

STANLIB

# Lesotho Income Fund

Annual Financial Statements  
for the year ended 31 December 2021

Issued 31 March 2022

<b>Country of incorporation and domicile</b>	Lesotho
<b>Nature of business and principal activities</b>	Collective Investment Scheme
<b>Directors of the Management Company</b>	K Mofelehetsi L Maema M Mantsoe Ntaopane J Mnisi M Sebolaoa M Mohapi P Mamathuba
<b>Management company registered office</b>	STANLIB Lesotho (Pty) Ltd Ground Floor, MGC Office Park Cnr Pope John Paul II, Mpilo Boulevard Maseru, Lesotho 100
<b>Trustees</b>	Minet Lesotho Minet House, 4 Bowker Road, Maseru
<b>Auditors</b>	Sheeran & Associates Chartered Accountants (Lesotho) No 1 Rosah Villa Katlehong Near Maseru Mall Pope John Paul II and Katlehong Road Maseru
<b>Issued</b>	31 March 2022

# General Information

# Contents

# Management Company Directors' Report

The directors have pleasure in submitting their report on the annual financial statements of STANLIB Lesotho Income Fund for the year ended 31 December 2021.

## 1. Incorporation

The fund was incorporated on 01 September 2006 and obtained its certificate to commence business on the same day.

The fund is domiciled in Lesotho where it is incorporated as an open ended fund by issuance of units under the Central Bank of Lesotho (Collective Investment Schemes) Regulations, 2018.. The address of the registered office is set out on page 2.

## 2. Nature of business

STANLIB Lesotho Income Fund was incorporated in Lesotho and the fund operates in Lesotho.

The principal activities of the fund are to invest in Interest bearing instruments, unit trust and cash.

There have been no material changes to the nature of the fund's business from the prior year.

## 3. Review of financial results and activities

The annual financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the Central Bank of Lesotho (Collective Investment Schemes) Regulations, 2018. The accounting policies have been applied consistently compared to the prior year.

The fund recorded a net loss in net assets attributable to unitholders from operations after tax for the year ended 31 December 2021 of M (13,367,770). This represented a decrease of 4% from the net increase in net assets attributable to unitholders from operations after tax of the prior year of M5,321,998.

Fund investment income decreased by 1% from M88,248,383 in the prior year to M87,557,880 for the year ended 31 December 2021.

Fund cash flows from operating activities increased by 167% from M(84,399,240) in the prior year to M(225,325,344) for the year ended 31 December 2021.

## 4. Creation and cancellation of units

	2021	2020
<b>Authorised</b>	<b>Number of shares</b>	
Class A	441,018	363,074,918
Class B	1,408,669	1,162,554,760

	2021	2020	2021	2020
<b>Authorised</b>	<b>M</b>	<b>M</b>	<b>Number of units</b>	
Class A	160,251,077	60,254,328	77,943,462	44,422,369
Class B	149,487,959	110,702,509	246,114,344	136,177,801
	<b>309,739,036</b>	<b>170,956,837</b>	<b>324,057,806</b>	<b>180,600,170</b>

Refer to note 7 of the annual financial statements for detail of the movement in units in issue and capital attributable to unitholders.

## 5. Income distributions to unitholders

The fund's income distributions policy is to distribute available income to unitholders as per trust deed in respect of each financial year. This is done bi-annually.

Distribution per unit of 2 cents per unit (cpu) was declared in Lesotho currency on Wednesday, 30 June 2021 and paid on Friday, 02 July 2021. This distribution equated to a total of M16,972,147 (2020:M14,822,430).

Distribution per unit of 2 cents per unit (cpu) was declared on Friday, 31 December 2021 in Lesotho currency in respect of the year ended 31 December 2021. The was distribution paid on Tuesday, 04 January 2022 to unitholders recorded in the register of the fund on Friday, 31 December 2021.

#### **6. Covid-19 impact on operations**

The directors and administration team continue to actively monitor the risk and impact of the COVID-19 pandemic on the results operations of the fund and are comfortable that there are no adjusting impact or risks to the ability of the fund to continue as a going concern for the foreseeable future.

#### **7. Events after the reporting period**

The directors are not aware of any material event which occurred after the reporting date and up to the date of this report which have an adjusting effect to the financial statement.

#### **8. Going concern**

The directors believe that the fund has adequate financial resources to continue in operation for the foreseeable future and accordingly the annual financial statements have been prepared on a going concern basis. The directors have satisfied themselves that the fund is in a sound financial position and that it has access to sufficient cash facilities to meet its foreseeable cash requirements. The directors are not aware of any new material changes that may adversely impact the fund. The directors are also not aware of any material.

#### **9. Statement of disclosure to the fund's auditors**

With respect to each person who is a director on the day that this report is approved:

- there is, so far as the person is aware, no relevant audit information of which the fund's auditors are unaware; and
- the person has taken all the steps that he/she ought to have taken as a director to be aware of any relevant audit information and to establish that the fund's auditors are aware of that information.

#### **10. Terms of appointment of the auditors**

Sheeran & Associates Chartered Accountants (Lesotho) were appointed as the fund's auditors at the general meeting held on Monday, 29 March 2021. Included in loss for the year is the agreed auditors' remuneration of M79,891.

#### **11. Date of authorisation for issue of financial statements**

The annual financial statements have been authorised for issue by the directors on Thursday, 17 March 2022. No authority was given to anyone to amend the annual financial statements after the date of issue.

# Management Company Directors' Responsibilities and Approval

The directors of the management are required in terms of the to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the fund as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors of the management acknowledge that they are ultimately responsible for the system of internal financial control established by the company of the fund and place considerable importance on maintaining a strong control environment. To enable the directors of the management to meet these responsibilities, the board of directors sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the management company and all employees are required to maintain the highest ethical standards in ensuring the fund's business is conducted in a manner that in all

reasonable circumstances is above reproach. The focus of risk management in the directors of the management is on identifying, assessing, managing and monitoring all known forms of risk across the fund. While operating risk cannot be fully eliminated, the directors of the management endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

- STANLIB Lesotho (Pty) Ltd makes use of the Liberty Group Limited internal audit function which operates independently and unimpaired, and has unrestricted access to the Liberty Group Audit and Risk Committees, appraises, evaluates and, when necessary, recommends improvements in the systems of internal control and accounting practices; and
- The Audit and Risk Committees play an integral role in matters relating to financial and internal control, accounting policies, reporting and disclosure.

The directors of the management are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors of management company have reviewed the fund's financial position as at the 31 December 2021 and, in light of this review and the current financial position, they are satisfied that the fund has or had access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the fund's annual financial statements. The annual financial statements have been examined by the fund's external auditors and their report is presented on pages 8 to 9.

