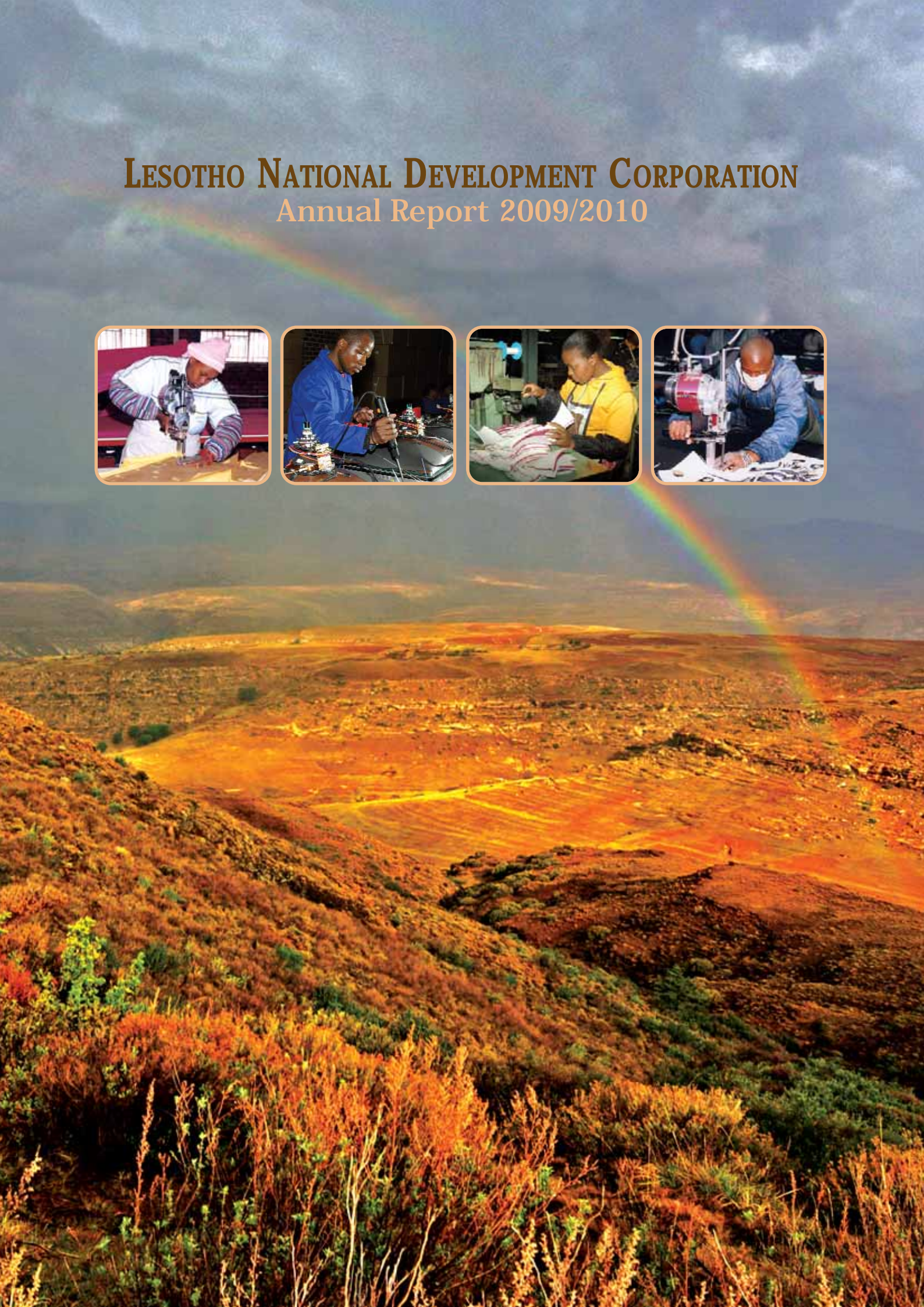


# LESOTHO NATIONAL DEVELOPMENT CORPORATION

## Annual Report 2009/2010





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# 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 2009/10 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; 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 on page 3.

## Reporting

Section 19 (1) of the LNDC Order 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, 2009 to March 31, 2010. 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 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.

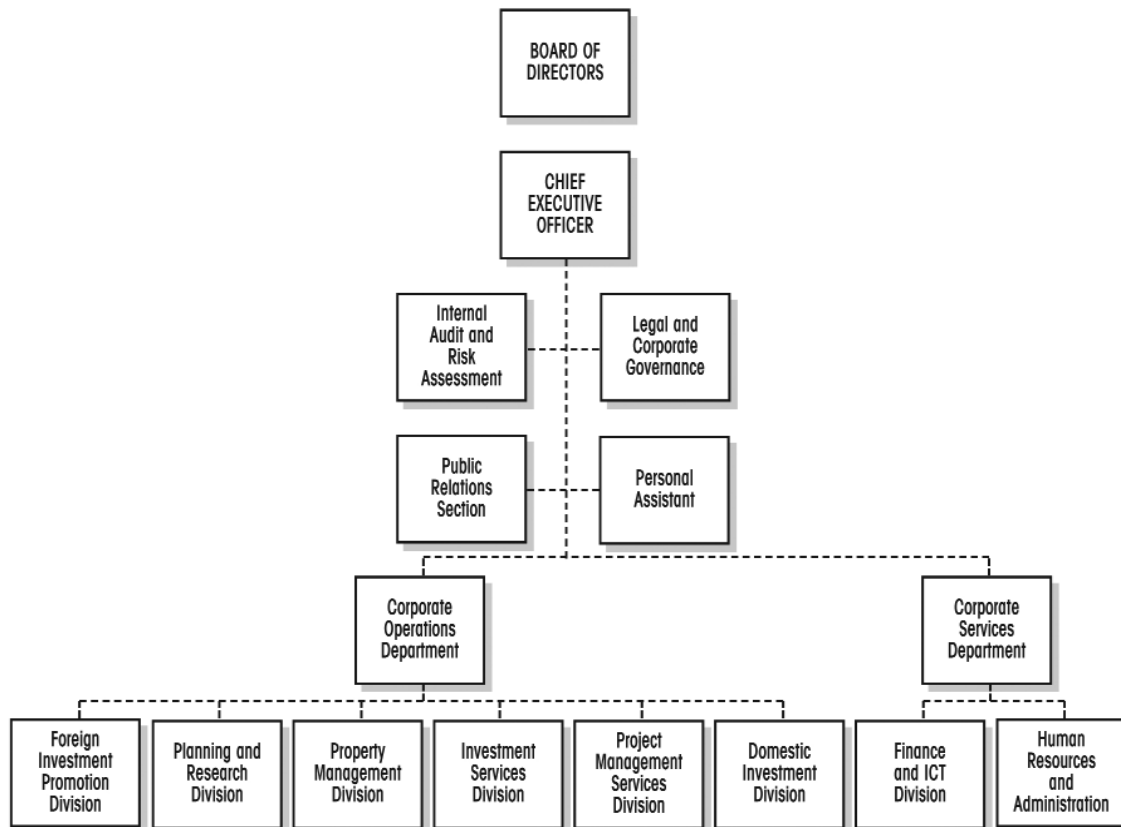
## Corporate Goals

- ☐ 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

2009/2010



# LNDC Board of Directors

end of the financial year 2009/2010

## CHAIRMAN

### **Mr Teleko Ramotsoari**

Principal Secretary; Ministry of Trade and Industry, Cooperatives and Marketing

## MEMBERS

**Mrs M Motselebane** (up to March 18, 2010)  
Ministry of Agriculture and Food Security

### **Mr R J Elias**

Ministry of Finance Development Planning

**Mr O S M Moosa** (up to March 18, 2010)  
Lesotho Chamber of Commerce and Industry

**Mr P Mokhesi** (up to March 18, 2010)  
Private Sector

### **Mr R Theko**

Private Sector

**Mrs A S Mokorosi** (up to March 18, 2010)  
Lesotho Manufacturers Association

**Mr T Mochekele** (up to March 18, 2010)  
Lesotho Consumer Organisation

**Mr Mohale Sekoto** (from March 18, 2010)  
Ministry of Agriculture and Food Security

**Mr Tseko Bohloa** (from March 18, 2010)  
Tabfin Financial Services

**Mr Khotso Khabele** (from March 18, 2010)  
Ministry of Natural Resources

**Ms Liengoane Lefosa** (from March 18, 2010)  
Bureau of Statistics, Ministry of Finance

**Mr Khotso Mapepesa** (from March 18, 2010)  
Lesotho Manufacturers Association

**Mr Ramatlali Nkhahle** (from March 18, 2010)  
Lesotho Tourism Development Corporation

**Mr Madhav Vasant Dalvi** (from March 18, 2010)  
CGM Group

## CHIEF EXECUTIVE OFFICER a.i

### **Mr Motebang Mokoaleli**

Lesotho National Development Corporation

## CORPORATE SECRETARY

### **Mr C T Poopa**

Lesotho National Development Corporation

## 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](mailto:info@lndc.org.ls)  
Website: [www.lndc.org.ls](http://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 2009/2010

## EXECUTIVE TEAM

**Mr Motebang Mokoaleli** (from Aug. 2009)

Chief Executive Officer a.i

**Mr Thabang Khabo**

Head, Finance and ICT

**Mrs Lesa Makhoalibe** (from Sept. 2009)

Head, Foreign Investment (Acting)

