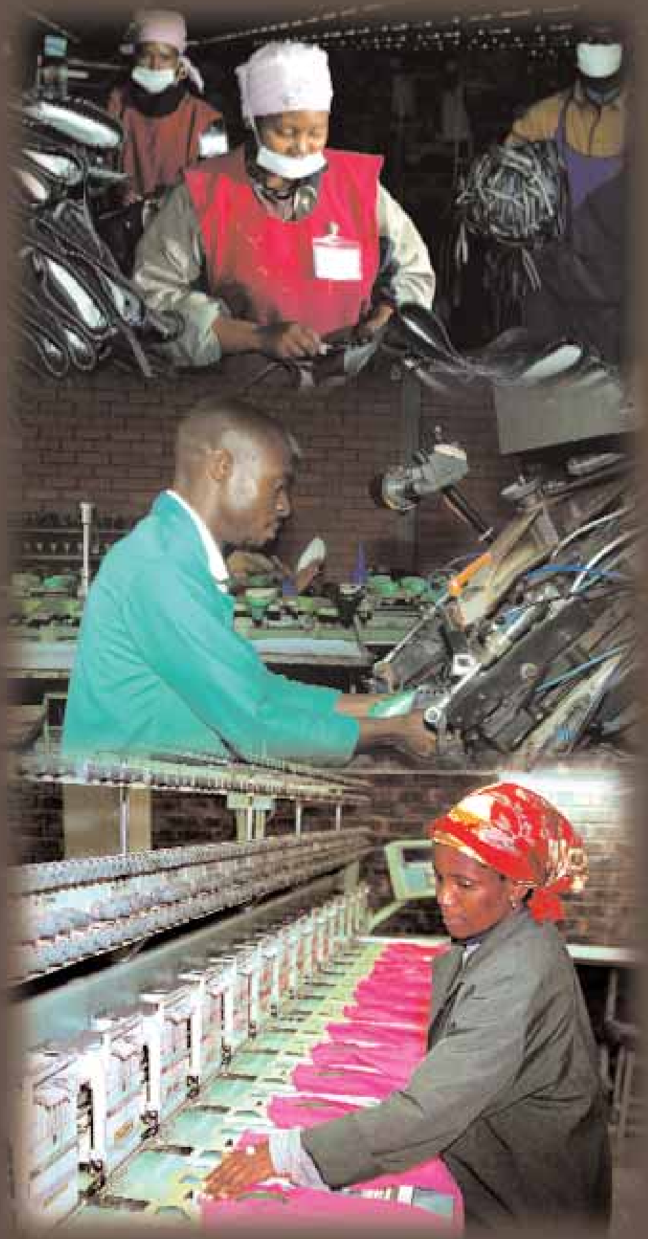
Lesotho National Development Corporation

Annual Report 2008/2009



With compliments of the Board of Directors, Management and Staff

LNDC
LESOTHO NATIONAL DEVELOPMENT CORPORATION
We Build Industry

Contents

Corporate Profile

LNDC Act

The Lesotho National Development Corporation (LNDC) is a parastatal body established by the LNDC Act No. 20 of 1967. The Act was amended through the LNDC Act No. 13 of 1990 which became effective in June 1993, and further amended by LNDC (Amendment) Act No. 7 of 2000.

LNDC mandate

The essential mandate of the Corporation as stipulated in section 4 subsection 1 of the LNDC Act No. 13 of 1990 reads thus:

> ***"The purpose of the Corporation is to initiate, promote and facilitate the development of manufacturing and processing industries, mining and commerce in a manner calculated to raise the level of income and employment in Lesotho."***

It is the Corporation's key responsibility to contribute to national economic growth and development. The LNDC carries out this role by promoting Lesotho as an attractive and a preferred investment location to both foreign and local investors. LNDC offers a wide range of investment supportive services. These include serviced industrial sites; factory buildings; business support services; after care services; financial assistance on a selective basis; and where possible, selective limited equity participation in projects considered to be of strategic importance to the economy.

Capital Structure

In 2008/09 the Corporation's authorised share capital was M250 million. Fully paid-up share capital was M128 million, comprising M128 million ordinary shares of M1 each.

Organisational Structure

During the year under review the Corporation's organisational structure was constituted as follows: Foreign Investment Division; Domestic Investment Division; Investment Services Division; Property Management Division; Planning and Research Division; Projects Management Services Division; Finance and ICT Division; Internal Audit and Risk Assessment Division; Human Resources and Administration Division; Legal Corporate Governance Division and Public Relations Section. The LNDC is managed by the Chief Executive Officer supported by the Executive and Management teams. The Chief Executive Officer reports to the LNDC Board of Directors. The full organisational structure is presented in Figure. 1 below.

Reporting

Section 19 (1) of the LNDC Act No. 13 of 1990 requires the Corporation to submit a report on the status of its affairs at the end of every financial year. It is in accordance with these statutory requirements that the LNDC presents this edition of its Annual Report for the financial year April 1, 2008 to March 31, 2009. The report reviews the Corporation's activities and achievements over that period. As usual, the report includes Group Audited Financial Statements approved by the Board. The Group Financial Statements constitute a consolidated performance by the Corporation, its subsidiary and associate companies. The LNDC's stake in subsidiary companies ranges between 51% and 100%, and between 20% and 50% in associate companies.

Corporate Vision

The corporate strategic position of the Corporation is premised on the following:

Vision:

By year 2020, LNDC shall be one of the leading development finance institutions in the SADC region and shall actively contribute to the attainment of 80% employment rate in Lesotho and graduation of Lesotho from the least developed country status.

Mission:

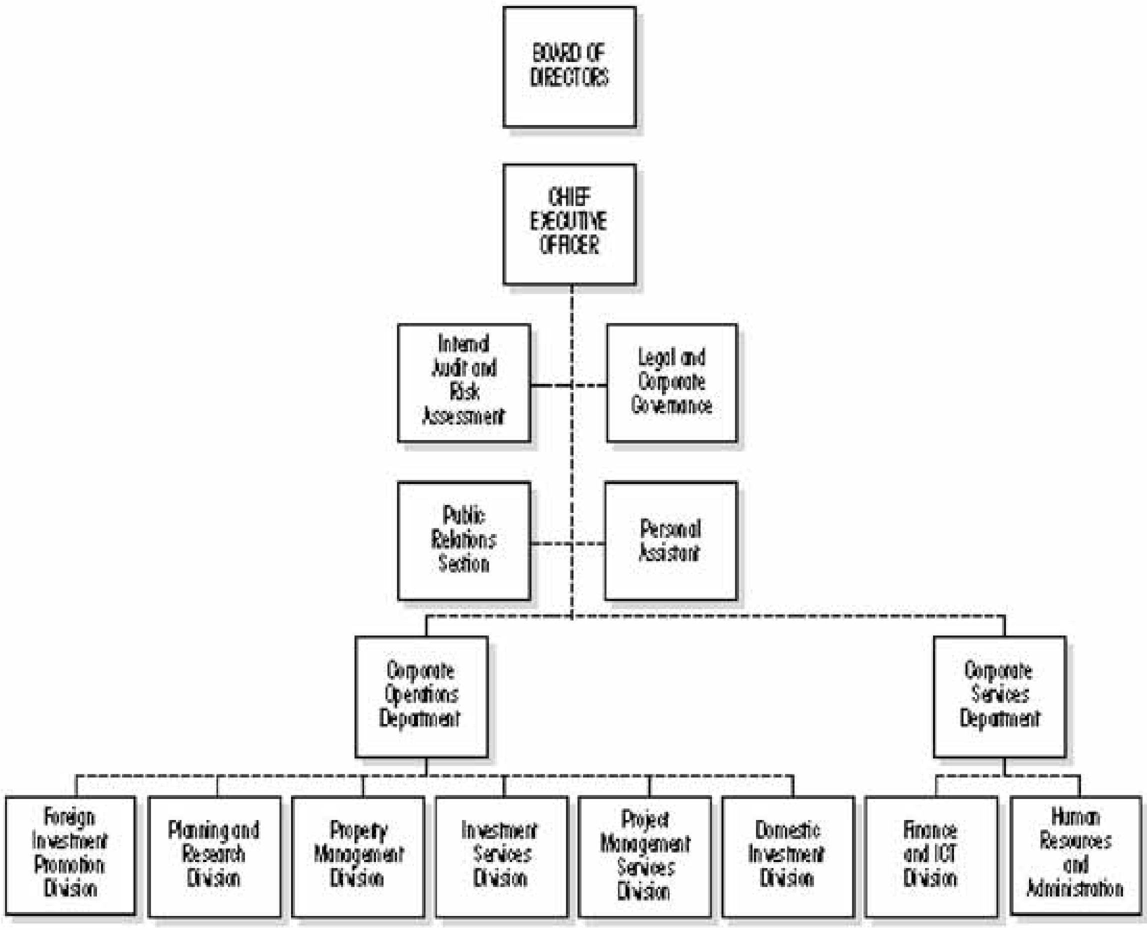
Our mission is to generate wealth and employment for the nation by promoting sustainable investment and establishing financially and economically viable medium to large scale enterprises.