The annual financial statements set out on pages 11 to 40, which have been prepared on the going concern basis, were approved by the board of directors on 17 March 2022 and were signed on their behalf by:

**Approval of financial statements**



**K Mofelehetsi**



**M Mohapi**

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

**Thursday, 31 March 2022**

# Independent Auditors Report

STANLIB LESOTHO

**SHEERAN & ASSOCIATES**  
Chartered accountants (Lesotho)

No 1 Rosah Villa  
Kallehong Near Maseru Mall  
Pope John Paul II and  
Kallehong Road  
Maseru

Postal Address  
Private Bag A420  
Maseru 100  
Lesotho

Telephone (00266) 2231 7169  
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Email [reception@sheeranandassociates.com](mailto:reception@sheeranandassociates.com)

## Independent auditor's report

To the members of Stanlib Lesotho Income Fund

### Report on the audit of the Financial Statements

#### Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Stanlib Lesotho Income Fund (the Fund) as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

#### What we have audited

Stanlib Lesotho Income Fund's financial statements set out on pages 10 to 40 comprise:

- the statement of financial position as at 31 December 2021;
- the comprehensive income for the year then ended;
- the statement of cash flows for the year then ended;
- 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.

#### Other information

The directors are responsible for the other information. The other information comprises the Fund Information page, Contents page, Management Company Directors' Responsibilities and Approval on page 5, Management Company Directors' Report on page 3 to 4 and the Trustees' report on page 9. 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 the directors for the financial statements

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with the basis of accounting described in note 1 to the financial statements, 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, 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: 24 March 2022**

# Trustee Report

STANLIB LESOTHO



ACW | Global Network Correspondent

07 March 2022

The Registrar of the Collective Investment Schemes  
The Central Bank of Lesotho  
P O Box 1184  
Maseru  
Lesotho

Dear Sir/Madam,

**REPORT OF THE TRUSTEE OF THE STANLIB LESOTHO INCOME FUND TO THE  
REGISTRAR OF THE COLLECTIVE INVESTMENT SCHEME**

We have reviewed the books and records of the STANLIB Lesotho Income Fund for the year ended 31<sup>st</sup> December 2021 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 Fund 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.

It is therefore our opinion that based on the information received; STANLIB Lesotho Income Fund was managed 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 STANLIB Lesotho Income Fund

**Retselisitsoe Leboela**  
Chief Executive Officer

Cc: The Managing Director – STANLIB Lesotho

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Directors: Mr J M O Otsandio Chairman, Mr D M H J Schumanns, Mr R D Kooyinen, Mrs L. Mokapele,  
W. J. Mavwe, Mr R Leboela Chief Executive Officer, Mrs. T Molele

Risk. Reinsurance. People.

# Statement of Financial Position

STANLIB LESOTHO INCOME FUND

		2021	2020
	Note(s)	M	M
<b>Assets</b>			
<b>Current Assets</b>			
Financial assets at fair value through profit or loss	4	1,705,209,425	1,420,893,620
Trade and other receivables	5	3,491	17,869
Cash and cash equivalents	6	70,933,904	56,425,119
<b>Total Assets</b>		<b>1,776,146,820</b>	<b>1,477,336,608</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and other payables	8	1,847,507	1,567,877
Distributions payable to unitholders		18,602,201	16,411,519
<b>Total liabilities excluding net assets attributable to unitholders</b>		<b>20,449,708</b>	<b>17,979,396</b>
<b>Net assets attributable to unitholders</b>	7	<b>1,755,697,112</b>	<b>1,459,357,212</b>

The accounting policies on pages 14 to 19 and the notes on pages 20 to 33 form an integral part of the annual financial statements.

# Statement of Comprehensive Income

STANLIB LESOTHO INCOME FUND

		2021	2020
	Note(s)	M	M
Investment income	9	87,557,880	88,248,383
Other operating income	10	-	30,336
Fair value (losses)/gains on financial assets	11	(11,515,464)	4,424,806
Operating expenses	12	(18,198,668)	(15,200,720)
<b>Operating income attributable to unitholders before distributions</b>	12	<b>57,843,748</b>	<b>77,502,805</b>
Income distributions to unitholders	13	(71,121,674)	(72,081,549)
<b>Operating income attributable to unitholders before taxation</b>		<b>(13,277,926)</b>	<b>5,421,256</b>
Withholding taxes expense	15	(89,844)	(99,258)
<b>(Decrease)/Increase in net assets attributable to unitholders from operations</b>		<b>(13,367,770)</b>	<b>5,321,998</b>

The accounting policies on pages 14 to 19 and the notes on pages 20 to 33 form an integral part of the annual financial statements.

# Statement of Cash Flows

STANLIB LESOTHO INCOME FUND

		2021	2020
Note(s)		M	M
<b>Cash flows from operating activities</b>			
Cash (used in) operations	16	(310,820,188)	(170,173,111)
Interest received		85,494,844	85,773,871
<b>Net cash (used in) operating activities</b>		<b>(225,325,344)</b>	<b>(84,399,240)</b>
<b>Cash flows from financing activities</b>			
Gross creation of units	7	496,089,812	382,089,992
Gross (cancellations) of units	7	(188,974,223)	(211,133,154)
Income adjustments on creation and cancellation of units		1,649,531	153,010
Distributions paid to unitholders		(68,930,991)	(79,830,915)
<b>Net cash from financing activities</b>		<b>239,834,129</b>	<b>91,278,933</b>
<b>Total cash movement for the year</b>		<b>14,508,785</b>	<b>6,879,693</b>
Cash and cash equivalents at the beginning of the year		56,425,119	49,545,426
<b>Cash and cash equivalents at the end of the year</b>		<b>70,933,904</b>	<b>56,425,119</b>

# Significant Accounting Policies

STANLIB LESOTHO INCOME FUND

## FUND INFORMATION

STANLIB Lesotho Income Fund is a collective investments scheme incorporated and domiciled in Lesotho.

STANLIB Lesotho Income Fund (“the Fund”) is registered in terms of Central Bank of Lesotho (Collective Investment Schemes) Regulations, 2018 as set out in the Supplementary Portfolio Trust Deed.

STANLIB Lesotho (Pty) Ltd is the management company of the Scheme, the company is appointed by the scheme to manage the operations of the fund. Minet Lesotho is the Trustee.

The annual financial statements for the year ended 31 December 2021 were authorised for issue in accordance with a resolution of the directors on Thursday, 31 March 2022.

### 1. Significant accounting policies

The principal accounting policies applied in the preparation of these annual financial statements are set out below.

#### 1.1 Basis of preparation

The annual financial statements have been prepared on the going concern basis in accordance with, and in compliance with, International Financial Reporting Standards (“IFRS”) and IFRS Interpretations Committee, issued and effective at the time of preparing these annual financial statements and the Central Bank of Lesotho (Collective Investment Schemes) Regulations, 2018.

These financial statements comprise the statement of financial position as at 31 December 2021, the statement of comprehensive income, and the statement of cash flows for the year then ended, as well as the notes comprising of a summary of significant accounting policies and other explanatory notes.

The annual financial statements have been prepared on the historic cost basis, except for certain financial assets where the fund adopts the fair value basis of accounting and incorporates the principal accounting policies set out below. They are presented in Maloti, which is the fund’s functional currency.