**Mr Mokheithi 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

**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

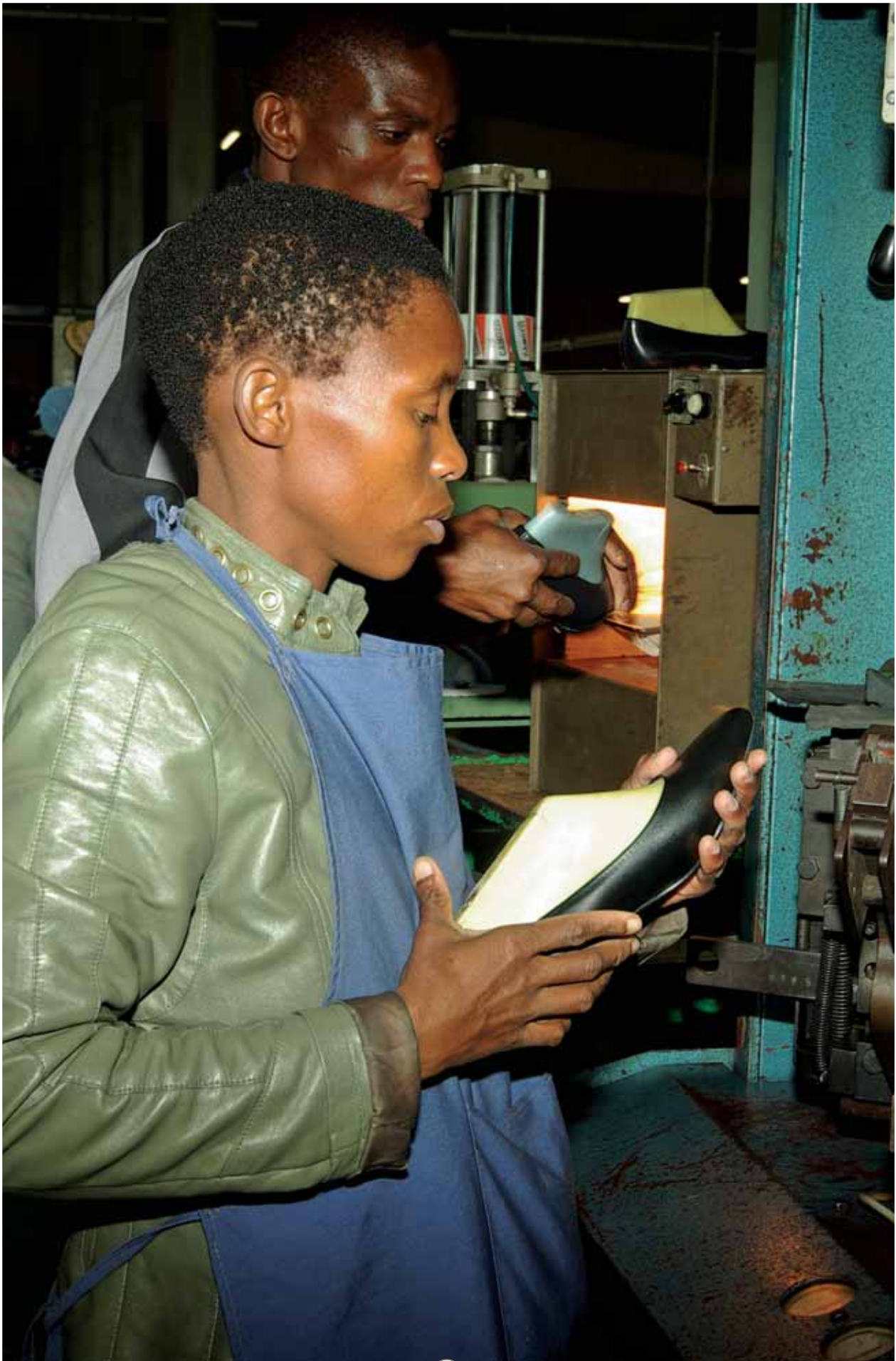
**Mrs Lesa Makhoalibe**

Public Relations Manager

**Mr Rasetla Mofoka**

Senior Legal Officer







# Statement by the Chairman

The year saw signs of recovery of the global economy evidenced in Lesotho by significant declines in inflation and particularly fuel and food prices. However the Corporation still battled with the challenge of job retention and creation. Employment generated by all LNDC assisted companies declined by 0.3% to 44 098 from 44 227 in the previous year. The Corporation however continued with its efforts and safeguards to keep the industry afloat.



**T J Ramotsoari**  
*Chairman*

At the end of the year 5 garments companies closed shop leading to a loss of 3 755 jobs. This huge loss of jobs was marginally offset by employment of 861 people generated by 6 companies that started operations during the year. These new companies were in the screen printing, cigarettes and garments sectors. Export companies experienced a decline in orders due to fierce competition created by expiry of safeguards on China garment exports. Despite this competition some of the existing companies increased their employment by a collective sum of 2 765. The pipeline of projects comprised 14 FDI projects awaiting factory buildings.

The Corporation intensified efforts to construct factory shells to house these projects. Construction process for three factory buildings measuring a total of 8 000m<sup>2</sup> for Peter Blond, Maseru E. Textiles and Spillar Jeans respectively, was initiated. Construction of Tikoe Advanced Infrastructure (2km) project reached the practical completion stage during the year and LNDC also completed construction of fire stations in Mofale's Hoek and Mafeteng.

The pipeline of local projects stood at 11 projects with a total value of M2.5 billion at the end of the year. These projects are projected to generate an additional 3 000 jobs. Access to finance remains a main constraint for the implementation of most of these projects. The Corporation's Board of Directors approved a M10 million budget towards the LNDC Partial Credit Guarantee Scheme to address this constraint.

Guidelines for administering the scheme are undergoing finalisation.

The Corporation also increased its internal capacity by recruiting 6 officers during the year. The group's financial position declined when compared to the previous year. Retained earnings declined by 24.5% from M69.8 million in 2008/2009 to M52.7 million in 2009/2010. This negative performance was as a result of an increase in operating expenses of 52.8% against an increase of only 36.6% in turnover or operating income.

Against this backdrop, on behalf of the LNDC Board of Directors, it is my pleasure to present the LNDC annual report for the year ended the 31st March 2010. 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 acknowledging contributions of the LNDC Board of Directors, Management and Staff for their efforts in pursuit of the Corporation's mandate. I also acknowledge contributions by our partners in development and other key stakeholders who have been instrumental in assisting LNDC to make this progress during this challenging 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.

A stylized, handwritten signature in black ink, appearing to read 'Teleko Ramots'oari'.

**Teleko Ramots'oari**  
*Board Chairman*

# Chief Executive's Report

## GENERAL

In 2009/10 the Corporation battled to keep the industry afloat despite increasing garment sector challenges of dwindling orders and declining exports due to increased competition with Asian mega producers for the US market. This coupled with increasing input costs exerted pressure on the industry forcing 5 companies to close shop, while some retrenched and laid off some workers.

LNDC continued to assist the existing industry and to promote new investments into Lesotho. The Corporation also continued to freeze rentals to ease the financial pressure on the industrialists.

As efforts to diversify products and markets were intensified 5 new companies were established of which 3 are non-garment, employing 105 people. These companies service both the US and local market.

One of the major constraints for the industry has been lack of industrial infrastructure. During the year under review construction process for three factory buildings measuring a total of 8 000m<sup>2</sup> commenced. Construction of a further 30 000m<sup>2</sup> is in the pipeline.

On the domestic front a major stride was achieved in the approval of a M10 million budget towards the LNDC Partial Credit Guarantee Scheme to address the constraint faced by the local private sector to access finance for projects.

## FOREIGN INVESTMENT DIVISION

The Corporation prioritized its foreign investment promotion efforts towards attracting investment that will integrate and diversify the garment industry so as to create more jobs especially for Basotho. Promotion efforts were targeted at attracting projects that will integrate the garment industry, those that will diversify the products and the markets. The promotion activities concentrated mostly on screen-printing, laundry, plastic bags/bottles manufacturing company, and electric/electronic companies.

### *Operating environment*

A global recession resulted in a sharp decline in international trade, rising unemployment and falling commodity prices. Biggest Lesotho markets were hard

hit by this recession. Consumers responded by cutting down their spending and retailers keeping their inventories very low. The dampened demand transcended into buyers reducing their orders. Low orders meant less production and declining exports from Lesotho. Recession and lack of orders were not the only challenges that the garment industry faced. This industry is a single Lesotho's biggest employer.

The expiry of China's garment export safeguards in the US market opened Lesotho and other countries to fierce competition. Once the safeguards expired, China's apparel exports to the US surged. China's export increase to the US alone was three times more than what the Sub-Saharan region exported to the US. Such an increase did not come only as a direct competition to eight of Lesotho's bloodline products but they also came at a discounted price. As China increased the volume of its exports it slashed their prices so low that other countries were forced to follow suit, a move Lesotho apparel industry could not afford to take given the uncertainty around the Duty Credit Certificates Scheme and the financial situation of the industry, locally and globally.

The prevailing market conditions forced 5 companies to close shop during the reporting year. This resulted in 3 755 job losses. However 5 new companies were opened, while one formerly closed company was resuscitated. New jobs that were created at the initial stage of these new companies operations were 861. This figure is expected to rise once these companies have settled. At the end of the year LNDC assisted companies had generated 44 098 jobs. It was a 0.3% decline from 44 227 last year.

The Corporation had an opportunity to showcase Lesotho business opportunities to South African potential investors, Lesotho business community, and financial institutions looking to finance small and micro projects at the Intra-Africa Business Executive Meeting during the year.

Investment promotion efforts successfully led to establishment of 5 foreign direct investment companies with initial investment worth M45 million. These companies are in garments, screen printing and cigarettes packaging. There were also 14 projects in the pipeline that need factory shells only, for them to start operating. These were investment in embroidery, textile printing, garments, packaging and water bottling.



# Chief Executive's Report

(continued)

## 2. DOMESTIC INVESTMENT

The division handled 66 enquiries during the year compared to 115 last year. During the period the division's pipeline was 11 projects. The decline was due to some projects being shelved following lack of progress caused by failure to develop business plans. However the value of the pipeline projects significantly increased due to one development projected entrant that is worth M1.7 billion. This increased the total value of the projects in the pipeline to M 2.5 billion. The development is projected to generate an additional 3 000 jobs bringing the potential employment to 3 500. However for majority of these projects financial assistance is still a main constraint.

### *Improving Access to Finance*

LNDC through the Ministry of Trade and Industry, Cooperatives and Marketing held several meetings with Ministry of Finance and Development Planning about possible capitalisation of the Partial Credit Guarantee Scheme in order to address the access finance challenge but funds were not available to run such a scheme. The Corporation's Board of Directors then approved a M10 million budget towards the LNDC Partial Credit Guarantee Scheme. The Corporation is busy with guidelines for administering the scheme.