Corporate Goals

- To develop and expand Lesotho's industrial base through promotion of foreign direct investment
- To foster participation of Basotho entrepreneurs in the private sector
- To expand the Corporation's income base
- To develop a highly professional and motivated staff
- To develop a culture of quality service
- To enhance the Corporation's image locally and externally

LNDC Organisational Structure

2008/2009



LNDC Board of Directors

end of financial year 2008/2009

CHAIRMAN

Mr T J Ramotsoari
Principal Secretary; Ministry of Trade and Industry, Cooperatives and Marketing

MEMBERS

Mrs M Motselebane
Ministry of Agriculture and Food Security

MR. R J Elias
Ministry of Finance Development and Planning

Mr O S M Moosa
Lesotho Chamber of Commerce and Industry

Mr P Mokhesi
Private Sector

Mr. R Theko
Private Sector

Mrs A S Mokorosi
Lesotho Manufacturers Association

Mr T Mochekele
Lesotho Consumer Organisation

CHIEF EXECUTIVE

Mr Peete Molapo
Lesotho National Development Corporation

CORPORATE SECRETARY

Mr C T Poopa

POSTAL ADDRESS

Lesotho National Development Corporation
Private Bag A96
Maseru 100
Lesotho

HEAD OFFICE

Development House
Kingsway Road
Maseru 100
Telephone: 266-22 312012
Telefax: 266-22 310038
E-mail: info@lndc.org.ls
Website: www.lndc.org.ls

AUDITORS

Moteane, Qhashie & Associates
Private Bag A169
Maseru 100
Lesotho

BANKERS

Standard Lesotho Bank
P O Box 115
Maseru 100
Lesotho
Telephone: 266-22 212000

LNDC Executive & Management Team

end of financial year 2008/2009

EXECUTIVE TEAM

Mr Peete Molapo
Chief Executive Officer

Mr Thabang Khabo
Head, Finance and ICT

Mr Motebang Mokoaleli
Head, Foreign Investment

Mr Mokhethi Shelile
Head, Domestic Investment

Mrs 'Mathabo Klass
Head, Investment Services

Mr Lebohang Mofammere
Head, Property Management

Ms Lucy Mataboe
Head, Human Resources and Administration

Mr Clark Taelo Poopa
Head, Legal and Corporate Governance

Ms Teboho Lekalakala
Head, Internal Audit and Risk Management

MANAGEMENT TEAM

Mrs Lesa Makhoalibe
Public Relations Manager

Ms Marina Maloi
Projects Manager

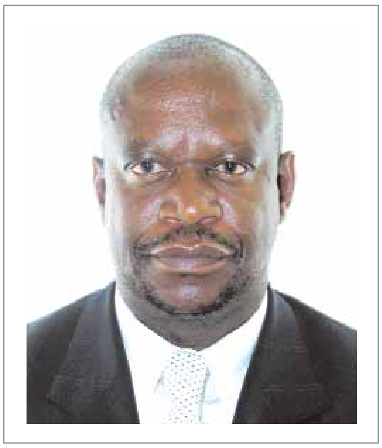
Ms Fumane Maema
Projects Manager

Mr Justice Sello Ts'ukulu
Industrial Relations Manager

Mrs Nthabiseng Posholi
Senior Accountant

Ms 'Majane Lesala
Senior Internal Auditor

Statement by the Chairman



T J Ramotsoari
Chairman

2008/09 proved to be another challenging year for the Corporation. Employment generated by LNDC assisted companies declined drastically, two companies closed shop in the face of the global recession. The Corporation teamed up with other national bodies to establish safeguards to keep the industries afloat. A key specific intervention by LNDC was to freeze rental escalation in order to ease the financial burden to LNDC assisted companies.

Lack of factory shells still remained a big challenge. During the year six foreign direct investment (FDI) projects in the pipeline pulled out because of waning interest after waiting for factory shells for at least a year. Despite this setback LNDC continued to market Lesotho aggressively. At the end of the year under review 4 new companies started operating and 12 new FDI potential projects were added to the pipeline projects. At least 13 potential investors came to Lesotho to explore business opportunities.

During the year LNDC completed construction of Philips factory shell, a flagship project and a green industry project designed to supply regional markets with fluorescent lamps. The total cost of this project was budgeted at M26.9 million. In the same year and in an effort to remedy factory space shortage, the Corporation initiated processes to construct Tikoe industrial estate advanced infrastructure.

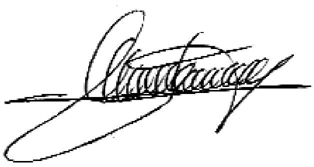
On the home front there were 14 local private sector projects in the pipeline at the end of 2008/09. This pipeline is worth M 90.4 million and can generate more than 1000 jobs for unskilled workers and about 400 for skilled workers. Access to finance remains a barrier towards establishing these projects. LNDC is making efforts to establish a Partial Credit Guarantee Scheme.

The Group's financial position as at 31st March 2009 was good when compared with previous period as it registered a growth of M35.1 million or 26.8% in retained earnings and M53.7 million or 7.9% in total assets. This is compared to 20.8% and 5.3% in the previous year.

The primary objective of the Corporation remains to develop and promote business in Lesotho. The Corporation strives to fulfill this objective in order to contribute towards sustainable development and shared growth.

Against this background it is my pleasure to present the LNDC annual report for the year ended the 31st March 2009 on behalf of LNDC Board of Directors. The report covers the major activities of the Corporation and its financial statements for the reporting period.

I draw this statement to a close by once again acknowledging contributions of the LNDC Board, Management and Staff for their efforts in pursuit of the LNDC mandate. I also acknowledge contributions by our partners in development and other key stakeholders who have been instrumental in assisting LNDC to make all this progress during the review year. Special thanks are due to the Government of Lesotho, especially the parent Ministry of Trade and Industry, Cooperatives and Marketing (MTICM) which has closely guided and worked with us during these trying times.



T J Ramotsoari

Chairman

Chief Executive's Report

General

Adverse developments which occurred during 2008/09 such as the global recession, expiry of China safeguards in the US market and the extension of the DCCS with more restrictions resulted in a negative impact on the garment industry and employment creation. The mainstay of LNDC's economic performance, namely the garment industry however weathered the storm even though two companies closed shop in that industry. This was due mainly to increased competition in the US market from Asia and fallings orders due to the financial crisis affecting a major Lesotho market for garment products, namely, the US. A substantial number in excess of 3,000 employees had to be retrenched during the year. The aggregate annual employment by LNDC assisted companies fell from 45650 the previous year to 44227. The fall in the aggregate employment was therefore marginal and curtailed by the increase in employment generated by 4 new companies that started operating during the year.

LNDC continued to support its assisted industries and undertook promotion to attract more investors to establish businesses in Lesotho. For existing companies, the Corporation froze rentals to ease the financial burden on industrialists. The LNDC aggregate portfolio of business stood at 74 companies at the end of the year.

The Corporation increased its asset base by constructing a 5000m2 factory shell at Tikoe industrial estate. Further infrastructure developments are planned on the estate to facilitate construction of more factory shells.

LNDC is making continuous efforts to handle the constraint faced by the local private sector in accessing finance for projects. Some of these efforts include identifying international financiers to provide funding for local entrepreneurs as well as an in-house process to develop partial credit guarantee facility in order catalyze funding for the local private sector. The LNDC partial credit guarantee facility is expected to be functional in the coming year and is expected to provide the much needed financial relief to the local private sector.

Foreign investment

The period under review was marked by new developments in the investment environment which directly affected the clothing and textiles industries. These include abundant supply incentive, proposal of New Partnership for Development Act (NPDA), extension of DCCS and expiry of China safeguards.

Abundant supply incentive

The abundant supply incentive was due to end by 31st August 2008 and Lesotho denim exports to the US would attract duties of around 18% starting in September, 2008 which would erode Lesotho's industry price competitiveness and in turn, lead to loss of orders. The impact of impending expiry of the provision began to show in companies like CGM through declining orders.

Affected companies made submissions to United States International Trade Commission (USITC), proposing the repeal of this incentive by September, 2008.The abundant supply incentive was repealed which was good news for the Lesotho garment industry because the industry would continue to source fabric from anywhere in the world without any limitations. This came as a reprieve to retain the industry in Lesotho through possible increased level of orders due to restored certainty.

The only downside of this legislation was the granting of an LDC status to Mauritius, resulting in its qualification to a 3rd country fabric sourcing provision. Mauritius is considered to be a direct competitor to Lesotho garment industry exports to the US. Regional competition in garment export to the US is expected to be heightened with a possible decline in orders sourced from Lesotho.

New Partnership for Development Act (NPDA)

NPDA is a proposed Act designed to provide equal treatment to all LDC states in relation to market access privileges for garments that are destined for the US market. If the proposed Act goes through, it will open up Lesotho made garment export to fierce competition from countries like Bangladesh and Cambodia. This scenario poses uncertainty regarding future sourcing of garments from Lesotho by US buyers. Against this backdrop the Lesotho industry has signed a petition during the review period to block the passage of this Bill. The negotiations were still on-going at the end of the reporting period.

Duty Credit Certificate Scheme (DCCS)

During the year the importance of DCCs as an incentive for garment exports to extra SACU markets have been eroded substantially. SACU limited tradability of earned certificates. Lesotho industry can now only use the certificates to source raw materials that will form inputs into the manufacturing process. In the past tradability of these certificates was extended to retailers, agents and importers. Limited tradability has shrunk the market for DCCs and has caused the price of these certificates to fall as buyers of these certificates are now fewer. This development has affected price competitiveness of the Lesotho garment industry and has adversely affected the industry cash flows and working capital. The scheme was however extended for an additional one year to last until 31st March 2010. Negotiations are still on-going to review the conditionalties before the revised scheme is gazetted.

The expiry of China Safeguards

The safeguard quotas that were imposed by the US on China's textile and apparel imports expired on the 31st December 2008. These safeguards protected garment exports from Lesotho and other countries against competition from cheaper garment exports from China to the US market. The expiry is expected to put pressure on the already struggling industry through plummeting orders resulting in further job losses in the industry.

LNDC experienced challenges in providing factory buildings to key projects in the pipeline. This was due to inadequate funds. Consequently, LNDC prepared a motivation to the GoL requesting financing of factory buildings to support definite commitments in the pipeline.

The number of companies that fall under LNDC portfolio was 74 as at March 2009, while they were 72 in 2007/08. 4 new companies (Maseru Inkz, Lesotho Times, Jee Clothing and Phillips), were established during the year compared to 3 in the previous reporting period. On the other hand 2 footwear companies; Way Yare and Maluti Mountain Leatherworks closed down. Out of the 74 projects, 58 are foreign direct investment projects while 16 are local projects. Employment generated by the new projects only was 279 and employment lost due to closure of the 2 firms was 29. One company; Kiota Electronics expanded its operations. Annual aggregate employment by all companies under LNDC portfolio was 44 227 compared to 45 650 last year.

On average LNDC had 19 projects in the pipeline for the year, 12 new companies were added to the pipeline however some had to be shelved for various reasons. 6 of the shelved companies were on the waiting list for factory shells and their interest declined over time. The Corporation hosted 13 potential investors who had come to Lesotho to explore business opportunities and understand the Lesotho market dynamics.

The Corporation participated in the following 4 major investment promotion events during 2008/09:

- A presentation was made to the Southern Africa German Chamber of Commerce in Midrand, South Africa in May, 2009
- A presentation was made to potential investors at a trade and investment exposition which took place in Turkey in May, 2008.
- Another promotion was undertaken in the UK, London which was organized by the MFA Forum and coordinated by Lesotho-London. A presentation was made to major buyers and business councils and lastly
- Participation in the China international fair on trade and investment.

