GOVERNMENT OF LESOTHO

AUDIT REPORT
ON THE
ANNUAL FINANCIAL STATEMENTS
OF

LESOTHO NATIONAL DEVELOPMENT CORPORATION
FOR THE YEAR ENDED 31 MARCH, 2017

AUDITOR - GENERAL
P.O. BOX 502
MASERU 100
LESOTHO

LESOTHO NATIONAL DEVELOPMENT CORPORATION
We Build Industry

Lesotho National Development Corporation
Financial Statements
For the year ended 31 March 2017

General Information

Country of incorporation and domicile	Lesotho
Nature of business and principal activities	Initiate, promotion, and facilitate the development of manufacturing and processing industries, mining and commerce.
Directors	Ms. Matseliso Lehohla Mrs. Liengoane Lefosa Dr. Lefulesele Lebesa Ms. Mampho Tjabane Mr. Lebakeng Mohau Tigeli Mr. Makhetha Thaele Mr. Lehlohonolo Chefa Ms. Ntsiuoa Jaase Mr. Mosito Ntema Mr. Sehlabaka Ramafikeng
Caretaker Chief Executive Officer	Mrs. Nthabiseng Posholi
Registered office	LNDC Mall Block A, Development House
Business address	LNDC Mall Block A, Development House, Kingsway Street, Maseru Lesotho
Postal address	Private Bag A96 Maseru 100
Bankers	Standard Lesotho Bank, Nedbank Lesotho
Auditors	Moteane, Quashie & Associates on behalf of Office of the Auditor General
Secretary	Mr. Selebalo Lekokoto

Index

The reports and statements set out below comprise the financial statements presented to the shareholder:

Directors' Responsibilities and Approval

The Directors are required in terms of the Lesotho National Development Corporation Act No.13 of 1990 and Lesotho Companies Act to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the Corporation as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the financial statements.

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

The Directors acknowledge that they are ultimately responsible for the system of internal financial control established by the Corporation and place considerable importance on maintaining a strong control environment. To enable the Directors to meet these responsibilities, the Board of Directors sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk.
These controls are monitored throughout the Corporation and all employees are required to maintain the highest ethical standards in ensuring the Corporation's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Corporation is on identifying, assessing, managing and monitoring all known forms of risk across the Corporation. While operating risk cannot be fully eliminated, the Corporation endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behavior are applied and managed within predetermined procedures and constraints.

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

The Directors have reviewed the Corporation's cash flow forecast for the year to 31 March 2017 and, in the light of this review and the current financial position, they are satisfied that the Corporation has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the Corporation's financial statements. The financial statements have been examined by the Corporation's external auditors and their report is presented on page s 4 to 5.

The financial statements set out on pages 8 to 36, which have been prepared on the going concern basis, were approved by the Board of Directors on 11th October 2017 and were signed on its behalf by:

Mrs. N. Posholi- Caretaker Chief Executive Officer	**Ms. M. Lehohla – Board Chairperson**

OFFICE OF THE AUDITOR - GENERAL
P.O. BOX 502, MASERU 100
LESOTHO

REPORT OF THE AUDITOR-GENERAL ON THE FINANCIAL STATEMENTS OF LESOTHO NATIONAL DEVELOPMENT CORPORATION FOR THE YEAR ENDED 31 MARCH 2017

Opinion

Moteane, Quashie and Associates under Section 24(1) of the Audit Act 2016, have audited the financial statements of Lesotho National Development Corporation (the Corporation) set out on pages 8 to 36, which comprise the statement of financial position as at 31 March 2017 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at 31 March 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in accordance with the requirements of the Lesotho National Development Order, 1990 as amended.

Basis for Opinion

I conducted my audit in accordance with International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Authority in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to my audit of the financial statements in Lesotho, and I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of Matter

I draw attention to the issue that the Corporation on 1 July 2016 undertook a valuation of its immovable assets and investment property using independent Valuer, Morai-Maseela & Co. The Valuer used the comparative sales method to obtain an open market value (OMV) of M681 890 982.00. The replacement value approach was used as the basis for insurance value of M1 920 516 295.00. The Corporation however did not adopt the Valuer's report due to certain reservations it has on the valuation methods used as it felt it did not give the fair values required for financial reporting. The assets were therefore valued on an arbitrarily basis by management in which they adjusted the rental to OMV taking into account government's rent subsidy. This is because management is of the view that the government rent subsidy must be factored into any valuation.