#### 1.2 Financial instruments

Financial instruments held by the fund are classified in accordance with the provisions of IFRS 9 Financial Instruments. Broadly, the classification possibilities, which are adopted by the fund, as applicable, are as follows:

##### Financial assets which are equity instruments:

- Default at fair value through profit or loss;

##### Financial assets which are debt instruments:

- Amortised cost. This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is met by holding the instrument to collect contractual cash flows.
- Designated at fair value through profit or loss. This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are payments of principal and interest on principal, and where the instrument is held under a business model whose objective is met by holding the instrument to collect contractual cash flows and for sale during the holding period. This applies to investment in the exchange - interest bearing instruments or government bonds. The financial instruments are managed and performance is evaluated on a fair value basis in accordance with the fund’s investment mandate and are managed accordingly by the nominated asset manager.

Financial assets that are classified as debt instruments at amortised cost include accrued interest income, investment debtors, rebates and cash and cash equivalents. Those at fair value through profit or loss includes interest bearing instruments which are government bonds.

**Financial liabilities:**

- Amortised cost. Financial liabilities at amortised cost include distribution payables, investment creditors, accrued expenses and financial liabilities arising on redeemable units.
- Designated at fair value through profit or loss. This classification is applied when it eliminates or significantly reduces an accounting mismatch; the liability is a financial instruments managed on a fair value basis. This is the Net assets attributable to unitholders, which is a puttable financial instrument arising on redeemable units and mandatory distributions of income.

Note 19 Financial instruments and risk management presents the financial instruments held by the fund based on their specific classifications.

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 marketplace. It is a market practice that financial assets are delivered on trade date, which is the confirmations date by the brokers and settled with the broker on trade date plus three days.

The specific accounting policies for the classification, recognition and measurement of each type of financial instrument held by the fund are presented below:

**Financial assets at amortised cost**

*Classification*

Financial assets at amortised cost, are classified as financial assets which are debts instruments subsequently measured at amortised cost.

Financial assets at amortised cost comprise of trade and other receivables and cash and cash equivalents.

They have been classified in this manner because their contractual terms give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the fund's business model is to collect the contractual cash flows on financial assets at amortised cost.

Amounts due from investment debtors represent receivables for securities sold that have been contracted for but not yet settled on the statement of financial position. The investment debtors balance is held for collection by the fund.

*Recognition and measurement*

Financial assets at amortised cost which are trade and other receivables are recognised when the fund becomes a party to the contractual provisions of the trade and other receivables of the particular instrument. They are measured, at initial recognition, at fair value plus transaction costs, if any. They are subsequently measured at amortised cost using the effective interest rate method.

Financial assets at amortised cost which are cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially measured at fair value and subsequently recorded at amortised cost.

The amortised cost is the amount recognised on the financial assets at amortised cost initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

The effective interest method is a method of calculating the amortised cost of a financial assets and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash repayments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or (where appropriate) a shorter period, to the amortised cost of a financial asset.

*Impairment*

The fund recognises a loss allowance for expected credit losses on financial assets at amortised cost, excluding prepayments. The amount of expected credit losses is updated at each reporting date.

At each reporting date, the Fund measures the loss allowance on amounts due from broker or counterparty at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Fund measures the loss allowance at an amount equal to 12-month expected credit losses. Significant financial difficulties of the broker or counterparty, probability that the broker or counterparty will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that a loss allowance may be required.

If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the gross carrying amount adjusted for the loss allowance. A significant increase in credit risk is defined by management as any contractual payment which is more than 3 days past due. Any contractual payment which is more than 90 days past due is considered credit impaired.

#### *Significant increase in credit risk*

In assessing whether the credit risk on a financial assets at amortised cost or group of financial assets at amortised cost has increased significantly since initial recognition, the fund compares the risk of a default occurring as at the reporting date with the risk of a default occurring as at the date of initial recognition.

The fund considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the counterparties operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information.

Irrespective of the outcome of the above assessment, the credit risk on a financial assets at amortised cost is always presumed to have increased significantly since initial recognition if the contractual payments are more than 30 days past due, unless the fund has reasonable and supportable information that demonstrates otherwise.

By contrast, if a loan is assessed to have a low credit risk at the reporting date, then it is assumed that the credit risk on the loan has not increased significantly since initial recognition.

The fund regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increases in credit risk before the amount becomes past due.

#### *Write off policy*

The fund writes off a receivable when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets at amortised cost written off may still be subject to enforcement activities under the fund recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

#### *Measurement and recognition of expected credit losses*

The counterparties base is diverse with significantly different loss patterns for different counterparties segments. The fund aggregates counterparties segments which share similar credit risk characteristics for purposes of determining the credit loss allowance.

An impairment gain or loss is recognised in profit or loss with a corresponding adjustment to the carrying amount of financial assets at amortised cost, through use of a loss allowance account. The impairment loss is included in impairment expenses in profit or loss as a movement in credit loss allowance.

#### *Credit risk*

Details of credit risk are included in the trade and other receivables note (note 7) and the trade and other payables note (note 9).

#### *Derecognition*

Refer to the “derecognition” section of the accounting policy for the policies and processes related to derecognition.

Any gains or losses arising on the derecognition of financial assets at amortised cost is included in profit or loss in the realised gains/(losses) line item (note 4).

#### **Investments in debt instruments at fair value through profit or loss**

##### *Classification*

Certain investments in debt instruments are classified as at fair value through profit or loss. These investments do not qualify for classification at amortised cost or at fair value through other comprehensive income because either the contractual terms of these instruments do not give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, or the objectives of the fund business model are met by selling the instruments rather than holding them to collect the contractual cash flows.

The fund hold investments in debt instruments which are designated at fair value through profit or loss.

The fund has designated certain investments in debt instruments as at fair value through profit or loss. The reason for the designation is to reduce or eliminate an accounting mismatch which would occur if the instruments were not classified as such. Refer to note 6) for details.

##### *Recognition and measurement*

Investments in debt instruments at fair value through profit or loss are recognised when the fund becomes a party to the contractual provisions of the instrument. The investments are measured, at initial recognition and subsequently, at fair value. Transaction costs are recognised in profit or loss.



Fair value gains or losses are included in fair value gains (losses) (note 4). Details of the valuation policies and processes are presented in note 17.

Interest received on debt instruments at fair value through profit or loss are included in investment income (note 3).

#### *Impairment*

Investments in debt instruments at fair value through profit or loss are not subject to impairment provisions.

#### *Measurement and recognition of expected credit losses*

The counterparties base is diverse with significantly different loss patterns for different counterparties segments. The fund aggregates counterparties segments which share similar credit risk characteristics for purposes of determining the credit loss allowance.

An impairment gain or loss is recognised in profit or loss with a corresponding adjustment to the carrying amount of financial assets at amortised cost, through use of a loss allowance account. The impairment loss is included in impairment expenses in profit or loss as a movement in credit loss allowance (note 5).

#### *Write off policy*

The fund writes off a receivable when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Receivables written off may still be subject to enforcement activities under the fund recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

#### *Credit risk*

Details of credit risk are included in the trade and other receivables note (note 5) and the financial instruments and risk management note (note 19).

