of 17% - 18.0%.

In terms of a right of first refusal entered into between the SBL Unit Trust Management (Pty) Ltd (SBLUT) and the Government of Lesotho (GoL) (the original sellers of the Lesotho Private Equity Shares (PES)), the trust is obliged to offer the PES to the GoL at a pre-determined price before the trust is able to offer the shares to any third party for purchase. As a result of this agreement with the GoL, for the purposes of pricing the unit holders' portfolio, the trust does not apply an open market value to the PES but values the PES at the price the GoL has agreed to buy the shares from the trust, should it so be offered.

It is recorded that at 30 June 2015 and 31 December 2015 the value of the PES based on the agreement with the GoL was M23 087 844. Based on the valuations of the independent valutors done on 1 October 2019, the market value of the PES was M171 986 349.

	2019	2018
Total value of Unlisted Lesotho equities (PES)	171 986 349	147 089 294
- Value determined as per trust deed	23 087 844	23 087 844
- Market to market gain above trust deed value	148 898 505	124 001 450

The STANLIB Lesotho Money Market investment earns interest at a fluctuating rate.

Market to market gain above trust deed value:	148 898 505	124 001 450
- Gain recognised as per trust deed	-	-
- Gain recognised above trust deed value	148 898 505	124 001 450