An expert opinion was obtained on the valuation as well as management's decision and its own valuation of the assets. The expert advised that the Valuer's report and management's valuation do not provided the fair values for financial reporting and are not in compliance with the International Valuation Standards Committee (IVSC).

4th floor * Finance House * High Court Road * Maseru * Lesotho
Telephone (+266) 22323904/22314247 * Fax (+266) 22310366

My opinion is not modified in respect of this matter as management's valuation of Investment Property and Property, Plant and Equipment as reflected in Note 2 do not have any impact on the statement of financial position as both Property, Plant and Equipment and Investment Property are measured at cost.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial statements of the current period. There were no key audit matters.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISAs, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

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

disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Authority to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

MONICA BESETSA
FOR AUDITOR-GENERAL

3 November 2017

Directors' Report

The directors have pleasure in submitting their report on the financial statements of Lesotho National Development Corporation and its associates for the year ended 31 March 2017.

1. Review of activities

Main business and operations

The Corporation is engaged in initiate, promotion, and facilitate the development of manufacturing and processing industries, mining and commerce and operates principally in Lesotho. The financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the LNDC Act of 1990 (as amended). The accounting policies have been applied consistently compared to the prior year.

2. Events after the reporting period

The directors are not aware of any matter or circumstance arising since the end of the financial year.

3. Authorised and issued share capital

There were no changes in the authorised or issued share capital of the Corporation during the year under review.

4. Directors

The directors of the Corporation during the year and to the date of this report are as follows:

Name	Nationality	Changes
Ms. Matseliso Lehohla	Mosotho	Resigned July17
Mrs. Liengoane Lefosa	Mosotho	Resigned December 16
Dr Lefulesele Lebesa	Mosotho	Resigned April 17
Ms. Mampho Tjabane	Mosotho	Resigned April 17
Mr. Lebakeng Mohau Tigeli	Mosotho	Resigned April 17
Mr. Makhetha Thaele	Mosotho	Resigned April 17
Mr. Lehlohonolo Chefa	Mosotho	Resigned April 17
Ms. Ntsiuoa Jaase	Mosotho	Resigned April 17
Mr. Mosito Ntema	Mosotho	Resigned April 17
Mr. Sehlabaka Ramafikeng	Mosotho	Resigned April 17
Mr Stephen Thabo Monyamane	Mosotho	From May to July 2017
Mr Nchemo Maile	Mosotho	From May to July 2017
Mr Nkareng Letsie	Mosotho	From May to July 2017
Mr Retselisitsoe Theko	Mosotho	From May to July 2017
Mr Lepeli Molapo	Mosotho	From May to July 2017
Mrs Mamotsilisi Khiba	Mosotho	From May to July 2017
Ms Fumane Maema	Mosotho	From May to July 2017
Mr Thebe Mokoatle	Mosotho	From September 2017
Mr Khomoatsana Tau	Mosotho	From September 2017
Ms Puleng Lekholoane	Mosotho	From September 2017
Mr Malefetsane Nchaka	Mosotho	From September 2017
Dr Makatleho Julia Matabooe	Mosotho	From September 2017
Mr Stephen Thabo Monyamane	Mosotho	From September 2017
Adv. Mpaiphele Dyson Maqutu	Mosotho	From September 2017
Mr Nkareng Alphonse Letsie	Mosotho	From September 2017
Mr Themba Gordon Sopeng	Mosotho	From September 2017
Mr Lerotholi Pheko	Mosotho	From September 2017
Adv. Ranale Thoahlane	Mosotho	From September 2017

5. Secretary & Chief Executive Officer

Caretaker Chief Executive Officer
Mrs Nthabiseng Posholi from May 2017

Chief Executive Officer
Mr Kelebone Leisanyane – Up to February 2017

The secretary of the Corporation
Mr. Selebalo Lekokoto from February 2017
Mr Clark Taelo Poopa up to January 2017

Business address	LNDC Mall Block A, Development House, Kingsway Street, Maseru
Postal address	Private Bag A96 Maseru 100 Lesotho

6. Auditors

Moteane, Quashie & Associates on behalf of Office of the Auditor General

Lesotho National Development Corporation
Financial Statements for the year ended 31 March 2017