Development of an Export Guide for Lesotho

LNDC, in close cooperation with the US Trade Hub, produced an Export Guide for the Lesotho manufacturing industry. The Guide provides Lesotho manufacturers with full details of market access opportunities that are offered by developing and developed countries on qualifying products, applicable rules of origin and cumulation rules. The Guide also assists LNDC to promote diversification of markets and products produced by Lesotho industries.

Domestic investment

Inflation was high at around 10% for the better part of the year while it was 8% in 2007/08. These high levels dampened economic activity and led to a fall in consumption even when the Government of Lesotho increased civil servants salaries by 15% across the board. The mining sector on the other hand enjoyed good returns resulting from the quality and size of diamonds found in the mines.

In August 2008 SADC Free Trade Agreement (FTA) was launched. The FTA presented increased market access for Lesotho products with around 85% of trade in goods being duty free within SADC.

The Division hosted 115 enquiries during the reporting year compared to 125 handled last year. About 90% of the inquiries needed financial assistance. All of them were requested to develop business plans for onward transmission to multilateral finance institutions.

At the end of 2008/09 the local private sector projects in the pipeline were 14 projects while they were 18 last year. The current pipeline is worth M90.4 million and can generate more than 1 000 jobs for unskilled workers and about 400 for skilled workers. The majority of these projects require financial assistance.

In order to assist the local private sector to access finance, LNDC carried feasibility assessment for a Partial Credit Guarantee Scheme. The assessment showed that the envisioned scheme is feasible. LNDC is currently working on establishing such a scheme with relevant stakeholders. The scheme is intended to assist the private sector to access finance through three products:

- Risk sharing mechanism;
- Technical assistance to commercial banks; and
- Mentoring and couching of Small and Medium Enterprises (SME) and capacity building of Basotho Enterprise Development Corporation (BEDCO) and LNDC.

LNDC, Industrial Development Corporation (IDC), BEDCO and SMME Network trained SMMEs in Business Management during the year. At the end of the training more than 139 people were awarded certificates. The training of trainers was also done for resource persons to be used in future when training is rolled out across the country. The trainee trainers were from Mohloli Business Chamber, Mine Workers Development Agency, SMME Network, National University of Lesotho and BEDCO.

LNDC made a presentation to more than 200 youths from across the country who are members of the Youth Chamber on the 29th of August 2008. The presentation was on the interventions of the LNDC that target the local private sector. The International Trade Centre (ITC) and World Trade Organization (WTO) were also present during this event.

The Corporation facilitated the annual LNDC - private sector forum. This year the focus was on fostering alliances amongst the service providers that included the IDC, NORSAD Agency based in Zambia and local companies and chambers. The private sector was advised on guidelines for accessing loans from LNDC's development partners.

The Corporation joined the business delegation led by the Right Honourable Prime Minister Mr. Pakalitha Mosisili to an investment forum by the Commonwealth Secretariat in United Arab Emirates in February 2009. The LNDC and Lesotho Tourism Development Corporation (LTDC) showcased business opportunities in Lesotho to potential investors. At least one of them has already visited Lesotho to assess available business opportunities.

A business delegation from Limpopo Trade and Investment (TIL) and Limpopo Business Support Agency (LIBSA) was also hosted in January 2009. The purpose of the mission was to continue with discussions on the proposed collaboration between the LNDC and TIL and to investigate investment opportunities.

Investment services

The global recession adversely affected the exporting companies' orders during the year. The majority of companies monitored had no orders while others had very few orders up to mid-2009. The economic slow-down led to unsatisfactory performance of the industry in general and consequently, retrenchments ensued.

During the reporting period the LNDC total portfolio consisted of 74 companies. Out of the 74 companies, 67 are leasehold only and 7 are subsidiaries and associates. This is against the 72 that were monitored in 2007/08. Aggregate employment generated by these LNDC assisted companies was 44 227 a bit lower than 45 650 jobs they had created in the previous year. The decline is attributed to several factors that affected manufacturing industry. These ranged from lack of orders where companies had to put their employees on short time, closure of 2 firms; Way Yare and Maluti Leather Works.

Other contributing factors were retrenchments of 3010 employees as well as temporary lay-offs. New jobs created by new companies were 279 while in 2007/08 they were 147. Employment in the 2 footwear companies which eventually closed down declined gradually to 27 at the time of closure compared to 2453 jobs due to closure of 3 companies in the previous year.

Figure 1: Employment trend throughout 2008/09

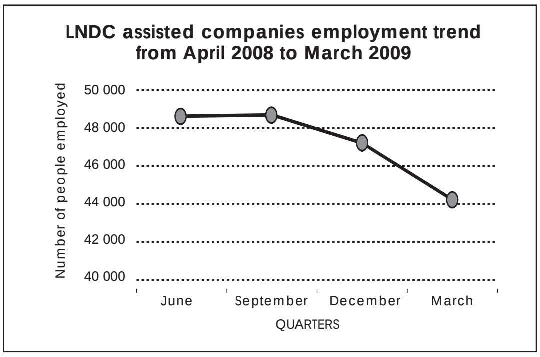


Figure 2: Retrenchments throughout 2008/2009

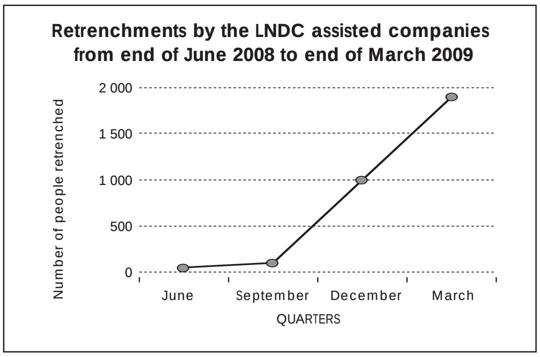
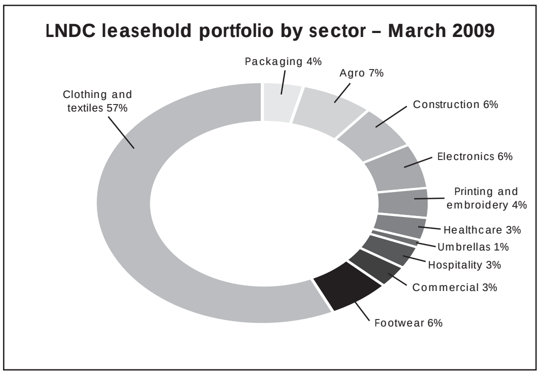


Figure 3: Lndc Leasehold Portfolio by Sector



The LNDC equity portfolio consisted of 7 companies of which 3 were in agro, 2 in building and construction, 1 in essential services, and 1 in wholesale and retail business. The equity portfolio total employment declined slightly from 1027 in 2007/08 to 992 in 2008/09.

Special projects

CGM Group

LNDC bailed out the CGM Group out of a financial crisis to the tune of M30 million through a loan provided by the Government of Lesotho (GoL) to LNDC. The M30 million which has been advanced to CGM by LNDC will be used to purchase an equity stake in the company.

LNDC has also coordinated efforts to resuscitate or open a new pharmaceutical company in Lesotho. A core stakeholder meeting was attended in Vienna in November 2008. The meeting was attended by Sanavita Pharmaceuticals and UNIDO consultants. However, the deal for a possible joint venture did not materialize.

Property management

LNDC, through its Property Management arm; develops, maintains and manages its property. The property consists of 8 residential units, 3 shopping centers, 9 commercial outlets, 6 office blocks and 7 industrial estates. 138 factory shells have been built on these industrial estates and land is also leased out to industrialists who want to build their own factory shells on the estates.

Most of the estates performed well and generated income for the Corporation with the exception of Mohale's Hoek, Residential Outestate's and Clifford/LNDC Mall site. The poor performance of Mohale's Hoek Industrial Estate was due to a high level of vacancy. Residential Outestate's poor performance was due to high expenses on depreciation and property rates. Clifford Site did not generate any income but ground rental still had to be paid to Land Survey and Physical Planning.

During the reporting year LNDC undertook the following property development projects:

- Reconstruction of a 1 018 m² building for Reflex Footwear at Nyenye industrial estate. The building was destroyed by fire and the reconstruction cost was M2.33 million.
- Construction of a 250m² satellite fire station at Ha Nyenye at a cost of M2.79 million.
- Construction of a 5000m² factory for Philips Lighting at Tikoe industrial estate at a cost of M35 million.
- Construction of Tikoe advanced infrastructure. The construction is expected to be completed in July 2009 and the whole project will cost M21million.

Other projects include the installation of automatic fire sprinkler system on plot 22 at Nyenye at a cost of M0.76 million, refurbishment and restoration of Kingsway Mall (Block C) air-conditioning system which cost M2.79 million. In addition, up-coming development projects are the construction of Maseru Industrial Relief Road Project Studies (1.2km) and the redevelopment of ex Fairways site (7 000m²).

LNDC property maintenance is managed by the Real Estate Manager and during 2008/09 an amount of M3 762 686.40 was put aside for maintaining the property. An amount of M1 041 289.99 was actually spent for maintenance.

Human resources and administration

The Corporation believes in creating good working conditions for its staff so that they can perform their duties efficiently. During the period under review, staff benefits were reviewed and improved. Periodic review of policies is also undertaken to take into account the changes in the work place. The Training Policy was reviewed and an HIV/AIDS Policy was completed.

Staff Training and Development

Table 1: Staff Training

Position	Course title
Investment Promotions Officer	Masters Programme in investment Promotion and Economic Investment.
Personal Assistant and Switchboard Operator	Accredited Administration Skills
Personal Assistants from Legal and Foreign Investment Divisions	Professional Secretaries and and Personal Assistants Conference
Internal Audit Officer	Auditing
ICT Manager	Web Development Package – Javascript
Head Property Management	The Best Practices in Construction Industry, Contract Management and Risk Management
Financial Accountant	Financial Statements Analysis

The Corporation also recruited the Head of Finance and ICT, Planning and Research Officer and IT Systems Administrator.

Public Relations

Information dissemination

Quarterly newsletters were produced and distributed through the mailing list as well as posted on the Corporation's website. Information was also disseminated through press releases to the local media and press conferences.

The Honourable Minister of Trade & Industry, Cooperatives and Marketing as well as the LNDC Board of Directors were taken on a guided tour of the Philips Lighting energy saving manufacturing plant which was under construction at Tikoe Industrial Estate.