## Promotion Activities

### *United Arab Emirates (UAE) Delegation*

The Corporation hosted a delegation from the UAE in July. The delegation was in Lesotho to scout for investment opportunities in the areas of Renewable Energy Sources, Property Development and Infrastructure Development. LNDC promoted several projects from various entities and is following up on interest shown.

### *Caledonspoort*

The Corporation is promoting Caledonspoort Eco Lodge. LNDC co-opted Lesotho Tourism Development Corporation (LTDC) for the development of an Eco Lodge project at the Caledonspoort. The two are working on identifying and promoting the lodge to developers.

### *Theko-'moho*

Theko 'moho; is an organisation of local retailers who worked with LNDC to identify competitive rice exporters with assistance of the Lesotho Embassy in Malaysia. Suppliers of rice were identified in Thailand. This is where the organisation will buy from.



# Chief Executive's Report

(continued)

## 3. INVESTMENT SERVICES DIVISION

An inspection of the performance of the LNDC assisted companies, particularly those exporting to the US, showed that 33% have orders up to December 2009, while 25% have orders up to March 2010 and only 33% are expecting them up to the end of 2010. The remaining companies were not sure whether or not they would have any more orders

Companies which were still going strong despite the prevailing economic meltdown are those exporting to South Africa. These companies were so busy that they even sub-contracted some of their work to companies that did not have orders. This development reduced retrenchments incidents. The number of casual workers was also observed to be increasing as the amount of work increased. Companies took workers on casual basis rather than permanent given the volatility of the markets.

### *LNDC Leasehold Portfolio Overview*

The total LNDC leasehold portfolio consisted of 74 companies. This is the same number compared to the previous year. Out of the 74 companies, 67 are leasehold, while 7 companies are subsidiaries and associates. All of LNDC assisted companies generated 44 098 compared to 44 227 jobs generated at the end of last financial year.

Although one big garment company closed down, its sister company absorbed at least 600 of its machine operators. Other companies also pledged to hire more workers from that closed factory.

**Table 1: Companies established in 2009/10**

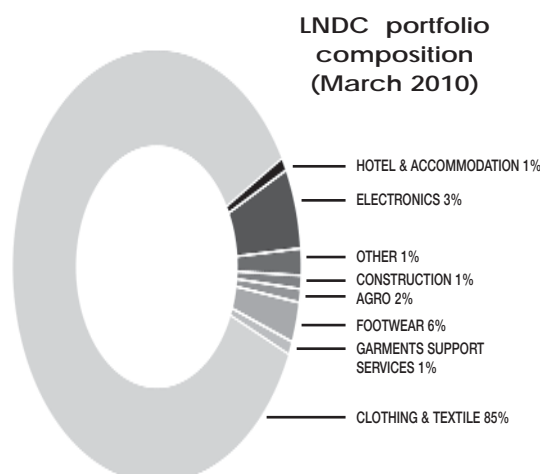
New Company name	Product	Initial employment
Maseru Inkz	Screen Printing	60
CMT Trading	Knitwear	276
Sun River International	Cigarette packaging	32
Max Print	Screen Printing	13
First Apparel	Garments	200
Five Eight (revived)	Garments	280
<b>Total</b>		<b>861</b>

**Table 1: Closed companies in 2009/10**

Closed Company name	Product	Number of jobs lost
Raytex	Garments	386
Sweat Sun	Garments	250
Lesotho Atlantic and Hinebo	Garments	308
Five Eight	Garments	248
P&T Garments	Garments	2 563
<b>Total</b>		<b>3 755</b>

## Sectoral composition of LNDC portfolio

**Figure 1: Sectoral composition of LNDC portfolio**



## Equity Portfolio Overview

This portfolio consists of 7 companies in which LNDC has shareholding, some as associates and some as subsidiaries. Their turnover at as December 2009 was M452 million while it was M266.76 million in the previous year. Their total profits were M76 200 million, which was a % increase from M31.24 million during the same period last year.

## Strategic Projects

### *CGM Group*

LNDC advanced M30 million loan to CGM. Efforts are being made to turn that loan into equity and the parties are working on the details of such.



# Chief Executive's Report

(continued)

## **Basotho Fruit and Vegetable Cannery**

LNDC continues to promote this Cannery to investors that will run the facility alone or in partnership with LNDC. During the year two investors showed interest in the cannery and discussions with them are on-going.

## **4. PROPERTY MANAGEMENT**

LNDC develops its property and currently it has 8 residential units, 3 shopping centres, 9 commercial outlets, 6 office blocks, 7 industrial estates and land. There are 139 factory shells built on these industrial estates and the land is leased out to industrialists who want to build their own factory shells.

### **4.1 Property Development**

During the year the Corporation completed the construction of the satellite fire stations in Mofale's Hoek and Mafeteng at a cost of M4.6 million.

### **Pipeline Property Development Projects**

- ❑ The redevelopment of ex-Fairways site (plot size 7 000m<sup>2</sup>) which is estimated at M17 million. Property development guidelines for this project have been developed and the information will be passed on to prospective developers.
- ❑ There is also a construction of Tikoe Advance Infrastructure (2km) project. It has reached the practical completion stage, however the commissioning of wastewater treatment plant and street lights is still outstanding.
- ❑ Construction of 3 000m<sup>2</sup> factory for Peter Blond at M19.4 million.
- ❑ In preparation to construct 2000m<sup>2</sup> & 4000m<sup>2</sup> factory shells for Spillar Jeans and Maseru E Textiles worth M25.3 million the pre-construction agreements were signed by both investors and LNDC.
- ❑ Redeveloping House 32 site into 6 housing units. Details with buyers are being finalised.

### **4.1 Property Maintenance**

The contract of the estate manager expired at the end of September as such the Corporation undertook the tasks that were performed by JHI.

### **Expenditure on Planned and Unplanned Maintenance against budget**

Since this is the end of financial year, all maintenance works undertaken by the division for the whole of 2009/10 are shown in two categories below:

Company	No. of jobs	Total value	Budget
Unplanned maintenance	60	M1 044 269,43	M796 540,00
Planned maintenance	5	M1 758 743,00	M2 650 000,00
<b>Totals</b>	<b>65</b>	<b>M2 803 012,43</b>	<b>M3 446 540,00</b>

## **5. HUMAN RESOURCES AND ADMINISTRATION**

### **Recruitments and resignations**

The Corporation recruited 6 officers during the year. These were 2 Investment Promotion Officers, Project Officer, Legal Officer, Accounts Officer and Head, Finance and Information Communication and Technology. One staff member resigned from the employ of the Corporation.

### **Staff Training of LNDC staff**

LNDC sent some of its staff members for training to at least 16 different short courses that were relevant to their respective responsibilities with the Corporation.

## **6. PUBLIC RELATIONS**

### **Corporate Social Responsibility**

The Corporation made a donation to the Queen's National Trust to be used for disadvantaged children.

### **6.2 Press Releases**

- ❑ On the Partial Credit Guarantee Scheme,
- ❑ On the Acting Chief Executive Officer's appointment,
- ❑ A press conference was organised for the CEO to brief the local media on CGM issues,
- ❑ On closure of P & T Textiles,
- ❑ Appointment of the Real Estate Manager were issued and
- ❑ A press conference was arranged to clarify issues related to the tender award of the Real Estate Manager.

### **6.3 LNDC Golf Day**

The LNDC Golf Day was organised as a means of developing business through sport. Fifty (50) local golfers and business people attended the event which provided interaction in a relaxed manner to promote sharing of business ideas that enhance development. LNDC shared its programmes for 2010/11 with the business community and undertook to hold the event annually.

# Chief Executive's Report

(continued)

## 7. FINANCIAL PERFORMANCE

### Overview

The Corporation has 3 subsidiaries and 2 associates 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 LNDC individual performance.

The Corporation has the following Subsidiaries and Associates companies:

Subsidiary	Associates
Lesotho Brewing Company	OK Bazaars
Loti Brick	Cashbuild
Basotho Fruit and Vegetable Cannery	

It is of paramount importance for the LNDC as a holding company to assess the overall performance of the group. This task will be achieved or fulfilled by the preparation of the group / consolidated financial statements. It should be noted however that consolidated accounts show the group's performance rather than LNDC individual performance.

It is on the basis of the above introduction that the performance and financial status of LNDC group accounts, herewith attached, should be viewed.

### 1. PERFORMANCE AND FINANCIAL STATUS ANALYSIS

The Group Financial Statements, from which the data provided in Table 1 below was drawn, indicate the Group's financial performance and the Corporation's financial performance for the year ended March 31, 2010.

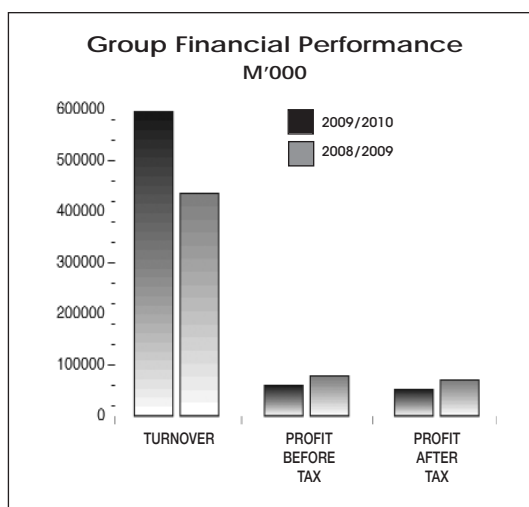
#### 2.1. Turnover/Operating income

##### a) Group

The Group's turnover (T/O) increased from M436.2 million in 2008/2009 to M596.0 million in 2009/2010 representing an increase of M159.8 million or 36.6%. 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), decreased from M78.0 million in 2008/2009 to M60.4 million in 2009/2010, this represented a decrease of 22.5%. This negative performance was as a result of an increase in operating expenses of 52.8% against an increase of only 36.6% in turnover or operating income. Profit after tax (PAT) also decreased from M69.8 million to M52.7 million in 2008/2009 and 2009/2010 respectively, resulting in a decrease of 24.5%. It is worth noting that of the group's PAT of M52.7 million, M30.0 million was attributable to minority interests. These are other shareholders with equity in the subsidiary companies mentioned above. They are also entitled to a share of groups profits.