Statement of Financial Position as at 31 March 2017

Figures in Maloti	Note(s)	2017	2016
Assets			
Non-Current Assets			
Investment property	2	751 568 304	755 631 991
Property, plant and equipment	3	32 666 076	4 866 193
Investments in subsidiaries	4	178 073 613	138 643 279
Others Investments	5	22 234 316	20 293 491
Investment in associates	6	62 023 663	56 641 592
Long Term Receivable		4 600 000	4 800 000
		1 051 165 972	**980 876 546**
Current Assets			
Trade and other receivables	7	69 138 092	39 976 069
Short term Investment		95 562 445	65 099 451
Cash and cash equivalents	8	94 471 532	111 437 107
		259 172 069	**216 512 627**
Total Assets		**1 310 338 041**	**1 197 389 173**
Equity and Liabilities			
Equity			
Share capital	9	128 000 000	128 000 000
Reserves		602 188 754	519 915 043
Retained income		261 955 392	229 876 943
		992 144 146	**877 791 986**
Liabilities			
Non-Current Liabilities			
Provisions	11	4 440 671	3 847 075
Long Term – Liabilities		4 048 692	4 048 692
Long term borrowings - Non-current portion	12	260 274 408	273 143 132
		268 763 771	**281 038 899**
Current Liabilities			
Interest Accrued	10	7 101 274	5 438 439
Trade and other payables	13	27 331 973	25 665 691
Long Term Borrowing - Current portion	12	14 996 877	7 454 158
Bank overdraft	8	-	-
		49 430 124	**38 558 288**
Total Liabilities		**318 193 895**	**319 597 187**
Total Equity and Liabilities		**1 310 338 041**	**1 197 389 173**

Statement of Comprehensive Income

Figures in Maloti	Note(s)	2017	2016
Revenue	14	72 503 662	68 754 507
Other income		2 697 161	6 524 354
Operating expenses		(112 067 242)	(108 899 561)
Operating loss		**(36 866 419)**	**(33 620 700)**
Investment revenue	15	74 118 968	71 713 013
Finance costs	16	(1 662 835)	(6 024 323)
Profit for the year		**35 589 714**	**32 067 990**
Total comprehensive income for the year		**36 589 714**	**32 067 990**

Statement of Changes in Equity

Figures in Maloti	Share capital	Reserves	Retained income	Total equity
Balance at 01 April 2014	**128 000 000**	**401 676 133**	**184 799 678**	**714 475 811**
Profit for the year	-	-	12 434 493	12 434 493
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**12 434 493**	**12 434 493**
Restated Investments	-	(5 174 471)	-	(5 174 471)
Prior year adjustments	-	-	574 782	574 782
Grants	-	19 980 000	-	19 980 000
Total contributions by and distributions to owners of company recognised directly in equity	**-**	**14 805 529**	**574 782**	**15 380 311**
Balance at 01 April 2015	**128 000 000**	**416 481 662**	**197 808 953**	**742 290 615**
Profit for the year	-	-	32 067 990	32 067 990
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**32 067 990**	**32 067 990**
Increase in investments value	-	26 417 499	-	26 417 499
Grants	-	77 015 882	-	77 015 882
Total contributions by and distributions to owners of company recognised directly in equity	**-**	**103 433 381**	**-**	**103 433 381**
Balance at 01 April 2016	**128 000 000**	**519 915 043**	**229 876 943**	**877 791 986**
Profit for the year	-	-	35 589 714	35 589 714
Prior year adjustments	-	-	(3 511 266)	(3 511 266)
Total comprehensive income for the year	**-**	**-**	**32 078 448**	**32 797 528**
Increase in investments value	-	47 895 890	-	47 895 890
Grants	-	34 377 821	-	34 377 821
Total contributions by and distributions to owners of company recognised directly in equity	**-**	**82 273 711**	**-**	**82 273 711**
Balance at 31 March 2017	**128 000 000**	**602 188 754**	**261 955 392**	**992 144 146**
Note(s)	9			