Corporate Social Responsibility

During 2008/09 LNDC made the following donations:

- Her Majesty the Queen's Trust Fund to assist disadvantaged children.
- Funds to purchase a new laptop in support of Public Service Day empowerment drive for above average High School pupils were donated to the Ministry of Education.
- Annual financial contribution was made to the Jewels of Hope project, an income generating sustainable project for disadvantaged children. LNDC has provided annual financial contribution to the project since its inception in 2005.

FINANCIAL PERFORMANCE

Overview

The Corporation has three subsidiaries and two associate companies forming the group. The International Financial Reporting Standards (IFRS) requires that the group accounts be prepared on an annual basis in order to show the performance of a group as a whole in addition to individual company performance reflected by the company financial statements.

LNDC therefore having a group of companies is also bound to prepare group financial performance in accordance with the abovementioned standards.

A subsidiary company is one in which the holding company has 51% or more and has control over the board of directors of that entity. In an associate company, the holding company is required to have between 20% and 50% shareholding.

The Corporation has the following Subsidiaries and Associate companies:

Subsidiary	Associates
Lesotho Brewing Company	OK Bazaars
Loti Brick	Cashbuild
Basotho Canners	

The Corporation and its group of companies prepare individual financial reports on yearly basis; these reports show the company's performance that can be measured in relation to its targets or budgets. The respective management thereafter is able to take appropriate decision based on what the accounts portray.

LNDC as an entity prepares its annual financial reports from which it is able to assess its performance in relation to its set budgets and prior year performance. Equally, the LNDC Board, through the Executive Management, takes appropriate decision based on the performance shown by the financial statements.

It is however of paramount importance for the LNDC as a holding company to assess the overall performance of the group. This task is achieved by the preparation of the group / consolidated financial statements. It should be noted however that, consolidated accounts show the group's performance rather than individual, therefore it is highly likely that companies or the holding company, with very good performance on their own could easily fail to shine in the group as the poor performers, either companies or the holding company, will dilute that good performance. This is an unavoidable feature of the consolidated financial statements.

It is on the basis of the above introduction that the performance and financial status of LNDC group accounts are summarized.

PERFORMANCE AND FINANCIAL STATUS

The Group Financial Statements, from which the data provided in Table 2 below was drawn, indicate the Group's financial performance and the Corporation's financial performance for the year ended March 31st, 2009.

Operating Income

Group

The Group's turnover (T/O) increased from M381.2 million in 2007/08 to M413.7 million in 2008/09 representing an increase of M32.5 million or 8.5%. The increase was attributable to good performance by some of the members of the group, in particular the Lesotho Brewing Company. Profit before tax (PBT), increased from M64 million in 2007/08 to M76.1 million in 2008/09, which is an increase of M12.1 million or 18.9%. Profit after tax (PAT) also increased from M55.6 million to M67.9 million in 2007/08 and 2008/09 respectively, resulting in an increase of M12.3 million or 22%. It is worth noting that from the total group's PAT of M67.9 million, M30.4 million was attributable to minority interests. These are other shareholders in the subsidiary companies mentioned above. They are also entitled to a share of groups profits. Figure 4 below summaries the above Group's performance for the year 2008/09.

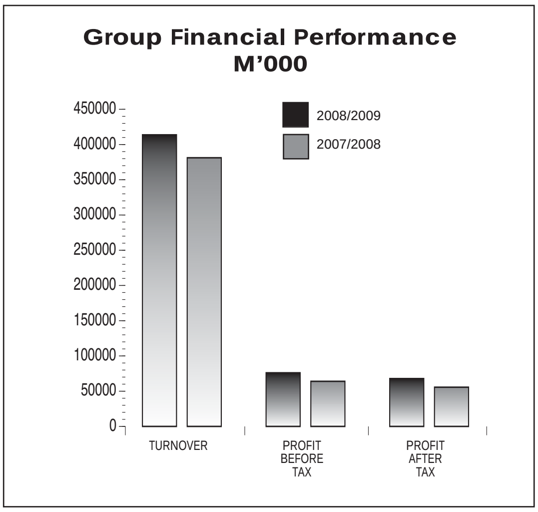
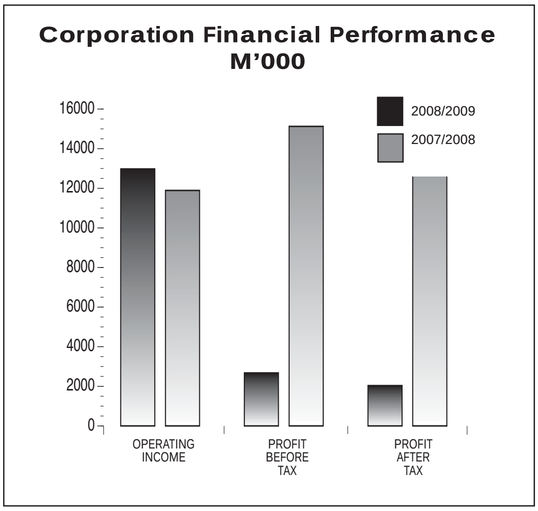


Figure 4: Group's performance

The Corporation's operating profit for the year was M13 million when compared to M17.6 million in 2007/08. It will be noted however that this was reduced to a PBT of M2.7 million for 2008/09 and M15.1 million in 2007/08. The major cause of this significant decline in 2008/09 was as a result M10.3 million dividends received from associate companies which according to IFRS, should not be disclosed as part of operating income. The PAT of M2 million in 2008/09 was achieved after a deduction of exceptional bad debts provision compared to M15.1 million achieved in 2007/08 financial year.

The provision related to the Corporation's investment in CGM in the amount of M30 million. The Corporation managed to issue a M30 million loan from funds borrowed from the Lesotho Government. The 100% provision was required as at the time the financial statements were being finalised, there was no clear indication as to the value of the investments. The situation therefore warranted that International Financial Reporting Standard 36 Impairment of Assets be applied. Figure 5 below depicts the above highlighted Corporation's performance for the year 2008/09.

Figure 5: Corporation's performance



TOTAL ASSETS, EQUITY AND LONG TERM LOANS

Group

The Group's total assets grew by M53.7 million or 7.9% from M676.5 million in 2007/08 to M730.2 million in 2008/09. The shareholders' equity also increased by M42.6 million or 9.6% from M445.7 million in 2007/08 to M488.3 million in 2008/09. The increase was mainly attributable to the profit generated during the year that resulted in an increase of M35.1 million in Retained Income. Long term loans (LTL) decreased by M23.5 million or 23.3% from M101 million in 2007/08 to M124.5 million in 2008/09. The decrease was attributable to repayments made during the year per terms and conditions of the loan agreements. Figure 6 on following page shows the status in a pictorial form.

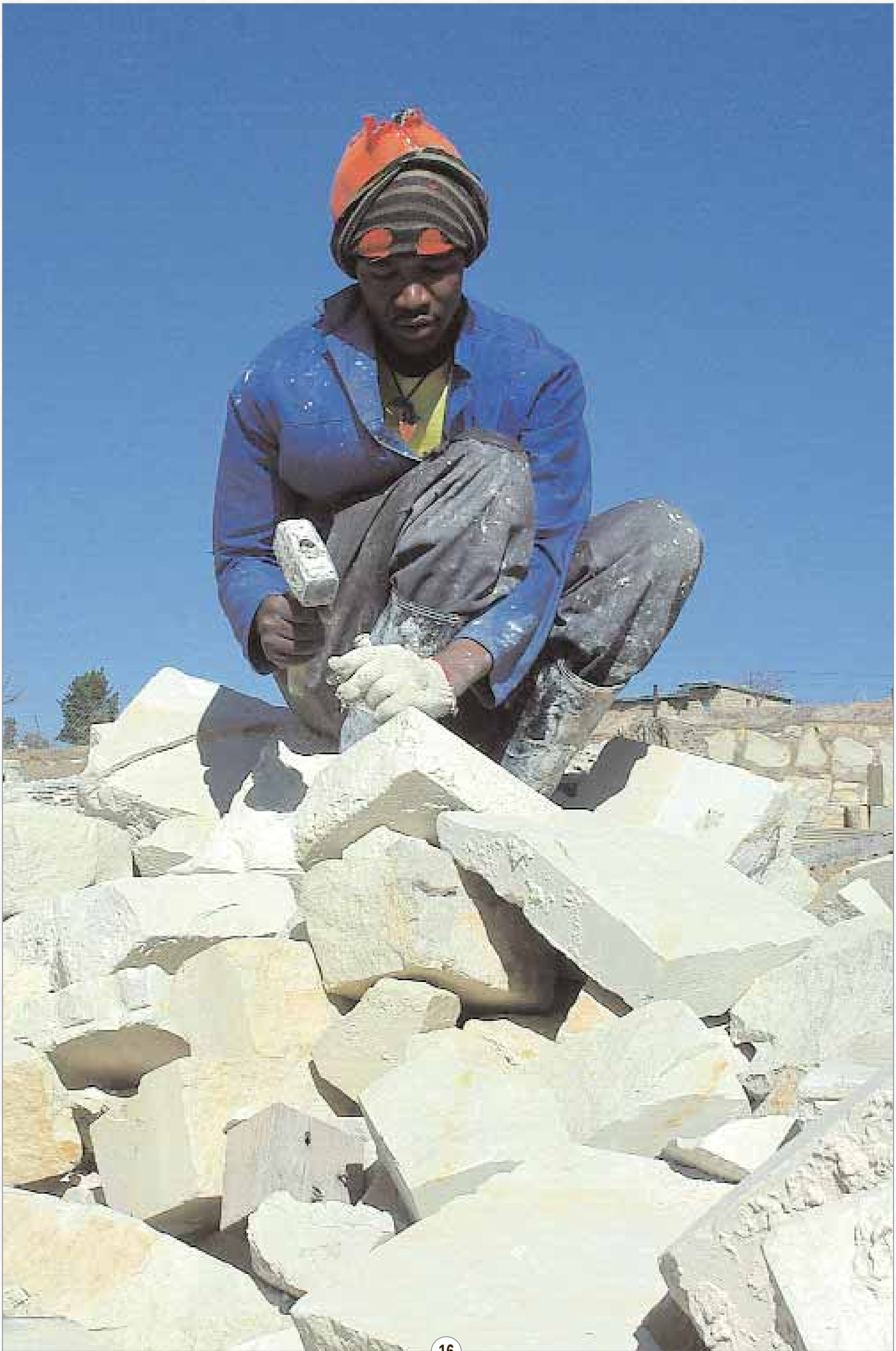
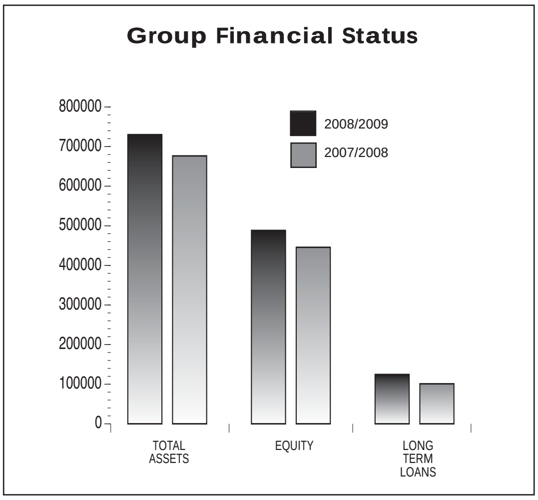