**Figure 1 below summaries the above Group's performance for the year 2009/10.**



##### b) Corporation

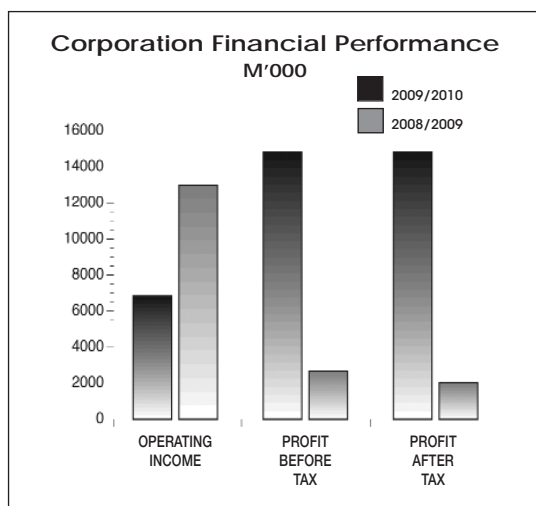
The Corporation's operating income for the year was M6.8 million when compared to M13.0 million in 2008/2009. The major cause of this significant decline in 2009/10 was a result of 42% decrease in dividends received from subsidiary companies. The PAT of M14.8 million in 2009/2010 was realised whilst compared to M2.0 million in 2008/2009. There was no major increase in provision for bad debts.



# Chief Executive's Report

(continued)

**Figure 2 below depicts the above highlighted Corporation's performance for the year 2009/10.**



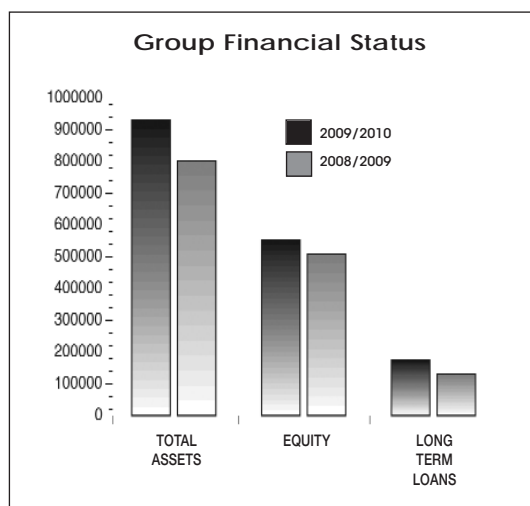
## 2.2 Total assets, equity and long term loans

### a) Group

The Group's total assets grew by M126.7 million or 15.8% from M803.6 million in 2008/2009 to M930.3 million in 2009/2010. The shareholders' equity also increased by M45.0 million or 8.8% from M509.9 million in 2008/2009 to M554.9 million in 2009/2010. The increase was mainly attributable to the profit generated during the year and prior year adjustment which both resulted in an increase of M16.7 million in Retained Income. Long term loans (LTL) increased by M45.0 million or 34.8% from M129.6 million in 2008/2009 to M174.6 million in 2009/2010. The increase was attributable to new loans received during the year.

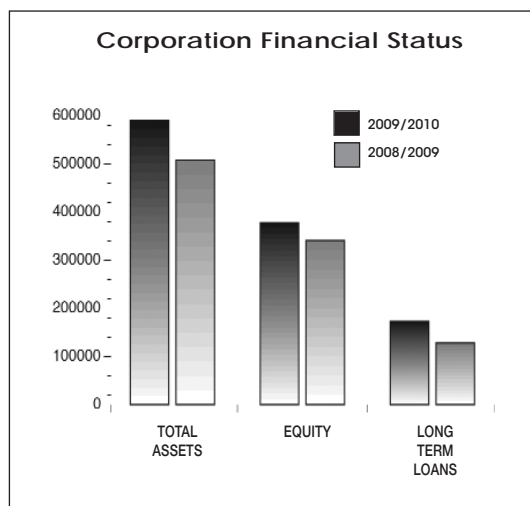
**Figure 3 below shows the status in a pictorial form. Corporation**

The major contributors to the increase in Corporation's equity were PAT taken to retained income and M20.5 million development grants received during the year from the Lesotho Government for capital expenditure. The shareholders' equity increased by M37.2 million or 10.9%. Total assets increased by M82.4 million or 16.2%. The major contributor was an increase in investment property due to on-going developments at



Tikoe Industrial Estate. Long term loans increased by M45.1 million or 35.2% as a result of new loans received during the year towards construction of infrastructural projects and factory buildings.

**A pictorial presentation of the above status is shown in Figure 4 below.**



## CASH FLOW PERFORMANCE

The groups' net cash flow from operations increased from M25.1 million to M87.6 million in 2008/2009 and 2009/2010 respectively. This represented a significant increase of 249.4%. The major cause of the increase was a huge cash inflow in financing activities, being long term loans. This was supported by a major increase in noncurrent assets of M55.5 million.

# Chief Executive's Report

(continued)

The Corporation liquidity position improved slightly to an acceptable level of 1:29. Although it is not at an alarming state, Management has to manage the situation very closely to ensure that it improves rather than deteriorate further.

The group's liquidity position on the other hand has improved slightly from a ratio of 1:14 to 1:1.49. 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 short term obligations of another subsidiary when they fall due. Furthermore, all 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.

**Table 2: Ratios analysis**

	GROUP				CORPORATION			
	% Increase/ Decrease	M'000 Increase/ Decrease	31st March 2010	31st March 2009	% Increase/ Decrease	M'000 Increase/ Decrease	31st March 2010	31st March 2009
Turnover/ Operating income	36.6	159 806	595 957	436 151	(47.36)	(6 147)	6 831	12 978
Profit before tax	(22.52)	(17 554)	60 411	77 965	449.37	12 115	14 811	2 696
Profit after tax	(24.52)	(17 108)	52 659	69 767	627.46	12 775	14 811	2 036
Total assets	15.77	126 738	930 343	803 605	16.23	82 395	589 910	507 515
Equity	8.82	44 973	554 882	509 909	10.91	37 229	378 430	341 201
Long-term liabilities	34.76	45 038	174 601	129 563	35.24	45 113	173 144	128 031
Return on capital employed	(33.07)	(3)	6.49	9.70	372.64	1.98	2.5	0.5
Earnings per share (Lisente)	(24.52)	(13)	41.14	54.51	627.46	9.98	11.57	1.59



# Financial Statements

for the year ended 31 March 2010

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# Statement of Directors Responsibility

for the year ended 31 March 2010

The directors are responsible for the preparation, integrity and fair presentation of the consolidated financial statements of Lesotho National Development Corporation. The consolidated financial statements presented on pages 21 to 44 have been prepared in accordance with Lesotho and International Financial Reporting Standards and include amounts based on judgements and estimates made by management. The directors also prepared the other information included in the consolidated financial statements and are responsible for both its accuracy and its consistency with the financial statements.

The directors are also responsible for the group's system of internal financial control. These are designed to provide reasonable, but not absolute assurance as to the reliability of the consolidated financial statements, and to adequately safeguard, verify and maintain accountability of the assets, and to prevent and detect misstatement and loss. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and system has occurred during the year under review.

The going concern basis has been adopted in preparing the consolidated financial statements. The directors have no reason to believe that the group and

its subsidiaries will not be a going concern in the foreseeable future based on forecasts and available cash resources. These consolidated financial statements support the viability of the group.

The consolidated financial statements have been audited, on behalf of the Auditor General of Lesotho, by the independent auditing firm, Moteane, Quashie & Associates, which was given unrestricted access to all financial records and related data, including minutes of all meetings of shareholders and the board of directors. The directors believe that all representations made to the independent auditors during their audit are valid and appropriate. Moteane, Quashie & Associates' audit report is presented on page 17.

The directors confirm that the annual financial statements set out on pages 21 to 44 were approved by the Board of Directors on 22 September 2011 and are signed on its behalf by:-



Chairman



Director





Office of The Auditor General  
PO Box 502, Maseru 100, Lesotho

# Report of the Auditor General on the Financial Statements of Lesotho National Development Corporation and its Subsidiary Companies

for the year ended 31 March 2010

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 at 31 March 2010, 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 estimates 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 procedures 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.

## Basis for Qualified Opinion

The introduction of a new computerised rent billing system has resulted in numerous errors in rent debtors. As of the date of my report, management was still in the process of rectifying the system deficiencies and correcting the errors. I was unable to confirm or verify by alternative means rent debtors included in the balance sheet at a total of M25,3 million at 31 March 2010. As a result of these matters, I was unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded debtors, and the elements making up the income statement, statement of changes in equity, tax and cash flow.

## Qualified 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 2010, 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



# Directors' Report

for the year ended 31 March 2010

## 1. REVIEW OF ECONOMIC ENVIRONMENT

The economic environment showed mixed signals during the year. The effects of the global economic crisis continued to be felt, manufacturing and mining sectors were the hardest hit. Order schedules for exporting factories, especially those exporting to the US remained low and a strong exchange rate of the Loti against major currencies worsened the situation. Employment is estimated to have fallen by at least 1.2% this year.

However signs of recovery were seen and the outlook was optimistic though the rate at which the economy was recovering was very slow. Interest rates were cumulatively reduced throughout the year in order to provide additional stimulus for the recovery. Prime rate fell by 3% while T-Bill rate fell by 2.54% during the year. Inflationary pressures fell and the year ended with inflation at 4.2%.

## 2. REVIEW OF PERFORMANCE

The Group results for the year ended March 31, 2010 were in line with expectations amid the challenges in the regional and global environment. The Group posted positive financial results for the year with turnover increasing by 37% against the global economic turmoil, while profit after tax eased off a little due to higher costs during the year at M53.0 Million compared to the same period last year. Investment in plant and machinery resulted in the increase in plant and equipment.