#### *Derecognition*

Refer to the derecognition section of the accounting policy for the policies and processes related to derecognition.

Any gains or losses arising on the derecognition of trade and other receivables is included in profit or loss in the realised gains (losses) on financial assets.

### **Financial liabilities**

#### *Classification*

Financial liabilities at amortised cost comprise of distribution payables, investment creditors, accounts payables, accrued expenses or provisions for expenses and financial liabilities arising on redeemable units.

#### *Recognition and measurement*

They are recognised when the fund becomes a party to the contractual provisions, and are measured, at initial recognition, at fair value plus transaction costs, if any. They are subsequently measured at amortised cost using the effective interest method.

They are subsequently measured at amortised cost using the effective interest method.

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

If financial liabilities at amortised contain a significant financing component, and the effective interest method results in the recognition of interest expense, then it is included in profit or loss in income distributions to unitholders (note 13).

Trade and other payables expose the fund to liquidity risk and possibly to interest rate risk. Refer to note 19 for details of risk exposure and management thereof.

#### *Derecognition*

Refer to the “derecognition” section of the accounting policy for the policies and processes related to derecognition.

### **Financial liabilities at fair value through profit or loss**

#### *Classification*

Financial liabilities which are classified as financial liabilities at fair value through profit or loss are classified as such to avoid accounting mismatch.

They are designated at fair value through profit or loss and consists of the Net assets attributable to unitholders, which is a puttable financial instrument arising on redeemable units and due to mandatory distributions of income.

The fund, does, from time to time, designate certain financial liabilities as at fair value through profit or loss. The reason for the designation is to reduce or significantly eliminate an accounting mismatch which would occur if the instruments were not classified as such; or if the instrument forms part of financial instruments which are managed and evaluated on a fair value basis in accordance with a documented fund mandate and in line with the fund trust deed.

#### *Recognition and measurement*

Financial liabilities at fair value through profit or loss are recognised when the fund becomes a party to the contractual provisions of the instrument. They are measured, at initial recognition and subsequently, at fair value. There are no transaction costs pertaining to unit in issue, the unitholders pay in advance for income accrued in the fund to equalise income distributions when the fund distributes to unitholders as per trust deed. This is recognised in retained income attributable to unitholders and is distributable to unitholders.

Income paid on financial liabilities at fair value through profit or loss is included in income distributions to unitholders (note 13).

#### *Derecognition*

Refer to the derecognition section of the accounting policy for the policies and processes related to derecognition.

The units in issue are redeemable instruments and are derecognised when the unitholders put back their units at the net asset value applicable at the time of repurchase.

#### **Cash and cash equivalents**

Cash and cash equivalents are stated at carrying amount which is deemed to be fair value.

#### **Derecognition**

##### *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 party. 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 interest 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.

##### *Financial liabilities*

The fund derecognises financial liabilities when, and only when, the fund obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

#### **Reclassification**

##### *Financial assets*

The fund only reclassifies affected financial assets if there is a change in the business model for managing financial assets. If a reclassification is necessary, it is applied prospectively from the reclassification date. Any previously stated gains, losses or interest are not restated.

The reclassification date is the beginning of the first reporting period following the change in business model which necessitates a reclassification.

#### **Financial liabilities**

Financial liabilities are not reclassified.

### **1.3 Tax**

#### **Tax expenses**

Under the current system of taxation in Lesotho, the fund is exempt from paying tax on income or capital gains that are distributed to unitholders to the extent that income is distributed to the unitholders. Residual taxable income may be taxed in the portfolios. Both income and capital gains are taxed in the hands of the unitholders.

Income from certain countries of origins other than Lesotho is subject to withholdings tax and income is recognised gross of the taxes and corresponding withholding tax is recognised as an expense in the same period in profit or loss or where such income is recognised.

#### **1.4 Fair value gains or losses on financial assets**

Fair value gains or losses consists of realised gains or losses when financial assets are sold during the year and unrealised gains or losses on financial assets held at year end. Both realised and unrealised gains or losses are capital in nature and are not distributed to unitholders as part of net investment income attributable to unitholders during the year.

### 1.5 Critical accounting estimates and judgements in applying accounting policies

No significant accounting estimates and judgements have been applied in the annual financial statements of the Fund. All investments at FVPL are measured at fair value based on quoted prices in active markets and do not require the use of judgement or estimates.

### 1.6 Creation and cancellations of units

The Management Company can purchase any number of units at the price calculated in accordance with the requirements of the Central Bank of Lesotho (Collective Investment Schemes) Regulations, 2018, as amended, and on the terms and conditions set forth in the Trust Deeds constituting the various funds. No preferential price is granted to management company when units are being issued by the fund.

Income not distributed is included in net assets attributed to unitholders.

Net assets attributable to unitholders are a residual interest after deducting other financial liabilities from financial assets. It is also classified as a liability due to nature of redeemable units at a holder's option and the fund must make distributions of income to unitholders.

An adjustment to income arises on the creation and cancellation of units since the price of a unit includes accrued income and expenses. The income adjustment on creation or cancellation of units is recognised as part of the creation or redemption of unitholder interests and disclosed within the note of net assets attributable to participatory interest holders, when units on which it arises are either purchased or sold as these form part of the cash flow on unit transactions.

### 1.7 Investment income

The Fund recognises investment income from the following major sources:

- Interest on interest bearing instruments; and
- Interest on cash and cash equivalents and unit trusts.

Interest on cash and cash equivalents and debt instruments is accrued on a time-proportionate basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Interest on unit trusts is recognised when the underlying unit trust distributes which is the date when the fund's right to receive the payment.

### 1.8 Sundry (expense)/income

Sundry (expense)/income are profits and losses due to adjustments of accruals and any rebate a fund received during the year.

### 1.9 Expenses

Expenses are recognised in the statement of comprehensive income as incurred. These are operating expenses and transactions fees as permissible as per Act and incurred by the fund during the period. They comprises of: Audit fees, Bank charges, Trustees fees, Custody fees and Management fees, valuation fees and transaction fees incurred when trading financial instruments.

### 1.10 Increase/decrease in net assets attributable to unitholders

Income not distributed is included in net assets attributable to unitholders. Movements in net assets attributable to holders of redeemable shares are recognised in the statement of comprehensive income.

### 1.11 Financing costs

All financing costs are recognised as an expense in the period in which they are incurred, this includes interest charged on overdraft within the limit as agreed with respective trustees.

### 1.12 Income distributions to unitholders

Proposed distributions to unitholders are recognised in the statement of comprehensive income when they are appropriately authorised and no longer at the discretion of the Fund. This typically occurs when proposed distribution is approved by the Management Company. The distribution to unitholders is recognised as an expense in the statement of comprehensive income.

# Notes to the Annual Financial Statements

STANLIB LESOTHO INCOME FUND

## 2. Changes in accounting policy

The annual financial statements have been prepared in accordance with International Financial Reporting Standards for the first time basis which is not consistent with the prior year.