Figure 6: Group Financial Status

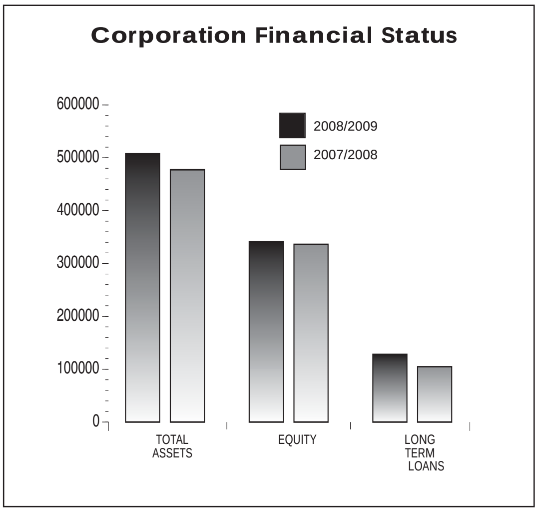


Corporation

The major contributors to the increase in Corporation's equity were PAT taken to retained income and M6.5 million development grants received during the year from the Lesotho Government for capital expenditure. The shareholders' equity increased by M5.0 million or 1.5%. Total assets increased by M30.2 million or 6.3%. The major contributor was an increase in investment property due to on-going developments at Tikoe Industrial Estate. Long term loans declined by M23.5 million or 23.2% as a result of repayments made during the year in accordance with the terms and conditions of the loan agreements.

A pictorial presentation of the above status is shown in Figure 7 below.

Figure 7: Corporation Financial Status



CASH FLOW PERFORMANCE

The groups' net cash flow from operations declined from M73.5 million to M38.7 million in 2007/08 and 2008/09 respectively. This represented a significant decline of 47.3%. The major cause of the decline was a huge cash outlay in capital expenditure of M43.3 million which is 169.8%. This was supported by a major increase in non current assets of M50.1 million.

The Corporation liquidity position is slightly below the acceptable level of 1:2. It improved a little from 2007/08 to 2008/09. Although it is not at an alarming state, Management will manage the situation very closely to ensure that it improves rather than deteriorate further.

The group's liquidity position on the other hand has broken the 1:1 threshold indicating the need to closely manage current liabilities. It is worth mentioning however that the groups' liquidity position cannot be resolved globally but rather management within individual entities have to address the situation themselves as one subsidiary cannot settle the short term obligations of another subsidiary when they fall due. Furthermore, all other subsidiaries and the Corporation have managed their liquidity situation well with the exception of Basotho Canners who had to turn to the Corporation for assistance with its liquidity problems.

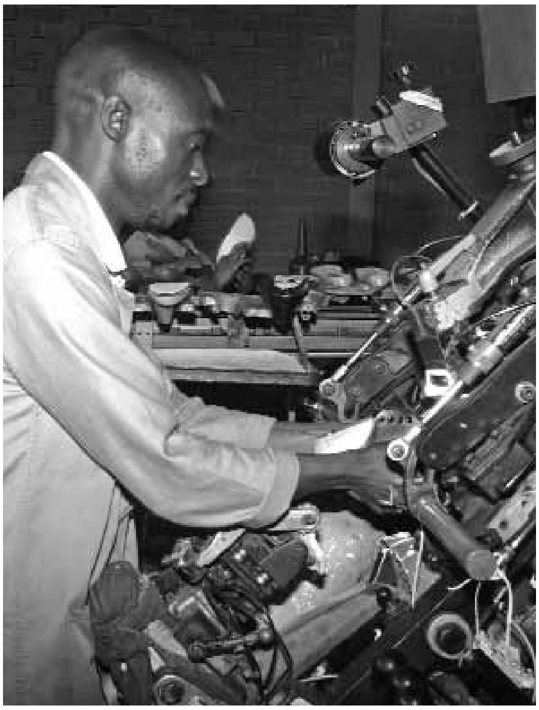


Table 2: Ratios analysis

	GROUP				CORPORATION			
	% Increase/ Decrease	M'000 Increase/ Decrease	31st March 2009	31st March 2008	% Increase/ Decrease	M'000 Increase/ Devrease	31st March 2009	31st March 2008
Turnover/ Operating income	8.53	32 532	413 745	381 213	9.13	1 086	12 978	11 892
Profit before tax	18.85	12 066	76 065	63 999	-82.18	(12 430)	2 696	15 126
Profit after tax	21.97	12 224	67 867	55 643	-86.54	(13 090)	2 036	15 126
Total assets	7.94	53 684	730 161	676 477	6.33	30 193	507 515	477 322
Equity	9.56	42 592	488 256	445 664	1.47	4 957	341 201	336 244
Long-term liabilities	21.36	22 606	124 544	100 972	22.26	23 311	128 031	104 720
Return on capital employed	10.11	1	10.42	9.46	-83.24	(2.64)	0.5	3.2
Earnings per share (Lisente)	21.97	10	53.02	43.47	-86.54	(10.23)	1.59	11.82
Current ratio	–	–	1 to 1.14	1 to 1	–	–	1 to 1.351	1 to 1.22
Acid test ratio	–	–	1 to 0.65	1 to 0.68	–	–	1 to 1.351	1 to 1.22

CONCLUSION

The Group's financial position as at 31st March 2009 was good when compared with previous period as it registered a growth of M35.1 million or 26.8% in retained earnings and M53.7 million or 7.9% in total assets.

Financial Statements

for the year ended 31 March 2008

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Directors' Approval

The financial statements which appear on pages 21 to 40 were approved by the board of directors on 18 March 2010 and were signed on its behalf by:

CHAIRMAN

CHIEF EXECUTIVE OFFICER

REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF LESOTHO NATIONAL DEVELOPMENT CORPORATION AND ITS SUBSIDIARY COMPANIES FOR THE YEAR ENDED 31 MARCH 2009

Moteane, Quashie and Associates, under Section 15(1) of the Audit Act 1973 have audited the accompanying consolidated financial statements of Lesotho National Development Corporation and its Subsidiary Companies, which comprise the consolidated balance sheet as as 31 March 2009, and the consolidated income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 24 to 40.

Director's Responsibility for the Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies; and making accounting estimate that are reasonable in the circumstances.

Auditors' Responsibility

My responsibility is to express an opinion on these financial statements based on the audit. The audit has been conducted with International Standards on Auditing. Those standards require auditors to comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedure to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the corporation and its subsidiary companies as at 31 March 2009, the results of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Lesotho Nation Development Corporation Order, 1990 as amended

Lucy L Liphafa (Mrs)
AUDITOR GENERAL
2 June 2010

Statement of Group Accounting Policies

1. PRINCIPAL ACTIVITIES

The Corporation operates under the Lesotho National Development Corporation Act 1990 (as amended) to initiate, promote and facilitate the development of manufacturing and processing industries, mining and commerce in a manner calculated to raise the level of income and development of Lesotho.

2. GROUP ACCOUNTING POLICIES

These financial statements have been prepared on the historical cost basis, modified by the equity method of accounting for associated companies (Policy 2,3) and the revaluation of buildings (Note 4,2) and incorporate the following accounting policies:

2.1 Group Financial Statements

The group financial statements comprise the assets, liabilities and results of the Corporation, and those of its subsidiaries, which it is intended, should continue as going concerns. Subsidiary companies are those in which the Corporation holds more than 50% of the equity share capital.

2.2 Subsidiary Companies

Interest in subsidiary companies in the Corporation is stated at cost less provision where a material and permanent diminution in the attributable net asset value of the subsidiary has occurred. Additional provisions are effected, where considered appropriate, to cover shortfalls anticipated in consequence of guarantees issued by the Corporation on behalf of subsidiary companies.

2.3 Associated Companies

Associated companies comprise those companies, not being subsidiaries, in which the Corporation holds directly or indirectly 20% or more of the equity share capital.

Associated companies are dealt with in the Corporation under the cost method of accounting. Provisions against diminution in the value of the Corporation's interest in associated companies and against shortfalls anticipated in consequence of guarantees issued by the Corporation on behalf of associated companies are effected where considered appropriate.

Associated companies are dealt with in the group under the equity method of accounting. Results are included in the income statement from the effective dates of acquisition.

The most recent available audited financial statements of the associated companies are used. Where these statement are for a period ended more than six months prior to the Corporation's year end the associated company's most recent unaudited results are used provided the Corporation is satisfied that they are reliable.

2.4 Investment

Investments are shown at cost, less amounts written off. Their results are brought to account only to the extent of dividends received.

2.5 Method of determining Stock Value

Stock has generally been valued at the lower of cost and net realisable value.

In the case of raw materials, merchandise and consumable stores, cost is determined using either the first-in, first-out or average cost methods.

In the case of work in progress and finished goods, cost includes the cost of direct materials and labour, and attributable production overheads calculated on the basis of normal activity.

Statement of Group Accounting Policies

(continued)

2.6 Depreciation of fixed assets, land and buildings

Since the commencement of the Land Act 1979 title to land in urban areas is being converted into leases and the length of such leases is as follows:

- not less than 10 years;
- in the case of land held for residential purposes, not more than 90 years;
- in the case of land held for commercial, industrial or hotel purposes, not more than 60 years;
- in the case of land held for purposes of petroleum and oil sales and storage, not more than 30 years.

The value of land and buildings is being amortised on the straight-line basis over the shorter of the term of the lease or 50 years.

Other fixed assets

The values of other fixed assets are depreciated on the straight line basis at the following minimum annual rates which are designed to reduce book values to estimated residual values over the expected useful lives of the assets concerned.