Total balance sheet grew by 16% due to increase in funding of projects during the year under review, Government of Lesotho provided a loan to the Corporation for the construction of factory shells in Maputsoe and Tikoe industrial estate to the tune of M51.0 Million, while investment in the brewing plant and machinery was funded out of internal resources.

## 2. OPERATIONS

Lesotho National Development Corporation Group delivers its services through two departments and ten divisions under the leadership of the Acting Chief Executive Officer. The Group comprise of three subsidiaries, four associated companies and four equity investments in companies. The salient features of the Corporation's operational performance during the period under review were as follows:

### 3.1 Foreign Investment Division

Promotional activities are focussed towards development of markets and product diversification. A close monitoring of international protocols and forums, that may affect manufacturing companies exporting outside Lesotho is done to provide manufacturing industry information of the developments especially in the US and Europe as large markets for Lesotho products. International competition activities that may adversely impact on Lesotho competitiveness in the international markets are also given high priority to enable Lesotho advocate for incentive schemes that may counter the adverse effects of the opening up of international markets to large volume producers like; China and India.

Economic conditions forced 5 companies to close resulting in job losses of approximately 3 700 jobs, while 5 direct foreign investment companies opened with a capital outlay of approximately M45 Million with creation of approximately 860 jobs.

### 3.2 Domestic Investment Division

Local business development initiatives are carried out by the Division in an effort to create a vibrant business environment. Investment enquiries from local companies are addressed in the division and various products are developed for local business market. During the year under review three promotional initiatives were undertaken including improving access to finance by local business.



# Directors' Report

for the year ended 31 March 2010 (continued)

## 3.3 Investment Services Division

Investment support services and monitoring of LNDC assisted companies as well as investment portfolios are undertaken by the Division. Monitoring of the Industrial peace and continuity are key to the continued employment of Basotho in the manufacturing industry. Two strategic projects continue to take centre stage within the Division the period under review.

Employment statistics from LNDC lease hold portfolio marginally declined compared to the same period last end with 44 098 jobs at the end of the year and these were dominated by clothing and textile sector companies at 85%.

## 3.4 Property Management Division

The Division supervised procurement of building contractors services for construction of among others factory shells and fire stations. Approximately 5 property development initiatives were under way during the year under review.

## 3.5 Public Relations

The Corporation social responsibility investments and publicity is being driven from the Public Relations office where approximately 6 press releases were issued and a golf day was organised as a means of marketing the services of LNDC and networking.

## 3.6 Subsidiary performance

Subsidiaries within the group delivered mixed results with two contributing to the profit of the Group, while one posted a loss. Investments in plant and equipment within the brewing company resulted in the increase in assets, turnover as well as depreciation charge that increase significantly compared to the same period last year.

## 4. SHARE CAPITAL

The Government of Lesotho is the sole shareholder in the corporation and there has been no change in the shareholding during the year.

## 5. DIVIDEND

No dividend is paid or proposed.

## 6. FUTURE CORPORATE STRATEGY

### 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

# Directors' Report

for the year ended 31 March 2010 (continued)

## 7. STAFF TRAINING DEVELOPMENT

LNDC sent some of its staff members for training to at least 16 different short courses that were relevant to their respective responsibilities with the Corporation.

## 8. TRIBUTE TO STAFF

The Board wishes to thank Management and Staff for their continued loyalty and sustained efforts during the year.

## 9. EVENTS SINCE BALANCE SHEET DATE

In December 2010, a factory building was gutted by fire in the Maseru Industrial Estate. Nothing was salvaged from the factory and a claim from insurance company has been submitted.

## 10. DIRECTORS AND SECRETARY

The directors during the year were:

Mr Teleko J. Ramots'oari (*Chairman*)

Mrs Mantho Motselebane up to March 18 2010

Mr Osman Saleh Mahomed Moosa up to March 18 2010

Mr Phallang Mokhesi up to March 18 2010

Mrs Mamosili Mokorosi up to March 18 2010

Mr Tello Mochekele up to March 18 2010

Mr. Madhav V. Dalvi from March 18 2010

Mr Ret'sepile J. Elias from December 15 2008

Mr. Retselisitsoe Theko from May 2007

Mr. Khotso Mapepesa from March 18 2010

Mr. Ramatlali Nkhahle from March 18 2010

Mr. Mohale Sekoto from March 18 2010

Mrs. Liengoane Lefosa from March 18 2010

Mr. Khotso Khabele from March 18 2010

Mr. Tseko Bohloa from March 18 2010

The Chief Executive Officer till 31 July 2009 was Mr. Peete Molapo and was replaced by Mr. Motebang Mokoaleli as Acting Chief Executive Officer.

The Company Secretary is Mr Clark T. Poopa

## 11. AUDITORS

The Corporation's auditors were Moteane, Quashie & Associates on behalf of the Auditor General of Lesotho.

## 12. REGISTERED OFFICE AND ADDRESS

The registered office and physical and postal addresses of the corporation are as below:-

**Physical Address** LNDC Kingsway Mall,  
Block A,  
Development House,  
Kingsway Street, Maseru

**Postal address** Private Bag A96, Maseru 100

**Web site** [www.lndc.org.ls](http://www.lndc.org.ls)

**Email** [info@lndc.org.ls](mailto:info@lndc.org.ls)

# Consolidated Statement of Comprehensive Income

for the year ended 31 March 2010

	Notes	Corporation		Group	
		2010 M'000	2009 M'000	2010 M'000	2009 M'000
<b>Turnover</b>	13	<b>78 938</b>	<b>95 402</b>	<b>595 957</b>	<b>436 151</b>
<b>Operating income</b>	14	6 831	12 978	47 541	77 380
Income from associates		7 980	10 282	12 870	585
Income before tax		14 811	2 696	60 411	77 965
Taxation	15	–	(660)	(7 752)	(8 198)
Income after taxation		14 811	2 036	52 659	69 767
Minority interests		–	–	(30 033)	30 692
Income from ordinary activities		14 811	2 036	22 626	39 075
Prior year adjustment	17	1 919	(2 416)	1 919	14 190
At beginning of year		59 335	59 715	184 172	130 907
<b>At end of year</b>		<b>76 065</b>	<b>59 335</b>	<b>208 717</b>	<b>184 172</b>





# Consolidated Statement of Financial Position

as at 31 March 2010

Notes	Corporation		Group	
	2010 M'000	2009 M'000	2010 M'000	2009 M'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
	<b>480 384</b>	<b>455 873</b>	<b>711 332</b>	<b>655 832</b>
Property, plant and equipment	2 301	2 237	184 356	162 138
Investment property	4 443 728	422 391	443 728	422 391
Intangible asset	–	–	2 883	485
Investment in subsidiaries	5 2 040	2 040	–	–
Investment in associates	6 564	564	48 614	42 177
Other investments	7 31 391	28 281	31 391	28 281
Loan debtors	8 360	360	360	360
<b>Current assets</b>				
	<b>109 526</b>	<b>51 642</b>	<b>219 011</b>	<b>147 772</b>
Inventories	9 –	–	59 829	61 801
Accounts receivable	10 11 789	14 368	36 844	37 052
Short term investments	86 254	30 495	93 964	36 504
Bank balances and cash	11 483	6 779	28 374	12 415
<b>Total assets</b>	<b>589 910</b>	<b>507 515</b>	<b>930 343</b>	<b>803 605</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Share capital	1 128 000	128 000	128 000	128 000
Non-distributable reserves	2 174 365	153 865	218 165	197 737
Retained income	76 065	59 336	1208 717	184 172
	<b>378 430</b>	<b>341 201</b>	<b>554 882</b>	<b>509 909</b>
Minority interest	–	–	54 129	42 304
<b>Total equity</b>	<b>378 430</b>	<b>341 201</b>	<b>609 011</b>	<b>552 213</b>
<b>Non-current liabilities</b>				
Long-term borrowings	3.1 168 662	124 544	169 297	125 675
Long-term provisions	3.2 4 482	3 487	4 482	3 487
Deferred tax	–	–	822	401
<b>Total non-current liabilities</b>	<b>173 144</b>	<b>128 031</b>	<b>174 601</b>	<b>129 563</b>
<b>Current liabilities</b>				
Bank overdrafts	–	–	822	5 910
Accounts payable	38 336	37 623	139 898	112 200
Taxation	–	660	6 011	3 719
<b>Total current liabilities</b>	<b>38 336</b>	<b>38 623</b>	<b>146 731</b>	<b>121 829</b>
<b>Total equity and liabilities</b>	<b>589 910</b>	<b>507 515</b>	<b>930 343</b>	<b>803 605</b>

# Consolidated Statement of Changes in Equity

for the year ended 31 March 2010

	Share capital	Non- distributable reserves	Retained income	Total
<b>GROUP</b>				
<b>Balance March 31 2008</b>	<b>128 000</b>	<b>151 304</b>	<b>130 907</b>	<b>410 211</b>
Retained income for the year	–		39 075	37 498
Prior year adjustment	–		14 190	14 190
Movement on non-distributable reserves (refer note 2)	–	46 433	–	46 433
<b>Balance March 31 2009</b>	<b>128 000</b>	<b>197 737</b>	<b>184 172</b>	<b>509 909</b>
Retained income for the year	–	–	22 626	22 626
Prior year adjustment	–	–	1 919	1 919
Movement on non-distributable reserves (refer note 2)	–	20 428	–	20 428
<b>Balance March 31 2010</b>	<b>128 000</b>	<b>218 164</b>	<b>208 717</b>	<b>454 882</b>
<b>CORPORATION</b>				
<b>Balance March 31 2008</b>	<b>128 000</b>	<b>148 529</b>	<b>59 715</b>	<b>336 245</b>
Retained income for the year	–	6 500	2 036	8 536
Prior year adjustment	–		(2 416)	(2 416)
Movement on non-distributable reserves (refer note 2)	–	(1 164)	–	(1 164)
<b>Balance March 31 2009</b>	<b>128 000</b>	<b>153 865</b>	<b>59 335</b>	<b>341 200</b>
Retained income for the year	–	–	14 811	14 811
	–	–	1 919	1 919
Movement on non-distributable reserves (refer note 2)	–	20 500	–	20 500
<b>Balance March 31 2010</b>	<b>128 000</b>	<b>174 365</b>	<b>76 065</b>	<b>378 430</b>