Statement of Cash Flows

Figures in Maloti	Note(s)	2017	2016
Cash flows from operating activities			
Cash generated from operations	17	(42 068 366)	120 388 034
Interest income		9 854 982	10 328 181
Dividends received		64 263 986	61 384 832
Finance costs		(1 662 835)	(6 024 323)
Net cash from operating activities		**30 387 766**	**186 076 724**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	-	(2 001 150)
Sale of property, plant and equipment	3	-	79 982
Purchase of investment property	2	(37 978 722)	(177 925 025)
Movement of financial assets- other investments		-	(14 522 194)
Movement Short term investments		-	(23 588 562)
Net cash from investing activities		**(37 978 722)**	**(217 956 949)**
Cash flows from financing activities			
Repayment of interest accrued		-	(1 325 711)
Movement in Long term loans		(9 374 699)	144 289 707
Net cash from financing activities		**(9 374 699)**	**142 963 996**
Total cash movement for the year		**(16 965 655)**	**111 083 771**
Cash at the beginning of the year		111 437 107	(1 291 036)
Effect of exchange rate movement on cash balances		-	1 644 372
Total cash at end of the year	8	**94 471 532**	**111 437 107**

1. Presentation of Financial Statements

The financial statements have been prepared in accordance with International Financial Reporting Standards, and the Lesotho National Development Corporation Act No.13 of 1990 and Lesotho Companies Act. The financial statements have been prepared on the historical cost basis, and incorporate the principal accounting policies set out below. They are presented in Maloti.

These accounting policies are consistent with the previous period.

1.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.2 Adoption of standards in future financial periods

(a) New standards, amendments and interpretations which are relevant to the Corporation's operations

· IFRS 16 - 'Leases effective 1 January 2019 and replaces IAS 17. The new standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance leases.

The new standard could have a material impact on the Corporation's financial statements and may be applied with full retrospective effect or under a modified retrospective approach with an adjustment made to the opening balance of retained income. Early adoption is permitted. The Corporation has not yet quantified the potential impact of the new standard on the Corporation.

· IFRS 15, 'Revenue recognition',effective 1 January 2018. IFRS 15 replaces IAS 18 Revenue and provides a single, principles based five-step model to be applied to all contracts with customers. The steps involve identifying the contract, identifying the performance obligations under the contract, determining the transaction price, allocating the transaction price to the performance obligations in the contract, and recognising revenue when the entity satisfies a performance obligation.

The new standard could have a material impact on the Corporation's financial statements and may be applied with full retrospective effect or under a modified retrospective approach with an adjustment made to the opening balance of retained income. Early adoption is permitted. The Corporation has not yet quantified the potential impact of the new standard on the Corporation.

· IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs.

· IFRS 9, 'Financial Instruments' effective 1 January 2018 replacing IAS 39. The standard requires financial assets to be measured either at amortised cost or fair value depending on the business model under which they are held and the cash flow characteristics of the instrument.
The standard contains new hedge accounting requirements aimed at better aligning the accounting treatment with the risk management strategy. In addition, the standard replaces the incurred loss impairment model in IAS 39 with an expected loss model. It will no longer be necessary for a credit event to have occurred before credit losses are recognised.
The new standard could have a material impact on the Corporation's financial statements. The Corporation has not yet quantified the potential impact of the new standard on the Corporation.

· IFRS 11- 'Joint arrangements is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.

· IAS 27 (revised 2011), 'Separate financial statements' IAS 27 (revised 2011) includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10.

Management is currently assessing the impact of the application of these new standards, amendments and interpretations on the Corporation's financial statements in the period of initial application. At this time, the adoption of these standards and interpretations is only expected to have an impact on the classification and disclosure of items in the Corporation's financial statements.

(b) New standards, amendments and interpretations which are not relevant to the Corporation's operations

- IAS 19, 'Employee benefits' was amended in June 2011. The impact on the Corporation will be as follows: to eliminate the corridor approach and recognise all actuarial gains and losses in OCI as they occur; to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset).

- Amendments to IFRS 7, 'Financial instruments: Disclosures' on derecognition - This amendment will promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets.

- Amendment to IFRS 1, 'First time adoption', on fixed dates and hyperinflation - These amendments include two changes to IFRS 1, 'First-time adoption of IFRS'. The first replaces references to a fixed date of 1 January 2004 with 'the date of transition to IFRSs', thus eliminating the need for entities adopting IFRSs for the first time to restate derecognition transactions that occurred before the date of transition to IFRSs. The second amendment provides guidance on how an entity should resume presenting financial statements in accordance with IFRSs after a period when the entity was unable to comply with IFRSs because its functional currency was subject to severe hyperinflation.