## 3. New Standards and Interpretations

### 3.1 Standards and interpretations effective and adopted in the current year

In the current year, the fund has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

#### Standard/ Interpretation:

*Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7*

Temporary exceptions have been created by the IASB concerning the application of specific hedge accounting requirements as a result of the interest rate benchmark reform. These exceptions apply only to those hedging relationships which are directly affected by the reform, being those where the reform gives rise to uncertainties about:

- the interest rate benchmark (contractually or non-contractually specified) designated as a hedged risk; and/or
- the timing or the amount of interest rate benchmark -based cash flows of the hedged item or of the hedging instrument.

The exceptions are as follows:

- When determining whether a forecast transaction is highly probable, it shall be assumed that the interest rate benchmark on which the hedged cash flows are based is not altered as a result of the reform.
- When assessing the economic relationship between the hedged item and the hedging instrument, entities shall, in

their prospective assessments, assume that the interest rate benchmark on which the hedged item, hedged risk and/or hedging instrument are based is not altered as a result of the reform.

- Entities applying IAS 39 for hedge accounting are not required to undertake the IAS 39 retrospective assessment for hedging relationships directly affected by the reform.
- For hedges of a non-contractually specified benchmark component of interest rate risk, an entity shall apply the separately identifiable requirement only at inception of such hedging relationships.

Entities shall cease applying the exceptions when the uncertainty arising from the reform is no longer present or when the hedging relationship is discontinued.

The effective date is year beginning on or after 01 January 2020 and the impact was not material.

#### Standard/ Interpretation:

*Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 7*  
The amendment sets out additional disclosure requirements related to interest rate benchmark reform. The effective date is year beginning on 1 January 2021 and the impact is not material.

#### Standard/ Interpretation:

*Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 9*  
When there is a change in the basis for determining the contractual cash flows of a financial asset or financial liability that is required by interest rate benchmark reform then the entity is required to apply as a practical expedient. This expedient is only available for such changes in basis of determining contractual cash flows.

Additional temporary exemptions from applying specific hedge accounting requirements as well as additional rules for accounting for qualifying hedging relationships and the designation of risk components have been added to hedge relationships specifically impacted by interest rate benchmark reform.

The effective date is year beginning on 1 January 2021 and the impact is not material.

**Standard/ Interpretation:**

*Interest Rate Benchmark Reform - Phase 2: Amendments to IAS 39*

Temporary exemptions from applying specific hedge accounting requirements as well as additional rules for accounting for qualifying hedging relationships and the designation of financial items as hedged items have been added to hedge relationships specifically impacted by interest rate benchmark reform.

The effective date is year beginning on 1 January 2021 and the impact is not material.

There are no new standards, interpretations or amendments not yet effective that may significantly impact the fund's results or disclosures.

**4. Financial assets**

	2021	2020
	M	M
<b>At fair value through profit or loss - mandatory</b>		
Unit trusts	784,435,640	711,098,628
Interest receivable on unit trusts	-	42
Interest bearing instruments	912,882,265	703,405,403
Interest receivable on interest bearing instruments	7,891,520	6,389,547
	<b>1,705,209,425</b>	<b>1,420,893,620</b>
<b>Current assets</b>		
Mandatory as at fair value through profit loss	<b>1,705,209,425</b>	<b>1,420,893,620</b>

**Credit quality of other financial assets**

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

The regulatory ratings reported is the lowest rating assigned by a Rating Agency. (i.e. if more than 1 rating agency rates an issuer then the most conservative (lowest) rating is selected as the Stanlib rating.

An obligation rated 'AAA' has the highest rating. The obligor's capacity to meet its financial commitments on the obligation is extremely strong. ('AAA+' and 'AAA-' applies the same definition).

An obligation rated 'AA' differs from the highest-rated obligations only to a small degree. The obligor's capacity to meet its financial commitments on the obligation is very strong. ('AA+' and 'AA-') applies the same definition).

An obligation rated 'A' is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher-rated categories. However, the obligor's capacity to meet its financial commitments on the obligation is still strong. ('A+' and 'A-' applies the same definition).

An obligation rated 'BBB' exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to weaken the obligor's capacity to meet its financial commitments on the obligation. ('BBB+' and 'BBB-' applies the same definition).

Obligations rated 'BB', 'B', 'CCC', 'CC', and 'C' are regarded as having significant speculative characteristics. 'BB' indicates the least degree of speculation and 'C' the highest. While such obligations will likely have some quality and protective characteristics, these may be outweighed by large uncertainties or major exposure to adverse conditions. ('BB+', 'BB-', 'B+', 'B-', 'B1', 'B2', 'CCC+', 'CCC-', 'CC+', 'CC-', 'C+' and 'C-' applies the same definition).

**Debt securities at fair value through profit or loss**

	2021	2020
	M	M
<b>Credit rating</b>		
AAA	<b>920,773,785</b>	<b>709,794,950</b>

**5. Trade and other receivables**

**Financial instruments: at amortised cost**

	2021	2020
	M	M
Trade receivables	3,491	17,869
<b>Total trade and other receivables</b>	<b>3,491</b>	<b>17,869</b>

**Financial instrument and non-financial instrument components of trade and other receivables**

	2021	2020
	M	M
<b>At amortised cost</b>	<b>3,491</b>	<b>17,869</b>

**Exposure to credit risk**

Trade receivables inherently expose the fund to credit risk, being the risk that the fund will incur financial loss if trades counterparties and brokers fail to make payments as they fall due.

In order to mitigate the risk of financial loss from defaults, the fund only deals with reputable brokers with consistent payment histories and creditworthy. The exposure to credit risk and the creditworthiness of brokers and counterparties, is continuously monitored.

There have been no significant changes in the credit risk management policies and processes since the prior reporting period.

Trade receivables arise from both financial assets sales and dividends accrued from such financial assets held and cash in bank and interest accrued thereof on cash.

The average credit period on trade receivables is 3 days (2020: 3 days). No interest is charged on outstanding trade receivables.

A loss allowance is recognised for all trade receivables, in accordance with IFRS 9 Financial Instruments, and is monitored at the end of each reporting period. In addition to the loss allowance, trade receivables are

written off when there is no reasonable expectation of recovery, for example, when a debtor or counterparty has been placed under liquidation. Trade receivables which have been written off are not subject to enforcement activities.

The fund measures the loss allowance for trade receivables by applying the simplified approach which is prescribed by IFRS 9. In accordance with this approach, the loss allowance on trade receivables is determined as the lifetime expected credit losses on trade receivables. These lifetime expected credit losses are estimated by using past default experience of debtors but also incorporates forward looking information and general economic conditions of the industry as at the reporting date.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

The fund’s historical credit loss experience does not show significantly different loss patterns for different counterparties and brokers. The provision for credit losses is therefore based on past due status without disaggregating into further risk profiles. The loss allowance provision is determined as follows:

	2021	2021	2020	2020
	Estimated gross carrying amount at default	Loss allowance (Lifetime expected credit loss)	Estimated gross carrying amount at default	Loss allowance (Lifetime expected credit loss)
<b>Expected credit loss rate</b>				
Trade and other receivables not past due: 0% (2020: 0%)	<b>3,491</b>	-	<b>17,869</b>	-

## 6. Cash and cash equivalents

Cash and cash equivalents consist of:

	2021	2020
	M	M
Bank balances	70,823,057	56,352,719
Interest accrued on cash	110,847	72,400
<b>Total cash and cash equivalents</b>	<b>70,933,904</b>	<b>56,425,119</b>

### Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

The regulatory ratings reported is the lowest rating assigned by a Rating Agency. (i.e. if more than 1 rating agency rates an issuer then the most conservative (lowest) rating is selected as the Stanlib rating.