# Consolidated Statement of Cash Flow

for the year ended 31 March 2010

	Notes	Corporation		Group	
		2010 M'000	2009 M'000	2010 M'000	2009 M'000
<b>Net cash flow from operations</b>	16.1	<b>24 472</b>	<b>(27 982)</b>	<b>87 647</b>	<b>25 083</b>
Returns on investments	16.2	23 839	40 055	20 549	39 497
Capital expenditure	16.3	(29 853)	(9 398)	(57 589)	(70 723)
Dividends paid		–	–	(14 064)	(25 837)
Taxation paid/Received		–	–	2 292	(7 068)
Management of liquid resources	16.4	(3 110)	2 736	3 110	(2 736)
Financing	16.5	45 114	23 311	45 114	23 311
Increase in cash in year		60 013	(1 379)	87 059	(18 473)
Cash at beginning of year		37 724	38 673	34 458	61 482
<b>Cash at end of year</b>	16.6	<b>97 737</b>	<b>37 294</b>	<b>121 517</b>	<b>43 009</b>





# Summary of Significant Accounting Policies

for the year ended 31 March 2010

## 1.0 PRINCIPAL ACTIVITIES AND BASIS OF PREPARATION

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.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards. The consolidated financial statements have been prepared under the historical cost basis as modified by the equity method of accounting for associated companies (Policy 2,3) and the revaluation of buildings (Note 4,2).

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

## 2.0 GROUP ACCOUNTING

### 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.

### 2.2 Subsidiary Companies

Subsidiaries, which are those entities (including Special Purpose Entities) in which the group has interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies, are consolidated. The existence and effect of the potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the group and are no longer consolidated from the date control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of the acquisition is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus cost directly attributable to acquisition. The excess of the cost of acquisition over the fair value of the net assets of the subsidiary acquired is recorded as goodwill. Inter-company transactions, balances, and unrealised losses are also eliminated unless costs cannot be recovered. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policy adopted by the group.

Subsidiaries are excluded from consolidation when:-

- ☐ Control is intended to be temporary because the subsidiary is acquired and held exclusively with the view to its subsequent disposal in the near future.
- ☐ It operates under severe long-term restrictions that significantly impair its ability to transfer funds to the parent.

### 2.3 Transaction and Minority Interest

Minority interest is stated in the minority's proportion of the fair values of the identifiable assets and liabilities recognised. The group applies a policy of treating transactions with minority interest as transactions with profits external to the group. Disposal of minority interest results in gains and losses that are recorded in the income statement.

# Statement of Significant Accounting Policies

(continued)

## 2.4 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 or over whom the group has significant influence, but which it does not control. Investments are accounted for by the equity method of accounting.

Under this method, the company's share of post acquisition profits or losses of associates is recognised in the income state, and its share of post acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the cost of the investment. Unrealised gains on transactions between the company and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transactions provide evidence of an impairment of asset transfer. When the Group's share of losses in an associate equals or exceeds its interest in the associate, the company does not recognise further losses unless the Group has incurred obligations or made payments on behalf of the associate.

The most recent available audited financial statements of the associated companies are used in the determination. Where these statements 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.

## 2.5 Joint Venture

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. The group's interest in jointly controlled entities is accounted for by proportionate consolidation or by using an alternative method, equity method. The group combines its share of the joint ventures industrial income and expenses, assets and liabilities, and cash flows on a line by line basis with similar items in the group financial statements.

The group recognises the portion of gains and losses on the sale of assets by the group to the joint venture that is attributable to the other ventures. The group does not recognise its share of profits or losses for the joint venture that results from purchase of assets by the group from the joint venture until it resells the asset to an independent party. However, if a loss on the transaction provides evidence of a reduction in the net realizable value of the current asset an impairment loss, the loss is recognised immediately.

As with subsidiaries, joint ventures are excluded from consolidation if the interest is intended to be temporary or if the joint venture operates under severe long term restriction.

## 2.6 Investment

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

## 2.7 Method of determining Stock Values

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 Significant Accounting Policies

(continued)

## 2.8 Associated Companies

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.

## 2.9 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%

Computers      33.33%

Gains and losses on disposal are determined by comparing proceeds with the carrying amount and are included in operating profit. When revalued assets are sold, the amounts included in fair value reserves are transferred to retained earnings.

Repairs and maintenance are charged to the income statement during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the assets when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing assets will flow to the group. Major renovations are depreciated over the remaining useful life of the related assets.

## 2.10 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.

## 2.11 Foreign Currency Translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Maloti, which is the Group's functional and presentation currency.

Foreign currency transactions are translated into the measurement currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

## 2.12 Grants Received

### 2.12.1 By Subsidiaries:

- a) Grants received to fund the construction or acquisition 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.

# Statement of Significant Accounting Policies

(continued)

## 2.12 Grants Received

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

### **2.12.2 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.

## 2.13 Retirement and Terminal Benefits

The policy of the Corporation is to provide for retirement and terminal benefits on all its employees.

The Corporation is a member of a defined benefit pension fund managed by the Lesotho National Insurance Company. This pool fund provides the retirement benefits for its employees to which it contributes 13% of gross income. Current contributions to the defined benefit pension fund operated for employees are charged against income as incurred.

Terminal benefits include redundancy benefits and severance pay. Redundancy payments are payable whenever an employee's employment is terminated before the normal retirement/contract expiry date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Corporation recognises redundancy benefits when it is demonstrably committed either to terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Severance payment is calculated in terms of section 79 of the Labour Code of Lesotho, 1992.

## 2.14 Revenue Recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the Corporation and the amounts of revenue can be reliably measured.

### *Income*

Rental income from leased premises is recognised on a straight line basis over the term of the relevant lease.

### *Interest income*

Interest income is recognised on a time-proportion basis using the effective interest rate method. When a receivable is impaired, the Corporation reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest on impaired loans is recognised either as cash is collected or on a cost-recovery basis as conditions warrant.

## 2.15 Leases

Where the Corporation enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a 'finance lease'. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of lease, whichever is shorter. Further instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance elements, which is charge to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalment. All other leases are accounted for as 'operating leases' and the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.



# Statement of Significant Accounting Policies

(continued)

## 2.16 Financial Assets

### *Classification*

The group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

#### *(a) Financial assets at fair value through profit or loss*

This category has two sub-categories; financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

#### *(b) Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Corporation provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet. These are classified as non-current assets.

#### *(c) Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that management has the positive intention and ability to hold to maturity. Gains and losses on held to maturity investments are recognized in equity.

#### *(d) Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

#### *(e) Recognition and measurement*

Regular purchases and sales of financial assets are recognised on trade-date – the date on which the group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Realised and unrealised gains and losses arising from changes in the fair value of the financial assets at fair value through 'profit or loss' category is included in the income statement in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the group's right to receive payments is established.

# Statement of Significant Accounting Policies

(continued)

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available for sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in profit or loss; translation differences on non-monetary securities are recognised in equity. Unrealised gains and losses arising from changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in equity. When securities classified available-for-sale are sold or impaired, the accumulated fair value adjustments in equity are included in the income statement as gains and losses from investment securities.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement as part of other income. Dividends on available-for-sale equity instruments are recognised in the income statement as part of other income when the group's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and the option pricing models, making maximum use of market inputs and relying as little as possible on entry-specific inputs.

The group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

## 2.17 Cash and Cash Equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held with banks, other short term high liquid investments with original maturities of three months or less, and bank overdrafts.

Bank overdrafts are included under current liabilities in the balance sheet.

## 2.18 Trade and other receivables

Trade and other receivables are carried at anticipated realisable values. An estimate is made for doubtful receivables based on a review of all outstanding amounts at the balance sheet date. Bad debts are written off during the year in which they are identified.

## 2.19 Trade and other payable

Trade and other payable comprise trade accounts payable and accruals. These are measured at fair cost.

## 2.20 Provisions

The group recognises provisions when it has a present legal or constructive obligation as a result of past events; and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

## 2.21 Borrowings

ncurred, when they become party to the contractual provisions. Borrowings are subsequently stated at amortised cost using the effective interest rate method; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

# Statement of Significant Accounting Policies

(continued)

## 2.22 Tax

### *Current tax assets and liabilities*

Current tax for current and prior periods is, to the extent unpaid, recognised as liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.

## 2.23 Financial Risk Management

Financial instruments carried in the balance sheet include cash and bank balances, investments, receivables, trade creditors, leases and borrowings. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

### *Financial risk factors*

The group's activities expose it to a variety of risks, credit risk, liquidity risk and cash flow interest risk. The group's overall risk management programme focuses on the unpredictability of the financial markets and seeks to minimise potential adverse effects on the financial performance of the entity.

Risk management is carried out under policies approved by the group's board of directors. The board identifies, evaluates and hedges financial risks in close cooperation with the group's operations management. The board provides written principles for overall risks management, as well as for specific areas such as interest rate risk, credit risk, and investing excess liquidity.

### *Credit risk*

The group structures the levels of credit risk it accepts by placing limits on its exposure to a single counterpart, or groups of counterparts. Such risks are subject to an annual or more frequent review. Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to corporate, government and individual customers, including outstanding receivables and committed transactions.

The major concentration of credit risk arises from the group's receivables and investment securities in relation to the nature of customers and issuers. No collateral is required in respect of financial assets. Reputable financial institutions are used for investing and cash handling purposes.

At balance sheet date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying value of each financial asset in the balance sheet.

### *Fair value estimation*

The nominal value less impairment provision of trade payables and receivables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flow at the current market rate receivable to the Corporation for similar financial instruments.

## 2.24 Comparative Figures

Where necessary comparative figures have been restated to conform to the current reporting format.