- Amendment to IAS 12, 'Income taxes' on deferred tax- IAS 12, 'Income taxes', currently requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40, 'Investment property'. This amendment therefore introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, SIC 21, 'Income taxes - recovery of revalued non-depreciable assets', will no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC 21, which is withdrawn.

- Amendment to IAS 1, 'Financial statement presentation' regarding other comprehensive income - The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI.

Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is used in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgements include:

Trade receivables, Held to maturity investments and Loans and receivables

The Corporation assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in profit or loss, the Corporation makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the [name a key assumption] assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The Corporation reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 11 - Provisions.

1.3 Investment property

Investment property is recognised as an asset when, and only when, it is probable that the future economic benefits that are associated with the investment property will flow to the enterprise, and the cost of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Accounting Policies

1.4 Investment property

(continued) Cost model

Investment property is carried at cost less depreciation less any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property, which is as follows:

Item	**Useful life**
Property – land	indefinite
Property – buildings	50 years

1.5 Property, plant and equipment

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits associated with the item will flow to the Corporation; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment

losses. The useful lives of items of property, plant and equipment have been assessed as follows:

Item	**Average useful life**
Office Furniture and equipment	10 years
Motor vehicles	5 years
Computer equipment	5 years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting period. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

The depreciation charge for each period is recognised in profit or loss unless it is included in the carrying amount of another asset.

The gain or loss arising from derecognition of an item of property, plant and equipment is included in profit or loss when the item is de-recognised. The gain or loss arising from derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.5 Investments in subsidiaries

Investments in subsidiaries are carried at cost less any accumulated impairment. The cost of an investment in a

subsidiary is the aggregate of:

- the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Corporation; plus
- any costs directly attributable to the purchase of the subsidiary.

An adjustment to the cost of a business combination contingent on future events is included in the cost of the combination if the adjustment is probable and can be measured reliably.

1.6 Others Investments

An investment in an associate is carried at cost less any accumulated impairment.

1.7 Financial instruments

Classification

The Corporation classifies financial assets and financial liabilities into the following categories:

- Financial assets at fair value through profit or loss - held for trading
- Financial assets at fair value through profit or loss - designated
- Held-to-maturity investment
- Loans and receivables
- Financial liabilities at fair value through profit or loss - held for trading
- Financial liabilities at fair value through profit or loss - designated
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through profit or loss, which shall not be classified out of the fair value through profit or loss category.

Initial recognition and measurement

Financial instruments are recognised initially when the Corporation becomes a party to the contractual provisions of the instruments.

The Corporation classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through profit or loss, transaction costs are included in the initial measurement of the instrument.

1.6 Financial instruments (continued) Subsequent measurement

Financial instruments at fair value through profit or loss are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in profit or loss for the period.

Net gains or losses on the financial instruments at fair value through profit or loss include dividends and interest.

Dividend income is recognised in profit or loss as part of other income when the Corporation's right to receive payment is established.

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Held-to-maturity investments are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in equity until the asset is disposed of or determined to be impaired. Interest on available-for-sale financial assets calculated using the effective interest method is recognised in profit or loss as part of other income. Dividends received on available- for-sale equity instruments are recognised in profit or loss as part of other income when the Corporation's right to receive payment is established.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Corporation has transferred substantially all risks and rewards of ownership.

Fair value determination

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 Corporation 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 option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

1.6 Financial instruments (continued) Impairment of financial assets

At each reporting date the Corporation assesses all financial assets, other than those at fair value through profit or loss, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the Corporation, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

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 an indicator of impairment. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity as a reclassification adjustment to other comprehensive income and recognised in profit or loss.

Impairment losses are recognised in profit or loss.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.
Reversals of impairment losses are recognised in profit or loss except for equity investments classified as available-for sale. Impairment losses are also not subsequently reversed for available-for-sale equity investments which are held at cost because fair value was not determinable.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in profit or loss within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Financial instruments designated as at fair value through profit or loss

This category has two sub-categories; financial assets held for trading, 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 statement of financial position date.

1.6 Financial instruments (continued)

Financial instruments designated as available-for-sale

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

Purchases and sales of investments are recognised are on trade-date (the date on which LNDC commits to purchase or sell the asset.) Investments are initially recognised at fair value plus transactions for all financial assets not carried at fair value through profit or loss. Investments are derecognised when the rights to receives cash flows from the investment have expired or have been transferred and the Corporation has transferred substantially all risks and rewards of ownership. Available-for-sale 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 are included in the income statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of 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 are included in the income statement as gains and losses from investment.