Obligations rated 'BB', 'B', 'CCC', 'CC', and 'C' are regarded as having significant speculative characteristics. 'BB' indicates the least degree of speculation and 'C' the highest. While such obligations will likely have some quality and protective characteristics, these may be outweighed by large uncertainties or major exposure to adverse conditions. ('BB+', 'BB-', 'B+', 'B-', 'B1', 'B2', 'CCC+', 'CCC-', 'CC+', 'CC-', 'C+' and 'C-' applies the same definition).

There is no credit risk on cash under custody because the trustees has high credit ratings.

	2021	2020
	M	M
<b>Credit rating</b>		
B-	70,933,904	56,425,119

## 7. Net assets attributable to unitholders

	2021	2020
	M	M
<b>Unit class</b>		
Class A	406,570,436	347,303,155
Class B1	1,298,638,989	1,112,054,057
<b>As at December</b>	<b>1,705,209,425</b>	<b>1,459,357,212</b>
<b>Reconciliation of number of shares issued:</b>		
Reported as at 01 January 2021 (2020)	1,525,629,678	1,345,029,508
Units created during the year	523,581,872	388,287,629
Units cancelled during the year	(199,524,065)	(207,687,459)
<b>As at 31 December</b>	<b>1,849,687,485</b>	<b>1,525,629,678</b>
<b>Issued</b>		
Reported as at 01 January 2021 (2020)	1,459,357,212	1,282,126,001
Units created during the year	496,089,812	382,089,992
Units cancelled during the year	(188,974,223)	(211,133,154)
(Decrease) Increase in net assets attributable to unitholders from operations	(13,367,770)	5,321,998
Undistributed Income adjustments	-	9,825
Income adjustments on creation and cancellation of units	2,592,081	942,550
<b>As at 31 December</b>	<b>1,755,697,112</b>	<b>1,459,357,212</b>

Net assets attributable to unitholders can be put back to the fund at any point in time. The units issued do not have a defined maturity date.

**8. Trade and other payables**

	2021	2020
	M	M
<b>Financial instruments: at amortised cost</b>		
Accruals for audit fees	79,891	85,873
Accruals for management fees	1,588,333	1,304,408
Accruals for trustee fees	179,283	177,596
	<b>1,847,507</b>	<b>1,567,877</b>

**Exposure to liquidity risk**

Refer to note 19 Financial instruments and financial risk management for details of liquidity risk exposure and management.

**9. Investment Income**

	2021	2020
	M	M
<b>Investments in financial assets</b>		
Interest income on cash and cash equivalents	2,063,036	2,474,512
Interest income on financial assets at fair value through profit or loss	85,494,844	85,773,871
<b>Total investment income</b>	<b>87,557,880</b>	<b>88,248,383</b>

**10. Other operating income**

	2021	2020
	M	M
<b>Sundry income</b>	-	<b>30,336</b>

Sundry income consist of rebates and sundry expenses expenses consists of audit fees accrual adjustments and trustee fees accrual adjustments.

**11. Fair value gains (losses) on financial assets**

	2021	2020
	M	M
<b>Fair value gains (losses)</b>		
Unrealised fair value (losses)/gains	(10,544,828)	2,354,761
Realised fair value (losses)/gains	(970,636)	2,070,045
<b>Total fair value (losses)/gains</b>	<b>(11,515,464)</b>	<b>4,424,806</b>



**12. Operating expenses**

Operating income attributable to unitholders before distributions for the year is stated after charging (crediting) the following, amongst others:

	2021	2020
	M	M
<b>Expenses by nature</b>		
Audit fees	79,891	85,873
Management fees	17,238,480	14,207,780
Bank charges	8,452	6,004
Custody and trustee fees	823,979	712,777
Sundry expenses	47,866	188,286
<b>Total operating expenses</b>	<b>18,198,668</b>	<b>15,200,720</b>

**13. Income distributions to unitholders**

Operating Income (Loss) attributable to unitholders before distributions for the year is stated after charging (crediting) the following, amongst others:

	2021	2020
	M	M
Class A Unitholders	16,159,025	17,452,593
Class B1 Unitholders	54,962,649	54,628,956
<b>Total income distributions to unitholders</b>	<b>71,121,674</b>	<b>72,081,549</b>

The fund distributes on a quarterly basis.

Distributions rates used during the period were as follows:

Month	Distribution per unit	2021	2020
March	2.13	17,470,089	21,502,579
June	2.01	17,229,467	16,972,146
September	1.89	17,819,917	17,195,395
December	1.98	18,602,201	16,411,519
<b>Total</b>		<b>71,121,674</b>	<b>72,081,549</b>

**Total Expense Ratio (TER)**

The TER is a standard measure used by the Collective Investment Scheme (CIS) industry to illustrate costs of portfolios on a comparable basis. The TER includes management fees, audit fees, bank charges, custodian fees and valuation fees.

TER rates charged as at the 31 December 2021:

Class	2021	2020
Cass A	1.31%	1.28%
Class B1	1.06%	1.05%

**14. Annual review of unit prices (Lisente per unit)**

The following table indicates the fluctuations in the price of the scheme's units during the year under review:

	Repurchase price (Lisente)					
	2021		2021		2020	
	Minimum	Maximum	Last price	Minimum	Maximum	Last price
Class A	95.00	97.00	96.00	95.03	96.60	96.60
Class B1	95.00	97.00	96.00	95.03	96.67	96.67

**15. Taxation****Major components of the tax expense**

	2021	2020
	M	M
<b>Current</b>		
Withholding tax - current period	89,844	99,258

**16. Cash used in operations**

	2021	2020
	M	M
Operating income attributable to unitholders before taxation	(13,277,926)	5,421,256
<b>Adjustments for:</b>		
Interest income	(85,494,844)	(85,773,871)
Fair value losses/(gains) on financial assets	10,544,828	(4,424,806)
Distributions to unitholders	71,121,674	72,081,549
<b>Changes in working capital:</b>		
Trade and other receivables	14,378	6,535
Net movement in financial assets	(294,007,928)	(157,777,952)
Trade and other payables	279,630	294,178
	<b>(310,820,188)</b>	<b>(170,173,111)</b>

**17. Changes in liabilities arising from financing activities****Reconciliation of liabilities arising from financing activities - 2021**