Motor vehicles	20%
Furniture, plant and equipment	10%

2.7 Capitalisation of Borrowing Costs

Borrowing costs including interest incurred in respect of properties which require in excess of one year to construct are capitalised up to the date of completion certificate.

2.8 Foreign Currencies

All transactions denominated in foreign currencies are translated to Maloti at the approximate rate of exchange ruling at the transaction date.

All assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Maloti at the approximate rate of exchange ruling at that date except where they are covered by forward exchange contracts.

2.9 Foreign Exchange Differences

Corporation

Exchange differences arising in the Corporation were charged to the Government of Lesotho who had agreed to provide protection against exchange rate changes on the Corporation's foreign currency borrowings up to March 31 1990. Since that date realised exchange differences are dealt within the Income Statement. Unrealised exchange differences are held as suspense debtors or creditors until cleared

Subsidiary Companies

Realised exchange differences are dealt with in the income statement.

Unrealised exchange losses are deferred and recognised in the income statement of current and future periods on a systematic basis over the repayment periods. Unrealised exchange surpluses are transferred to a non-distributable reserve pending realisation

Statement of Group Accounting Policies

(continued)

2.10 Grants Received

2.10.1 By subsidiaries:

(a) Grants received to fund the construction or acquisitions of specific fixed assets are transferred to income in the financial statements of subsidiaries over the expected useful lives of the relevant assets. Balances not thus transferred are, to the extent attributable to the Corporation, credited to shareholder's funds for the reason that the Corporation is precluded from distributing its income or property.

(b) Grants received to subvent operating expenditure and pre-production expenses are credited against the expenditure incurred.

2.10.2 By the Corporation:

(a) Non repayable development grants received to assist the financing of development activities are credited directly to shareholders' funds in full.

Where a development activity sustains losses, an appropriate portion of the grant is released to the income statement and utilised to offset the provision for loss.

(b) Grants related to assets of a capital nature are released to the income statement on a systematic basis over the useful lives of the assets.

2.11 Retirement and Terminal Benefits

The policy of the Corporation is to provide for retirement and terminal benefit on all its employees. Current contributions to the pension fund operated for employees are charged against income as incurred. Provision for severance pay is in accordance with the Labour Code 1992 Section 79.

Income Statement

for the year ended 31 March 2009

		Corporation		Group	
	Notes	**2009 M'000**	2008 M'000	**2009 M'000**	2008 M'000
Turnover	**13**	**–**	–	**413 745**	381 213
Operating income	**14**	**12 978**	11 892	**75 480**	55 606
Income from associates		**10 282**	3 234	**585**	8 393
Income before tax		**2 696**	15 126	**76 065**	63 999
Taxation	**15**	**(660)**	–	**(8 198)**	(8 356)
Income after taxation		**2 036**	15 126	**67 867**	55 643
Minority interests		**–**	–	**30 370**	(32 969)
Income from ordinary activities		**2 036**	15 126	**37 497**	22 674
Prior year adjustment	**17**	**(2 416)**	(95)	**(2 416)**	(95)
At beginning of year		**59 715**	44 684	**130 907**	108 328
At end of year		**59 336**	59 715	**165 988**	130 907

Balance Sheet

at 31 March 2009

		Corporation		Group	
		2009	2008	**2009**	2008
	Notes	**M'000**	M'000	**M'000**	M'000
ASSETS					
Non-current assets					
Property, plant and equipment	4	**2 237**	2 593	**107 972**	79 006
Investment property	4	**422 391**	402 003	**422 391**	408 609
Intangible asset		**–**	–	**485**	375
Investment in subsidiaries	5	**2 040**	2 040	**–**	–
Investment in associates	6	**564**	564	**41 611**	37 061
Other investments	7	**28 281**	25 545	**28 281**	25 545
Loan debtors	8	**360**	360	**360**	360
		455 873	433 106	**601 099**	550 956
Current assets					
Inventories	9	**–**	–	**55 621**	40 526
Accounts receivable	10	**14 368**	5 543	**33 394**	23 513
Short term investments		**30 495**	32 643	**30 495**	32 643
Bank balances and cash		**6 779**	6 030	**9 552**	28 839
		51 642	44 216	**129 062**	125 521
Total assets		**507 515**	477 322	**730 161**	676 477
EQUITY AND LIABILITIES					
Equity					
Share capital	1	**128 000**	128 000	**128 000**	128 000
Non-distributable reserves	2	**153 865**	148 529	**156 566**	151 304
Retained income		**59 336**	59 715	**165 988**	130 907
		341 201	336 244	**450 554**	410 211
Minority interest		**–**	–	**37 702**	35 453
Total equity		**341 201**	336 244	**488 256**	445 664
Non-current liabilities					
Long-term borrowings	3.1	**124 544**	100 972	**124 544**	100 972
Long-term provisions	3.2	**3 487**	3 748	**3 487**	3 748
Deferred tax		**–**	–	**401**	1 106
Total non-current liabilities		**128 031**	104 720	**128 432**	105 826
Current liabilities					
Bank overdrafts		**–**	–	**5 589**	–
Accounts payable		**37 623**	36 358	**104 165**	122 443
Taxation		**660**	–	**3 719**	2 544
Total current liabilities		**38 283**	36 358	**113 473**	124 987
Total liabilities		**166 314**	141 078	**241 905**	230 813
Total equity and liabilities		**507 515**	477 322	**730 161**	676 477

Statement of Changes in Equity

for the year ended 31 March 2009

	Share capital	Non-distributable reserves	Retained income	Total
GROUP				
Balance March 31 2007	128 000	160 992	108 328	397 320
Retained income for the year			22 674	22 674
Prior year adjustment			(95)	(95)
Movement on non-distributable reserves (refer note 2)		(9 688)		(9 688)
Balance March 31 2008	128 000	151 304	130 907	410 211
Retained income for the year			37 498	37 498
Prior year adjustment			(2 416)	(2 416)
Movement on non-distributable reserves (refer note 2)		5 263		5 263
Balance March 31 2009	128 000	156 567	165 989	450 556
CORPORATION				
Balance March 31 2007	128 000	159 667	44 684	332 351
Retained income for the year			15 126	15 126
Prior year adjustment			(95)	(95)
Movement on non-distributable reserves (refer note 2)		(11 138)		(11 138)
Balance March 31 2008	128 000	148 529	59 715	336 244
Retained income for the year		6 500	32 036	38 536
Prior year adjustment			(2 416)	(2 416)
Movement on non-distributable reserves (refer note 2)		(1 164)		(1 164)
Balance March 31 2009	128 000	153 865	89 335	371 200

Cash Flow Statement

for the year ended 31 March 2009

		Corporation		Group	
		2009	2008	**2009**	2008
	Note	**M'000**	M'000	**M'000**	M'000
Net cash flow from operations	**16.1**	**(27 982)**	7 561	**38 664**	73 486
Returns on investments	**16.2**	**40 055**	17 308	**9 947**	18 043
Capital expenditure	**16.3**	**(29 398)**	(2 465)	**(68 777)**	(25 521)
Dividends paid		**–**	–	**(25 837)**	(31 005)
Taxation paid		**–**	–	**(7 068)**	(6 466)
Management of liquid resources	**16.4**	**2 736**	(6 731)	**2 736**	(6 731)
Financing	**16.5**	**23 311**	(13 502)	**23 311**	(13 502)
Increase in cash in year		**(1 379)**	2 171	**(27 024)**	8 304
Cash at beginning of year		**38 673**	36 502	**61 482**	53 178
Cash at end of year	**16.6**	**37 294**	38 673	**34 458**	61 482

Notes to the Financial Statements

	Corporation		Group	
	2009	2008	**2009**	2008
	M'000	M'000	**M'000**	M'000
1. SHARE CAPITAL				
Authorised				
250 000 000 shares of M1 each	**250 000**	250 000	**250 000**	250 000
ISSUED AND FULLY PAID				
128 000 000 shares of M1 each	**128 000**	128 000	**128 000**	128 000
2. NON-DISTRIBUTABLE RESERVES				
2.1 Development grants				
Grants from Lesotho Government:				
At beginning of year	**12 288**	12 288	**12 288**	20 126
Received during the year	**6 500**	–	**6 500**	–
Transferred to income statement	–	–	–	(7 838)
At end of year	**18 788**	12 288	**18 788**	12 288
Capital grants				
At beginning of year	–	–	**1 562**	112
Adjustment during the year	–	–	**(73)**	1 450
At end of year	–	–	**1 489**	1 562
Total development grants	**18 788**	12 288	**20 277**	13 850

Notes to the Financial Statements

(continued)

	Corporation		Group	
	2009	2008	**2009**	2008
	M'000	M'000	**M'000**	M'000
2. NON-DISTRIBUTABLE RESERVES (continued)				
2.2 Unrealised surplus				
Surplus on revaluation of land and buildings				
At beginning of year	**131 911**	143 049	**131 911**	143 049
Movement during the year	**(1 164)**	(11 138)	**(1 164)**	(11 138)
At end of year	**130 747**	131 911	**130 747**	131 911
2.3 Unrealised surplus				
Arising on the acquisition of subsidiaries				
At beginning of year	**–**	–	**413**	–
Movement during the year	**–**	–	**–**	413
At end of year	**–**	–	**413**	413
2.4 Attributable share in Associated Companies				
Share premium	**–**	–	**400**	400
Capitalisation of accumulated profits	**330**	330	**330**	330
Capital redemption fund	**–**	–	**400**	400
	330	330	**1 130**	1 130
2.5 Capital Redemption				
Capitalised revenue reserve to finance redemption of preference shares	**4 000**	4 000	**4 000**	4 000
	153 865	148 529	**156 567**	151 304
3. LONG-TERM LOANS				
Loans outstanding as detailed below:	**136 448**	114 782	**136 448**	114 782
Less: Current maturities included in accounts payable	**(11 904)**	(13 810)	**(11 904)**	(13 810)
	124 544	100 972	**124 544**	100 972

Notes to the Financial Statements

(continued)

	Group 2009 M'000	2008 M'000
3. LONG-TERM LOANS (continued)		
3.1 Corporation		
Government of Lesotho:		
2% loan repayable in twenty yearly instalments commencing 2006	**910**	1 040
European Investment Bank Global Loan II		
2% loan repayable in five years commencing 1 March 2006	**97**	198
European Investment Bank (Industrial Estate)		
5% loan of ECU 1.459 million repayable in five years Starting from 1 October 2005	**3 577**	7 353
Frasers Limited		
Interest free loan with no fixed date of repayment	**6**	6
Government of Lesotho:		
IDA Infrastructure		
7% loan repayable in twenty yearly instalments commencing 1 July 2000	**9 662**	10 502
KFW (OLD)		
3/4% loan repayable over fifteen years commencing from September 2005	**530**	574
ODA 1		
8% loan repayable in fifty half yearly instalments commencing 1 June 1988	**23**	23
ADB		
4% loan repayable in twenty yearly instalments commencing 1 July 2000	**19 133**	19 133
ODA II		
8% loan repayable over 25 years commencing 1 July 1991	**154**	165
Carried forward	**34 092**	38 994