# Notes to the Financial Statements

for the year ended 31 March 2010

	Corporation		Group	
	2010 M'000	2009 M'000	2010 M'000	2009 M'000
<b>1. SHARE CAPITAL</b>				
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
<b>2. NON-DISTRIBUTABLE RESERVES</b>				
<b>2.1 Development grants</b>				
<i>Grants from Lesotho Government:</i>				
At beginning of year	18 788	12 288	18 788	12 288
Received during the year	20 500	6 500	20 500	6 500
Transferred to income statement	—	—	—	—
<b>At end of year</b>	<b>39 288</b>	<b>18 788</b>	<b>39 288</b>	<b>18 788</b>
<i>Capital grants</i>				
At beginning of year	—	—	1 489	1 562
Adjustment during the year	—	—	(74)	(73)
At end of year	—	—	1 489	1 489
<b>Total development grants</b>	<b>29 288</b>	<b>18 788</b>	<b>40 703</b>	<b>20 277</b>





# Notes to the Financial Statements

for the year ended 31 March 2010 (continued)

	Corporation		Group	
	2010 M'000	2009 M'000	2010 M'000	2009 M'000
<b>2. NON-DISTRIBUTABLE RESERVES (continued)</b>				
<b>2.2 Unrealised surplus</b>				
Surplus on revaluation of land and buildings				
At beginning of year	130 747	131 911	130 747	131 911
Movement during the year	–	(1 164)	41 171	(1 164)
<b>At end of year</b>	<b>130 747</b>	<b>130 747</b>	<b>171 918</b>	<b>130 747</b>
<b>2.3 Unrealised surplus</b>				
Arising on the acquisition of subsidiaries				
At beginning of year	–	–	413	413
Movement during the year	–	–	–	–
<b>At end of year</b>	<b>–</b>	<b>–</b>	<b>413</b>	<b>413</b>
<b>2.4 Attributable share in Associated Companies</b>				
Share premium	–	–	400	400
Capitalisation of accumulated profits	330	330	330	330
Capital redemption fund	–	–	400	400
	<b>330</b>	<b>330</b>	<b>1 130</b>	<b>1 130</b>
<b>2.5 Capital Redemption</b>				
Capitalised revenue reserve to finance redemption of preference shares	4 000	4 000	4 000	4 000
	<b>174 365</b>	<b>153 865</b>	<b>218 164</b>	<b>156 567</b>
<b>3. LONG-TERM LOANS</b>				
Loans outstanding as detailed below:	176 584	136 448	177 711	138 212
Less: Current maturities included in accounts payable	(7 922)	(11 904)	(8 414)	(12 537)
	<b>168 662</b>	<b>124 544</b>	<b>169 297</b>	<b>125 675</b>

# Notes to the Financial Statements

for the year ended 31 March 2010 (continued)

	<b>Group</b>	
	<b>2010</b>	<b>2009</b>
	<b>M'000</b>	<b>M'000</b>
<b>3. LONG-TERM LOANS (continued)</b>		
<b>3.1 Corporation</b>		
<b><i>Government of Lesotho:</i></b>		
2% loan repayable in twenty yearly instalments commencing 2006	780	910
<b><i>European Investment Bank Global Loan I</i></b>		
4% and 8% loan repayable in eight years commencing 1 March 1991	–	97
<b><i>European Investment Bank (Industrial Estate)</i></b>		
5% loan of ECU 1.4 million repayment schedule	–	3 577
<b><i>Frasers Limited</i></b>		
Interest free loan with no fixed date of repayment	6	6
<b><i>Government of Lesotho:</i></b>		
<b><i>IDA</i></b>		
7% loan repayable in twenty yearly instalments commencing 1 July 2000	8 822	9 662
<b><i>KFW (OLD)</i></b>		
3/4% loan repayable over fifteen years after a five year grace period from a date to be determined	486	30
<b><i>ODA 1</i></b>		
8% loan repayable in fifty half yearly instalments commencing 1 June 1988	–	23
<b><i>ADB</i></b>		
4% loan repayable in twenty yearly instalments commencing 1 July 2000	17 810	19 133
<b><i>ODA II</i></b>		
8% loan repayable over 25 years commencing 1 July 1991	143	154
<b><i>ODA III</i></b>		
8% loan repayable over 25 years commencing 1 July 1991	164	185
<b><i>ODA 1st line of credit</i></b>		
7% loan ODA line of credit repayable over 25 years commencing 31 July 1995	989	989
<b>Carried forward</b>	<b>29 200</b>	<b>34 766</b>

# Notes to the Financial Statements

for the year ended 31 March 2010 (continued)

	Group	
	2010 M'000	2009 M'000
<b>3. LONG-TERM LOANS AND PROVISIONS (continued)</b>		
<b>3.1 Corporation (continued)</b>		
<b>Brought forward</b>	<b>29 200</b>	<b>34 766</b>
<b>KFW (HA NYENYE)</b>		
5% loan from KFW for Ha Nyenye repayable in ten annual instalments commencing 22 September 2000	–	1 997
<b>ODA 2nd line of credit</b>		
7% loan, ODA line of credit repayable over 25 years commencing 26 September 1996	2 932	2 932
<b>Public Investment Commissioners</b>		
13,9% loan repayable after twenty year period	52 878	52 878
<b>European Investment Bank B</b>		
5% from Eib to GOL on lent to LNDC. Repayable in ten equal instalments commencing 31 October 1999	2 074	2 074
European Investment Bank C 1% loan from EIB to GOL. On lent to LNDC repayable in ten equal instalments	214	396
<b>GOL – LNDC Centre</b>		
5% loan repayable in 20 half yearly instalments after a five year grace period, commencing 23 March 1999	2 100	2 800
<b>Nedbank Lesotho</b>		
Interest is charged at prime minus 4% repayable in 10 years starting from 11 November 2003 after 12 months moratorium	3 472	5 164
GOL – Basotho Cannery	2 715	2 941
<b>GOL LNDC 2009</b>		
Interest free loan repayable in five years from December 2011	30 000	30 000
<b>Standard Lesotho Bank</b>		
Loti Brick	1 127	–
<b>GOL LNDC 2010</b>		
2% loan repayable over fifteen years after five years moratorium	51 000	–
Total Corporation loans	177 711	136 448
Less: Current maturities	8 414	11 904
	<b>169 297</b>	<b>124 544</b>
<b>3.2 Long Term Provisions</b>		
Severance pay made in accordance with Section 79 of the Labour Code Order 1992	<b>4 482</b>	<b>3 487</b>

# Notes to the Financial Statements

for the year ended 31 March 2010 (continued)

	Corporation		Group	
	2010 M'000	2009 M'000	2010 M'000	2009 M'000
<b>4. FIXED ASSETS</b>				
<b>4.1 Property, vehicles, furniture and equipment</b>				
Cost or valuation	8 719	9 826	360 456	332 033
Accumulated depreciation	6 418	7 589	176 098	169 895
	<b>2 301</b>	<b>2 237</b>	<b>184 358</b>	<b>162 138</b>
<b>4.2 Investment property</b>				
Cost or valuation	466 164	436 998	466 164	436 998
Accumulated depreciation	22 435	14 607	22 435	14 607
	<b>443 729</b>	<b>422 391</b>	<b>443 729</b>	<b>422 391</b>
<b>Net book value</b>	<b>446 030</b>	<b>424 627</b>	<b>628 084</b>	<b>584 527</b>

## 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

for the year ended 31 March 2010 (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 2010 M'000	Net interest 2009 M'000
<b>5. INTEREST IN SUBSIDIARIES</b>							
<b>5.1 Active subsidiaries</b>							
Basotho Fruit and Vegetable Canners (Pty) Ltd	Cannery	100	100	14 809	(14 909)	–	–
Lesotho Brewing Company (Pty) Ltd	Brewery	51	2 040	–	–	2 040	2 040
Loti Brick (Pty) Ltd	Brick making plant	73.6	3 234	16 004	(19 328)	–	–
			<b>5 374</b>	<b>30 813</b>	<b>(34 147)</b>	<b>2 040</b>	<b>2 040</b>

	2010 M'000	2009 M'000
<b>5.2 Provision for losses in subsidiaries:</b>		
Balance at beginning of year	31 574	42 954
(Decrease)/Increase in provision	2 573	(11 380)
	<b>34 147</b>	<b>31 574</b>

	Corporation		Group	
	2010 M'000	2009 M'000	2010 M'000	2009 M'000
<b>6. INTEREST IN ASSOCIATED COMPANIES</b>				
Shares at cost	564	564	564	564
Share of non-distributable reserves	–	–	800	800
Share of retained income	–	–	48 289	40 813
	<b>564</b>	<b>564</b>	<b>49 653</b>	<b>42 177</b>
<b>Directors' valuation</b>	<b>564</b>	<b>564</b>	<b>49 653</b>	<b>42 177</b>

# Notes to the Financial Statements

for the year ended 31 March 2010 (continued)