	Opening balance	Distributions to unitholders	Gross creation of units	Gross (cancellation) of units	Cash flows	Closing balance
Distributions payable to unitholders	16,411,519	71,121,674	-	-	2,190,682	18,602,201
Gross creation and cancellation of units	170,956,838	-	496,089,812	(188,974,223)	136,158,751	307,115,589
	187,368,357	71,121,674	496,089,812	(188,974,223)	138,349,433	325,717,790
<b>Total liabilities from financing activities</b>	<b>187,368,357</b>	<b>71,121,674</b>	<b>496,089,812</b>	<b>(188,974,223)</b>	<b>138,349,433</b>	<b>325,717,790</b>

**Reconciliation of liabilities arising from financing activities - 2020**

	Opening balance	Distributions to unitholders	Gross creation of units	Gross (cancellation) of units	Cash flows	Closing balance
Distributions payable to unitholders	24,160,885	72,081,549	-	-	(7,749,366)	16,411,519
Gross creation and cancellation of units	141,221,754	-	382,089,992	(211,133,154)	29,735,084	170,956,838
	165,382,639	72,081,549	382,089,992	(211,133,154)	21,985,718	187,368,357
<b>Total liabilities from financing activities</b>	<b>165,382,639</b>	<b>72,081,549</b>	<b>382,089,992</b>	<b>(211,133,154)</b>	<b>21,985,718</b>	<b>187,368,357</b>

**18. Related parties****Relationships**

Ultimate holding company: Liberty Holding Group  
 Management company: STANLIB Lesotho (Pty) Ltd

	2021	2020
	M	M
<b>Related party balances</b>		
<b>Amounts included in Trade receivable (Trade Payable) regarding related parties</b>		
STANLIB Lesotho (Pty) Ltd	(1,588,333)	(1,304,408)
<b>Related party transactions</b>		
<b>Administration fees paid to (received from) related parties</b>		
STANLIB Lesotho (Pty) Ltd	17,238,480	14,207,780

**19. Financial instruments and risk management****Categories of financial instruments****Categories of financial assets**

	Note(s)	Fair value through profit or loss - mandatory	Amortised cost	Total	Fair value
		M	M	M	M
<b>2021</b>					
Unit trusts		784,435,640	-	784,435,640	784,435,639
Interest bearing instruments		912,882,265	-	912,882,265	912,882,265
Interest receivable on interest bearing instruments		7,891,520	-	7,891,520	7,891,520
Trade and other receivables	5	-	3,491	3,491	3,491
Cash and cash equivalents	6	-	70,933,904	70,933,904	70,933,904
		<b>1,705,209,425</b>	<b>70,937,395</b>	<b>1,776,146,820</b>	<b>1,776,146,819</b>
<b>2020</b>					
Unit trusts		711,098,628	-	711,098,628	711,089,628
Interest receivable on unit trusts		42	-	42	42
Interest bearing instruments		703,405,403	-	703,405,403	703,405,403
Interest receivable on interest bearing instruments		6,389,547	-	6,389,547	6,389,547
Trade and other receivables	5	-	17,869	17,869	17,869
Cash and cash equivalents	6	-	56,425,119	56,425,119	56,425,119
		<b>1,420,893,620</b>	<b>56,442,988</b>	<b>1,477,336,608</b>	<b>1,477,327,608</b>

## Categories of financial liabilities

		Fair value through profit or loss - mandatory	Amortised cost	Total	Fair value
	Note(s)	M	M	M	M
<b>2021</b>					
Trade and other payables	8	-	1,847,507	1,847,507	-
Distributions payable to unitholders		-	18,602,201	18,602,201	-
Net assets attributable to unitholders		1,755,697,112	-	1,755,697,112	1,755,697,112
		<b>1,755,697,112</b>	<b>8,666,235</b>	<b>1,776,146,820</b>	<b>1,755,697,112</b>
<b>2020</b>					
Trade and other payables	8	-	1,567,877	1,567,877	-
Distributions payable to unitholders		-	16,411,519	16,411,519	-
Net assets attributable to unitholders		1,459,357,212	-	1,459,357,212	1,459,357,212
		<b>1,459,357,212</b>	<b>17,979,396</b>	<b>1,477,336,608</b>	<b>1,459,357,212</b>

## Pre tax gains and losses on financial instruments

## Gains and losses on financial assets

		Fair value through profit or loss - mandatory	Total
	Note(s)	M	M
<b>2021</b>			
<b>Recognised in profit or loss:</b>			
Unrealised fair value (losses)	11	(10,544,828)	(10,544,828)
Realised fair value (losses)	11	(970,636)	(970,636)
<b>Net (losses)</b>		<b>(11,515,464)</b>	<b>(11,515,464)</b>
<b>2020</b>			
<b>Recognised in profit or loss:</b>			
Unrealised fair value gains	11	2,354,761	2,354,761
Realised fair value gains	11	2,070,045	2,070,045
<b>Net gains</b>		<b>4,424,806</b>	<b>4,424,806</b>

## Capital risk management

The capital of the Fund is represented by the net assets attributable to holders of redeemable shares. The amount of net asset attributable to unitholders of redeemable shares can change significantly on a weekly basis, as the Fund is subject to regular creations and cancellations at the discretion of unitholders, as well as changes resulting from

the Fund's performance. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns for unitholders, provide benefits for other stakeholders and maintain a strong capital base to support the development of the investment activities of the Fund.

## Financial risk management

### Overview

The company is exposed to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk (currency risk, interest rate risk and price risk).

#### Credit risk

Credit risk is the risk of financial loss to the fund if a counterparty to a financial instrument fails to meet its contractual obligations.

The Fund's exposure to credit risk could be as a result of counterparty to a transaction failing to meet its contractual obligations. This could arise primarily from the Scheme's investments activities.

Management monitors the scheme's exposure to credit risk on an ongoing basis through its credit risk committee and its internal compliance structures. The credit risk committee assigns an internal rating to each institution which may not be higher than the lowest rating from independent creditrating agencies Investor Services.

No credit limits were exceeded during the reporting period, and management does not expect any losses from nonperformance by these counterparties.

The maximum exposure to credit risk is presented in the table below:

	Note(s)	2021			2020		
		Gross carrying amount	Credit loss allowance	Amortised cost / fair value	Gross carrying amount	Credit loss allowance	Amortised cost / fair value
Trade and other receivables	5	3,491	-	3,491	17,869	-	17,869
Cash and cash equivalents	6	70,933,904	-	70,933,904	56,425,119	-	56,425,119
		<b>70,937,395</b>	<b>-</b>	<b>70,937,395</b>	<b>56,442,988</b>	<b>-</b>	<b>56,442,988</b>

#### Liquidity risk

Liquidity risk is the risk that the Scheme will not be able to meet its financial obligations towards investors when they fall due. This is applicable to the fund, especially as unit holders are able to cancel units on a daily basis.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities. In order to manage the Fund's overall liquidity, the Fund also has the ability to withhold redemption requests for a period of no more than one month. Under extraordinary circumstances the Fund also has the ability to suspend redemptions if this is deemed to be in the best interest of all unit holders.