Notes to the Financial Statements

(continued)

	Group 2009 M'000	2008 M'000
3. LONG-TERM LOANS AND PROVISIONS (continued)		
3.1 Corporation (continued)		
Brought forward	**34 092**	38 994
ODA III 8% loan repayable over 25 years commencing 1 July 1991	**185**	206
ODA 1st line of credit 7% loan ODA line of credit repayable over 25 years commencing 31 July 1995	**989**	1 155
KFW (HA NYENYE) 5% loan from KFW for Ha Nyenye repayable in ten annual instalments commencing 22 September 2000	**1 997**	1 997
ODA 2nd line of credit 7% loan, ODA line of credit repayable over 25 years commencing 26 September 1996	**2 932**	3 114
Public Investment Commissioners 13,9% loan repayable after twenty year period	**52 878**	52 878
European Investment Bank 4B Loan with 10.62% - 12.83% from Eib to GOL on lent to LNDC repayable in ten equal instalments commencing 31 October 1999	**2 074**	3 295
European Investment Bank 4C 1% loan from EIB to GOL on lent to LNDC repayable in ten equal instalments	**396**	610
GOL – LNDC Centre 5% loan repayable in 20 half yearly instalments after a five year grace period, commencing 23 March 1999	**2 800**	3 500
Nedbank Lesotho Interest is charged at prime minus 4% repayable in 10 years starting from November 2003	**5 164**	6 092
GOL - Basotho Cannery 2% loan repayable in 12 semi-annual instalments commencing from 1 January 2009	**2 941**	2 941
GOL LNDC 2009 Interest free loan repayable in five years from December 2011	**30 000**	–
Total Corporation loans	**136 448**	114 782
Less: Current maturities	**11 904**	13 810
	124 544	100 972
3.2 Long Term Provisions		
Severance pay made in accordance with Section 79 of the Labour Code Order 1992	**3 487**	3 748

Notes to the Financial Statements

(continued)

	Corporation		Group	
	2009	2008	**2009**	2008
	M'000	M'000	**M'000**	M'000
4. FIXED ASSETS				
4.1 Property, vehicles, furniture and equipment				
Cost or valuation	**9 826**	9 750	**214 720**	177 156
Accumulated depreciation	**7 589**	7 156	**111 926**	98 150
	2 237	2 594	**102 794**	79 006
4.2 Investment property				
Cost or valuation	**436 998**	409 024	**467 291**	439 317
Accumulated depreciation	**14 607**	7 021	**39 721**	30 708
	422 391	402 003	**427 570**	408 609
Net book value	**424 627**	404 597	**530 364**	487 615

4.3 Valuation of land and buildings

Corporation

The directors' policy is to review the valuation of land and buildings every five years. Valuation was done during the year 2008/2009 and was carried out by an independent valuer.

Notes to the Financial Statements

(continued)

Name	Principal activity	**Equity held 2009 %**	Cost of equity held directly M'000	Amounts owing M'000	Provision attributable net losses M'000	**Net interest 2009 M'000**	Net interest 2008 M'000
5. INTEREST IN SUBSIDIARIES							
5.1 Active subsidiaries							
Basotho Fruit and Vegetable Canners (Pty) Ltd	Cannery	**100**	100	11 580	(11 680)	–	–
Lesotho Brewing Company (Pty) Ltd	Brewery	**51**	2 040	–	–	2 040	2 040
Loti Brick (Pty) Ltd	Brick making plant	**73.6**	3 234	16 660	(19 894)	–	–
			5 374	28 240	(31 574)	2 040	2 040

	2009 M'000	2008 M'000
5.2 Provision for losses in subsidiaries:		
Balance at beginning of year	**42 954**	40 422
(Decrease)/Increase in provision	**(11 380)**	2 532
	31 574	42 954

	Corporation		**Group**	
	2009 M'000	2008 M'000	**2009 M'000**	2008 M'000
6. INTEREST IN ASSOCIATED COMPANIES				
Shares at cost	**564**	564	**564**	564
Share of non-distributable reserves	–	–	**800**	800
Share of retained income	–	–	**40 247**	29 539
	564	564	**41 611**	30 903
Directors' valuation	**564**	**564**	**41 611**	30 903

Notes to the Financial Statements

(continued)

6. INTEREST IN ASSOCIATED COMPANIES (continued)

6.2 Analysis

Name	Principal activity	Number of shares held Note 1	Proportion held %	Accounting period used Note 2
CORPORATION				
Cash Build Lesotho (Pty) Ltd	Wholesalers		20	
Lesotho Food Industries (Pty) Ltd	Investment in LM Co		39.7	
OK Bazaars Lesotho (Pty) Ltd	Retailers		50	
Sun International Lesotho (Pty) Ltd	Hotel and casino		20	

NOTES

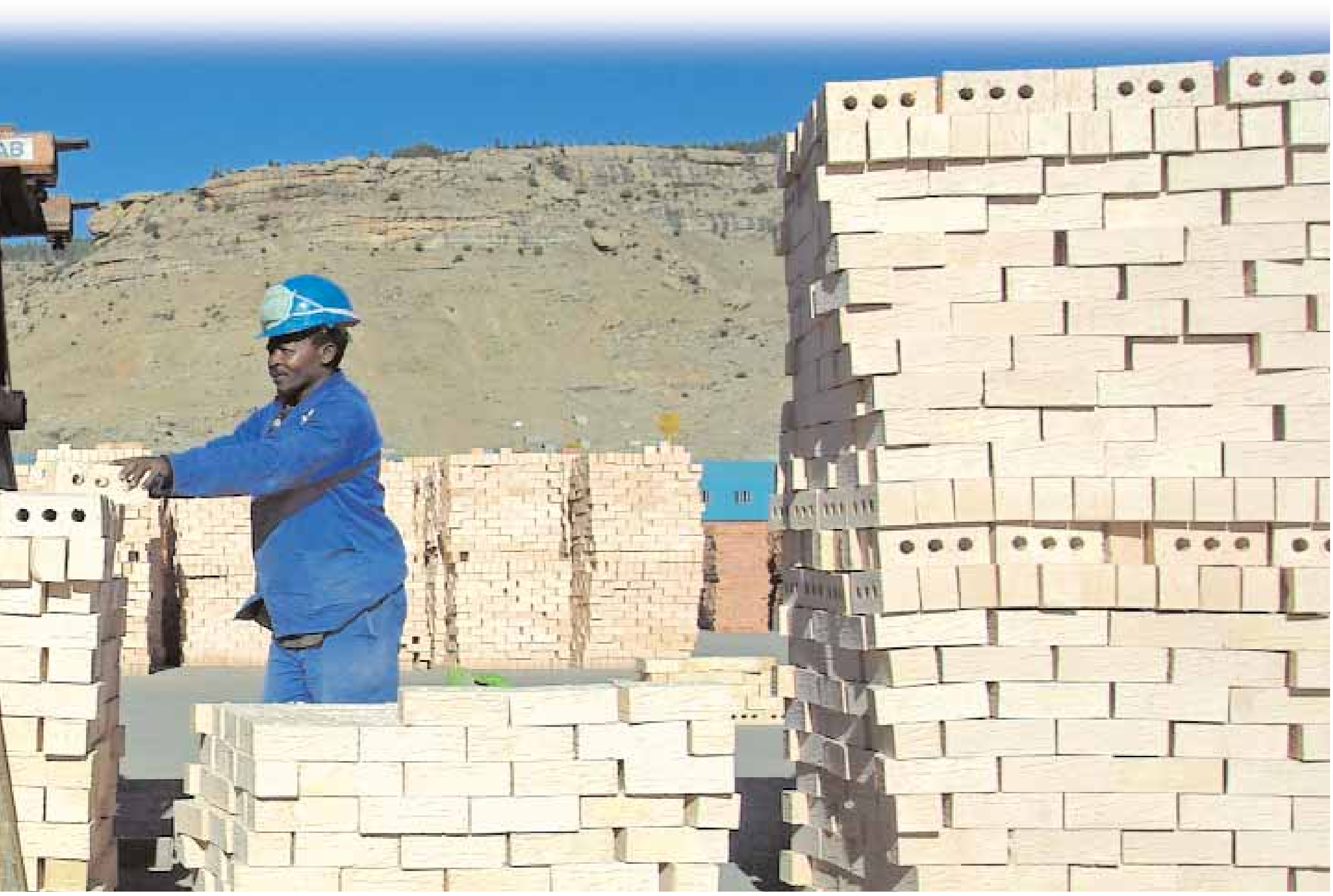
1. All shares of M1 each, fully paid
2. Year ended 31 March unless otherwise stated
3. Based on audited financial statements

Notes to the Financial Statements

(continued)

6. INTEREST IN ASSOCIATED COMPANIES (continued)

Cost of equity M'000	Non-distributable reserves M'000	Distributable reserves 31.03.08 M'000	Total interest M'000	Note	Total interest 31.03.08 M'000
20	400	4 917	4 937	3	4 299
66	–	13 803	13 869	3	11 583
150	400	12 786	12 936	3	13 482
328	_	8 741	9 069	3	7 697
564	**800**	**40 247**	**40 811**		**37 061**



Notes to the Financial Statements

(continued)

	2009 M'000	2008 M'000
7. OTHER INVESTMENTS		
Unlisted equity shares:		
Lesotho Housing and Land Development Corporation	**958**	958
Frasers	**14**	14
Lesotho Milling (Pty) Ltd	**4 500**	4 500
Zero coupon loan stock (RSA Govt. Bond)		
Public Investment Corporation	**22 809**	20 073
	28 281	25 545
8. LONG-TERM DEBTORS		
CORPORATION AND GROUP		
Loan debtors at varying rates of interest and repayment terms	**360**	360
	360	360
9. INVENTORIES		
GROUP		
Raw materials	**16 871**	12 530
Finished goods and merchandise	**19 961**	23 113
Consumable stores	**16 052**	3 753
Work in progress	**2 737**	1 130
Total stocks	**55 621**	40 526