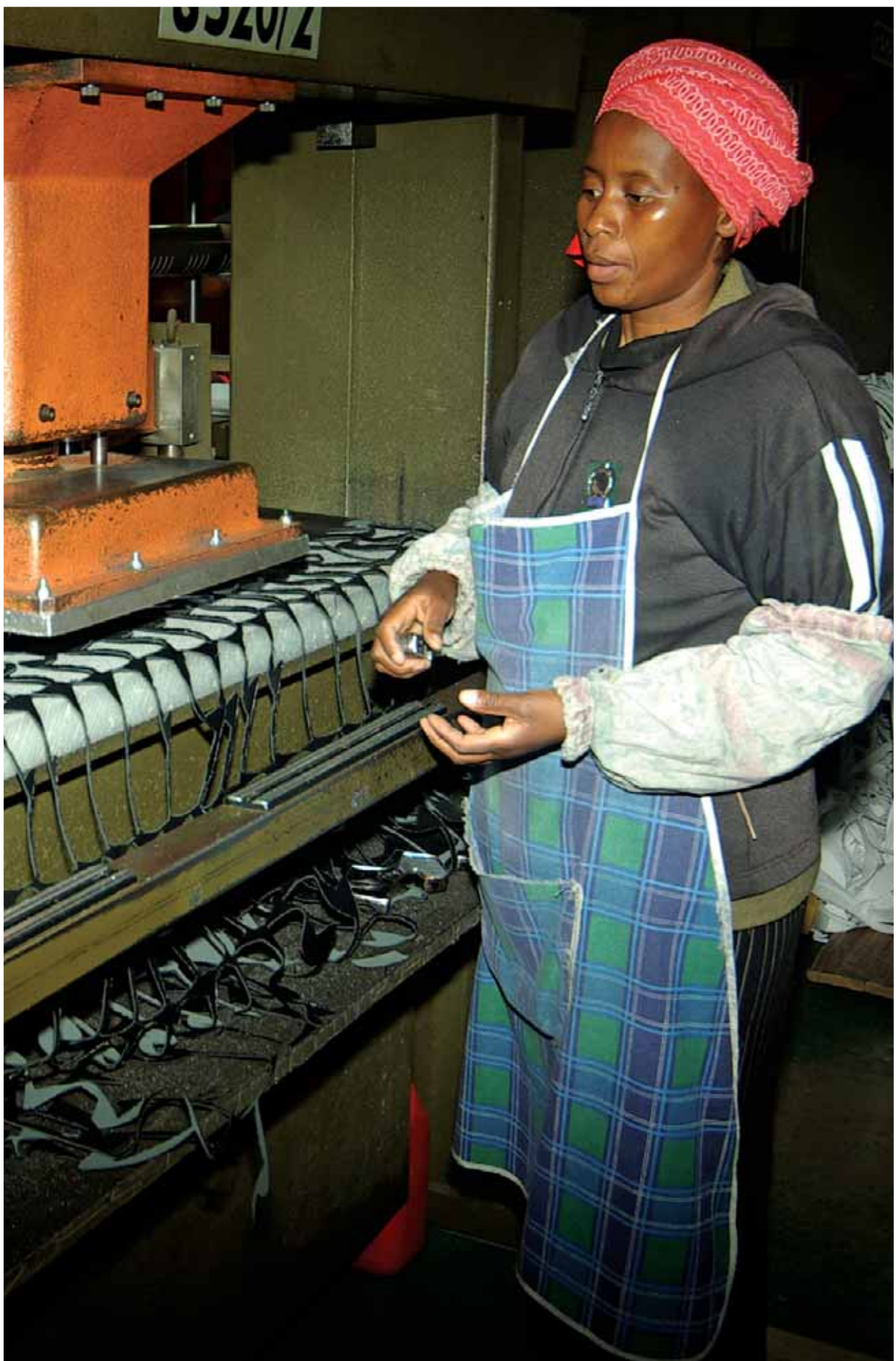
## 6. INTEREST IN ASSOCIATED COMPANIES (continued)

### 6.2 Analysis

Name	Principal activity	Number of shares held Note 1	Proportion held %	Accounting period used Note 2	Cost of equity M'000	Non-distributable reserves M'000	Distributable reserves 31.03.10 M'000	Total interest M'000	Note	Total interest 31.03.09 M'000
Cash Build Lesotho (Pty) Ltd	Wholesalers		20		20	400	7 748	4 937	3	5 503
Lesotho Food Industries (Pty) Ltd	Investment in LM Co		39.7		66	–	16 481	13 869	3	13 869
OK Bazaars Lesotho (Pty) Ltd	Retailers		50		150	400	14 852	12 936	3	12 936
Sun International Lesotho (Pty) Ltd	Hotel and Casino		20		328	–	9 208	9 069	3	9 069
					<b>564</b>	<b>800</b>	<b>48 289</b>	<b>49 653</b>		<b>42 177</b>

### NOTES

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



## for the year ended 31 March 2010 (continued)

	Corporation		Group	
	2010 M'000	2009 M'000	2010 M'000	2009 M'000
<b>10. ACCOUNTS RECEIVABLE</b>				
VAT	3 511	2 503	3 511	2 503
Realised foreign exchange losses due from Government of Lesotho	190	190	190	190
Building rental	25 301	18 854	25 301	18 854
Other debtors	493	2 566	31 442	25 387
Provision and other debtors	(17 705)	(9 746)	(23 600)	(9 881)
	<b>47 200</b>	<b>14 368</b>	<b>36 844</b>	<b>37 053</b>



# Notes to the Financial Statements

for the year ended 31 March 2010 (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	
	2010 M'000	2009 M'000	2010 M'000	2009 M'000
<b>(a) Corporation</b>				
Subsidiaries	–	–	–	–
Associates	610	610	–	–
Third parties	–	–	–	–
	<b>610</b>	<b>610</b>	<b>–</b>	<b>–</b>
<b>(b) Group</b>				
Subsidiaries	–	–	–	–
Associates	610	610	–	–
Third parties	–	–	–	–
	<b>610</b>	<b>610</b>	<b>–</b>	<b>–</b>
	<b>Corporation</b>		<b>Group</b>	
	2010 M'000	2009 M'000	2010 M'000	2009 M'000
<b>12. COMMITMENTS</b>				
Capital commitments contracted for:				
– Buildings and equipment	–	24 813	–	24 813
Authorised but not committed:				
– Buildings and equipment	–	–	–	–
<b>Total capital commitments</b>	<b>–</b>	<b>24 813</b>	<b>–</b>	<b>24 813</b>

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

for the year ended 31 March 2010 (continued)

		<b>Corporation</b>		<b>Group</b>	
		<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
		<b>M'000</b>	<b>M'000</b>	<b>M'000</b>	<b>M'000</b>
<b>14.</b>	<b>OPERATING PROFIT FOR THE YEAR</b>				
	Stated after crediting or charging the following:				
	<b>Income</b>				
	Profit on disposal of fixed assets	216	124	216	286
	Interest	7 307	8 270	8 006	9 573
	Rents	43 653	43 434	43 662	48 439
	Income from subsidiaries – dividends	18 864	32 772	–	–
	<b>Expenses</b>				
	Depreciation and amortisation of fixed assets	8 664	8 325	25 306	20 976
	Auditors remuneration: Audit fees	147	179	624	483
	Interest	10 308	11 270	14 301	13 046
<b>15.</b>	<b>TAXATION</b>				
<b>15.1</b>	Normal tax on current profits	–	660	7 131	8 904
	Deferred tax	–	–	421	(706)
		–	660	7 552	8 198
<b>15.2</b>	According to the Statutory Bodies Laws (Amendment) Order No.16 of 1989, LNDC, with effect from 1 August 1989 became liable for tax.				
<b>15.3</b>	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

for the year ended 31 March 2010 (continued)

	Corporation		Group	
	2010 M'000	2009 M'000	2010 M'000	2009 M'000
<b>16. NOTES TO THE CASH FLOW STATEMENT</b>				
<b>16.1 Reconciliation of operating profit to net cash inflow from operating activities</b>				
Profit before tax	18 040	2 696	47 551	77 380
Return on investment	(23 839)	(40 055)	(20 549)	(39 497)
Depreciation	8 665	8 325	25 378	24 719
Profit on sale of fixed assets	(216)	(124)	(216)	(286)
Amortisation of grants	–	–	–	–
Associates income	–	–	(12 870)	585
Prior year adjustment	1 919	(2 416)	1 919	14 190
Grants received	20 500	(6 500)	20 500	(6 500)
(Decrease)/Increase in stock	–	–	(1 974)	(20 555)
Decrease/(Increase) in debtors	2 579	8 825	209	(13 540)
Increase/(Decrease) in creditors	53	1 267	27 699	(10 243)
<b>Net cash inflow from operating activities</b>	<b>24 742</b>	<b>(27 982)</b>	<b>87 647</b>	<b>25 083</b>
<b>16.2 Returns on investments</b>				
Dividends received	26 844	43 055	26 844	13 541
Interest received	7 303	8 270	8 006	8 838
Interest paid	(10 308)	(11 270)	(14 301)	(12 432)
	<b>23 839</b>	<b>40 055</b>	<b>20 549</b>	<b>9 947</b>



# Notes to the Financial Statements

for the year ended 31 March 2010 (continued)

	Corporation		Group	
	2010 M'000	2009 M'000	2010 M'000	2009 M'000
<b>16. NOTES TO THE CASH FLOW STATEMENT (continued)</b>				
<b>16.3 Capital expenditure</b>				
Payments to acquire fixed assets	(30 316)	(29 514)	(58 052)	(71 491)
Receipts from sale of fixed assets	463	116	463	768
	<b>(29 853)</b>	<b>(29 398)</b>	<b>(57 589)</b>	<b>(70 723)</b>
<b>16.4 Management of liquid resources</b>				
Decrease in amounts owing by subsidiaries	—	—	—	—
Decrease/(Increase) in loan debtors	—	—	—	—
Increase in other investments	(3 110)	(2 736)	(3 110)	(2 736)
	<b>3 110</b>	<b>(2 736)</b>	<b>(3 110)</b>	<b>(2 736)</b>
<b>16.5 Financing</b>				
Increase/(Decrease) in long term borrowings	45 114	23 572	45 114	23 572
Increase/(Decrease) in long term provisions	—	(261)	—	(261)
	<b>45 114</b>	<b>23 311</b>	<b>45 114</b>	<b>23 311</b>
<b>16.6 Analysis of cash at end of year</b>				
Bank balances and cash	11 483	6 799	28 374	12 415
Bank overdraft	—	—	(822)	(5 910)
Short term investments	86 254	30 495	93 964	36 504
	<b>97 737</b>	<b>37 294</b>	<b>121 517</b>	<b>43 009</b>
<b>17. PRIOR YEAR ADJUSTMENT</b>				
Loti Brick loan	—	—	—	16 606
Rental debtors	1 832	—	1 832	—
Corporate tax	—	—	—	—
JHI cash in transit	—	(2 416)	—	(2 416)
Accruals provision	323	—	323	—
Retaining Nyenye Capital	207	—	207	—
Accumulated depreciation	29	—	29	—
Non refundable VAT	—	—	—	—
	<b>1 919</b>	<b>(2 416)</b>	<b>1 919</b>	<b>14 190</b>







With compliments of the Board of Directors, Management and Staff