In accordance with the Fund's policy, the Investment Manager monitors the Fund's liquidity position on a daily basis.

The table below analyses the fund's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Note(s)	On demand Less than 1 year	Total	Carrying amount
<b>2021</b>				
<b>Current liabilities</b>				
Trade and other payables		1,847,507	1,847,507	1,847,507
Distributions payable to unitholders		18,602,201	18,602,201	18,602,201
Net assets attributable to unitholders		1,755,697,112	1,755,697,112	1,755,697,201
<b>2020</b>				
<b>Current liabilities</b>				
Trade and other payables	8	1,567,877	1,567,877	1,567,877
Distributions payable to unitholders		16,411,519	16,411,519	16,411,519
Net assets attributable to unitholders		1,459,357,212	1,459,357,212	1,459,357,212

*Interest rate risk*

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in the market interest rates. Fluctuations in the interest rates affect the market value of these financial instruments

Management ensures that exposures are in accordance with investment objectives and the trust deed:

*Interest rate profile*

The interest rate profile of interest bearing financial instruments at the end of the reporting period was as follows:

		Average effective interest rate	Average effective interest rate	Carrying amount	Carrying amount
	Notes	2021	2020	2021	2020
<b>Assets</b>					
Debt investments at fair value through other comprehensive income		5.20 %	5.67 %	920,773,785	709,794,950
Trade and other receivables	5	-	- %	3,491	17,869
Cash and cash equivalents	6	1.92 %	1.44 %	70,933,904	56,425,119
				<b>991,711,180</b>	<b>766,237,938</b>

*Interest rate sensitivity analysis*

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in the market interest rates. Fluctuations in the interest rates affect the market value of these financial instruments. the following analysis the sensitivity of interest rate changes and its impact to profit for the fund.

*Fund*

At 31 December 2021, if the interest rate on cash and cash equivalents had been 1% per annum (2020: 1%1) higher or lower during the period, with all other variables held constant, profit or loss for the year would have been M 709,339 (2020: M 564,251) lower and M (709,339) (2020: M (564,251)) higher.

*Price risk**Price risk sensitivity analysis*

The fund is exposed to equity securities price risk because of investments held by the fund and classified on the statement of financial position at fair value through profit or loss. The fund is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities and unit trusts , the fund diversifies its portfolio.

Diversification of the portfolio is done in accordance with the limits set by the fund.

The table below summarises the impact of increases/decreases of the financial assets on the fund's post-tax profit for the year and on equity. The analysis is based on the assumption that the equity indexes has increased/decreased by 5% with all other variables held constant and all the fund's equity instruments moved according to the historical correlation with the index:

	2021	2021	2020	2020
	Increase	Decrease	Increase	Decrease
<b>Increase or decrease in rate</b>				
<b>Impact on profit or loss</b>				
Financial assets 5% (2020: 5 %)	85,260,471	(85,260,471)	71,044,681	(71,044,681)

## 20. Fair value information

### Fair value hierarchy

The table below analyses assets and liabilities carried at fair value. The different levels are defined as follows:

*Level 1:* Quoted unadjusted prices in active markets for identical assets or liabilities that the fund can access at measurement date.

*Level 2:* Inputs other than quoted prices included in level 1 that are observable for the asset or liability either directly or indirectly.

*Level 3:* Unobservable inputs for the asset or liability.

### Levels of fair value measurements

Level 1	2021	2020
	M	M
<b>Recurring fair value measurements</b>		
<b>Assets</b>		
<b>Financial assets at fair value through profit or loss - mandatory</b>		
Unit trusts	784,435,639	711,098,628
Interest receivable on unit trusts	1	42
Interest bearing instruments	901,616,453	653,602,799
Interest receivable on interest bearing instruments	7,801,372	6,034,591
<b>Total</b>	<b>1,693,853,465</b>	<b>1,420,893,620</b>

### Level 2

#### Recurring fair value measurements

##### Assets

##### Financial assets at fair value through profit or loss - mandatory

	2021	2020
Unlisted floating rate note	11,265,812	49,802,604
Interest receivable on unlisted floating rate note	90,145	354,956
<b>Total</b>	<b>11,355,957</b>	<b>50,157,560</b>

Level 2 investments include positions that are not traded in active markets, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

### Valuation techniques used to derive level 2 fair values

#### Unlisted Floating Rate Note

Financial assets that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2. This include interest bearing instrument recognised as unsecured floating rate note under domestic medium term note and commercial paper programme.

The method of valuation used is the discount margin method.

Key inputs of class level 2 fair values into the model are, the Johannesburg Stock Exchange (JSE) zero swap curve, credit spread as observed from Exchange Capital, credit rating on the instrument, coupon spread per contract, liquidity spread from the portfolio manager and frequency of coupon payments and maturity date.

Description of valuation method is based on the JSE's valuation methodology for listed FRNs, which applies credit spreads observed from exchange capital to derive the discount rates for the various coupon payments and coupons are forecasted based on forward rates derived using the JSE zero swap curve.

No changes have been made to the valuation technique.



**21. Going concern**

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

**20. Operating segments**

Operating segments are reported in a manner consistent with the internal reporting used by the chief operating decisionmaker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the head of investments of the investment manager that makes strategic decisions.

The head of investments is responsible for the Fund's entire portfolio and considers the Fund to have a single operating segment. The head of investments's asset allocation decisions are based on a single, integrated investment strategy, and the Fund's performance is evaluated on an overall basis.

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

The Fund has no assets classified as non-current assets.

The Fund also has a diversified unitholder population. At 31 December 2021, there was no unitholders who held more than 20% of the Fund's net asset value.

**21. Events after the reporting period**

No events after the reporting period management has to report which have an adjusting effect to the financial statement.



# Disclaimer

Collective Investment Schemes (CIS) are generally medium to long term investments. The value of participatory interests may go down as well as up and past performance is not necessarily a guide to future performance.

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The trustee of the Scheme is Minet Lesotho.

The investments of this portfolio are managed by the Asset Manager.

Prices are calculated and published on each working day; these prices are available on the Asset Manager's website (<https://stanlib.com/lesotho/>). This portfolio is valued at 15h00. Forward pricing is used. Investments and repurchases will receive the price of the same day if received prior to 15h00.

This portfolio is permitted to invest in foreign securities. Should the portfolio include any foreign securities these could expose the portfolio to any of the following risks: potential constraints on liquidity and the repatriation of funds; macroeconomic risks; political risks; foreign exchange risks; tax risks; settlement risks; and potential limitations on the availability of market information.

Additional information including, but not limited to, brochures, application forms and annual or quarterly reports, can be obtained free of charge, from the Asset Manager and from the Asset Manager's website (<https://stanlib.com/lesotho/>). The collective investment scheme contract and prospectus may be inspected at the address of the Asset Manager provided.

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An aerial photograph of a winding asphalt road that curves through a dense, dark green forest. The road has white lane markings and a small white car is visible on one of the curves. The overall scene is captured in a dark, monochromatic blue-grey tone.

# STANLIB

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