	Corporation		Group	
	2009 M'000	2008 M'000	2009 M'000	2008 M'000
10. ACCOUNTS RECEIVABLE				
VAT	**2 503**	–	**2 503**	–
Realised foreign exchange losses due from Government of Lesotho	**190**	190	**190**	190
Building rental	**18 854**	9 930	**18 854**	9 930
Other debtors	**2 566**	1 000	**21 728**	22 250
Provision and other debtors	**(9 746)**	(5 577)	**(9 881)**	(8 857)
	14 368	5 543	**33 394**	23 513

Notes to the Financial Statements

(continued)

11. CONTINGENT LIABILITIES

11.1 Guarantees in respect of the repayment of loans and overdrafts advanced to subsidiaries and other parties and not otherwise provided for are as follows:

	Limit of Guarantees		Exposure	
	2009 M'000	2008 M'000	**2009 M'000**	2008 M'000
(a) Corporation				
Subsidiaries	**–**	–	**–**	–
Associates	**610**	610	**–**	–
Third parties	**–**	–	**–**	–
	610	610	**–**	–
(b) Group				
Subsidiaries	**–**	–	**–**	–
Associates	**610**	610	**–**	–
Third parties	**–**	–	**–**	–
	610	610	**–**	–

	Corporation		Group	
	2009 M'000	2008 M'000	**2009 M'000**	2008 M'000
12. COMMITMENTS				
Capital commitments contracted for:				
– Buildings and equipment	**24 813**	10 316	**24 813**	10 316
Authorised but not committed:				
– Buildings and equipment	**–**	–	**–**	23 267
	–	–	**–**	23 267
Total capital commitments	**24 813**	10 316	**24 813**	33 583

This expenditure will be financed out of Government grants, own funds and donor finance (Corporation) own funds (Group).

13. TURNOVER

Turnover is the amount receivable by the Group in the ordinary course of business for goods supplied and services rendered.

Notes to the Financial Statements

(continued)

		Corporation 2009 M'000	Corporation 2008 M'000	Group 2009 M'000	Group 2008 M'000
14.	**OPERATING PROFIT FOR THE YEAR**				
	Stated after crediting or charging the following:				
	Income				
	Profit on disposal of fixed assets	**124**	3 452	**286**	3 452
	Interest	**8 270**	6 993	**8 838**	6 993
	Rents	**43 434**	37 892	**48 434**	37 892
	Income from subsidiaries – dividends	**32 772**	18 909	**–**	–
	Expenses				
	Depreciation and amortisation of fixed assets	**8 325**	7 855	**19 930**	19 472
	Auditors remuneration: Audit fees	**179**	146	**483**	300
	Interest	**11 270**	11 830	**12 432**	12 326
15.	**TAXATION**				
15.1	Normal tax on current profits	**660**	–	**8 904**	7 448
	Deferred tax	**–**	–	**(706)**	908
		660	–	**8 198**	8 356

15.2 According to the Statutory Bodies Laws (Amendment) Order No.16 of 1989, LNDC, with effect from 1 August 1989 became liable for tax.

15.3 The laws of Lesotho preclude the setting off of losses incurred by one group taxpayer against the taxable income of another, i.e. there is no group relief.

Notes to the Financial Statements

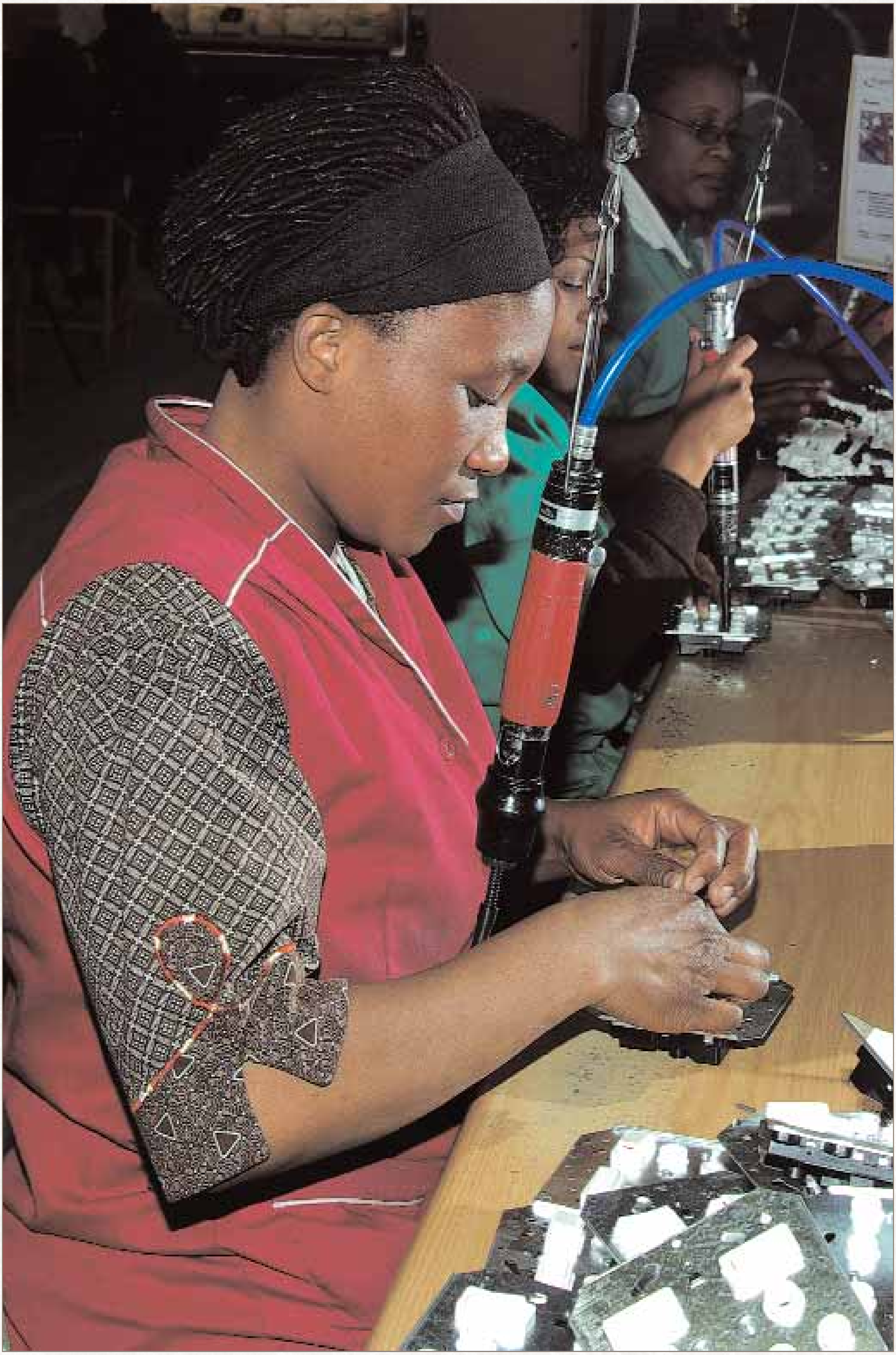
(continued)

		Corporation		Group	
		2009	2008	**2009**	2008
		M'000	M'000	**M'000**	M'000
16.	**NOTES TO THE CASH FLOW STATEMENT**				
16.1	**Reconciliation of operating profit to net cash inflow from operating activities**				
	Profit before tax	**2 696**	15 126	**75 480**	55 606
	Return on investment	**(40 055)**	(17 308)	**(39 461)**	(18 043)
	Depreciation	**8 325**	7 855	**24 719**	19 588
	Profit on sale of fixed assets	**(124)**	(3 452)	**(286)**	(3 452)
	Amortisation of grants	**–**	–	**–**	–
	Associates income	**–**	–	**(585)**	2 235
	Prior year adjustment	**(2 416)**	(95)	**(2 416)**	(95)
	Grants received	**(6 500)**	–	**(6 500)**	1 450
	(Decrease)/Increase in stock	**–**	–	**(15 095)**	(12 214)
	Decrease/(Increase) in debtors	**8 825**	454	**(9 881)**	(3 210)
	Increase/(Decrease) in creditors	**1 267**	4 981	**12 689**	31 621
	Net cash inflow from operating activities	**(27 982)**	7 561	**38 664**	73 486
16.2	**Returns on investments**				
	Dividends received	**43 055**	22 144	**13 541**	22 144
	Interest received	**8 270**	6 994	**8 838**	8 225
	Interest paid	**(11 270)**	(11 830)	**(12 432)**	(12 326)
		40 055	17 308	**9 947**	18 043

Notes to the Financial Statements

(continued)

		Corporation		Group	
		2009 M'000	2008 M'000	**2009 M'000**	2008 M'000
16.	**NOTES TO THE CASH FLOW STATEMENT (continued)**				
16.3	**Capital expenditure**				
	Payments to acquire fixed assets	**(29 514)**	(8 636)	**(69 545)**	(32 461)
	Receipts from sale of fixed assets	**116**	6 171	**768**	6 940
		(29 398)	(2 465)	**(68 777)**	(25 251)
16.4	**Management of liquid resources**				
	Decrease in amounts owing by subsidiaries	–	–	–	–
	Decrease/(Increase) in loan debtors	–	179	–	179
	Increase in other investments	**(2 736)**	(6 910)	**(2 736)**	(6 910)
		(2 736)	(6 731)	**(2 736)**	(6 731)
16.5	**Financing**				
	Increase/(Decrease) in long term borrowings	**23 572**	(13 502)	**23 572**	(13 502)
	Increase/(Decrease) in long term provisions	**(261)**	–	**(261)**	–
		23 311	(13 502)	**23 311**	(13 502)
16.6	**Analysis of cash at end of year**				
	Bank balances and cash	**6 799**	6 030	**9 552**	28 839
	Bank overdraft	–	–	**(5 589)**	–
	Short term investments	**30 495**	32 643	**30 495**	32 643
		37 294	38 673	**34 458**	61 482
17.	**PRIOR YEAR ADJUSTMENT**				
	Loti Brick loan interest	–	–	–	–
	Rental debtors	–	–	–	–
	Corporate tax	–	–	–	–
	JHI cash in transit	**(2 416)**	–	**(2 416)**	–
	Non refundable VAT	–	(95)	–	(95)
		(2 416)	(95)	**(2 416)**	(95)



LNDC
LESOTHO NATIONAL DEVELOPMENT CORPORATION
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BONA MARKETING