The fair values of quoted investments are based on current bids prices. If the market for a financial assets is not active (and for unlisted securities) the Corporation 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 refine to reflect the issuer's specific circumstances.

Loans to (from) group companies

These include loans to and from holding companies, fellow subsidiaries, subsidiaries, joint ventures and associates and are recognised initially at fair value plus direct transaction costs.

Loans to group companies are classified as loans and receivables.

Loans from group companies are classified as financial liabilities measured at amortised cost.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in profit or loss.

Trade and other receivables are classified as loans and receivables.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

1.6 Financial instruments (continued) Cash and cash equivalents

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

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Corporation's accounting policy for borrowing costs.

Derivatives

Derivative financial instruments, which are not designated as hedging instruments, consisting of foreign exchange contracts and interest rate swaps, are initially measured at fair value on the contract date, and are re-measured to fair value at subsequent reporting dates.

Derivatives embedded in other financial instruments or other non-financial host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with unrealised gains or losses reported in profit or loss.

Changes in the fair value of derivative financial instruments are recognised in profit or loss as they arise. Derivatives are

classified as financial assets at fair value through profit or loss - held for trading.

Held to maturity

These financial assets are initially measured at fair value plus direct transaction costs.

At subsequent reporting dates these are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Financial assets that the Corporation has the positive intention and ability to hold to maturity are classified as held to maturity.

1.7 Tax

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a 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 end of the reporting period.

1.7 Tax (continued) Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, to other comprehensive income, or
- a business combination.

Current tax and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

1.8 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance leases - lessor

The Corporation recognises finance lease receivables in the statement of financial position.

Finance income is recognised based on a pattern reflecting a constant periodic rate of return on the Corporation's net investment in the finance lease.

Finance leases – lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

The lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability.

Operating leases - lessor

Operating lease income is recognised as an income on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

Income for leases is disclosed under revenue in profit or loss.

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset. This liability is not discounted.

Any contingent rents are expensed in the period they are incurred.

1.9 Impairment of assets

The Corporation assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the Corporation estimates the recoverable amount of the asset.

1.9 Impairment of assets (continued)

Irrespective of whether there is any indication of impairment, the Corporation also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.
- tests goodwill acquired in a business combination for impairment annually.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.10 Share capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

1.11 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the Corporation's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

1.11 Employee benefits (continued) Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected unit credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to the end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial year, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in profit or loss over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Actuarial gains and losses are recognised in the year in which they arise, in other comprehensive income.

Gains or losses on the curtailment or settlement of a defined benefit plan are recognised when the Corporation is demonstrably committed to the curtailment or settlement of the defined benefit plan.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In profit or loss, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

1.12 Provisions and contingencies

Provisions are recognised when:

- the Corporation has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation. Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.
Provisions are not recognised for future operating earnings.

If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the business or part of a business concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for terminating their services;

Accounting Policies

1.12 Provisions and contingencies (continued)

- the expenditures that will be undertaken; and
- when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note.

1.13 Government grants

Government grants are recognised when there is reasonable assurance that:

- the Corporation will comply with the conditions attaching to them; and
- the grants will be received.

Government grants are recognised as income over the periods necessary to match them with the related costs that they are intended to compensate.

A government grant that becomes receivable as compensation for expenses or earnings already incurred or for the purpose of giving immediate financial support to the entity with no future related costs is recognised as income of the period in which it becomes receivable.

Government grants related to assets, including non-monetary grants at fair value, are presented in the statement of financial position by setting up the grant as deferred income or by deducting the grant in arriving at the carrying amount of the asset.

Grants related to income are presented as a credit in the profit or loss (separately).

Repayment of a grant related to income is applied first against any un-amortised deferred credit set up in respect of the grant. To the extent that the repayment exceeds any such deferred credit, or where no deferred credit exists, the repayment is recognised immediately as an expense.

Repayment of a grant related to an asset is recorded by increasing the carrying amount of the asset or reducing the deferred income balance by the amount repayable. The cumulative additional depreciation that would have been recognised to date as an expense in the absence of the grant is recognised immediately as an expense.

1.14 Revenue

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

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

Interest is recognised, in profit or loss, 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.

Dividends are recognised, in profit or loss, when the Corporation's right to receive payment has been established.

1.15 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any temporary investment of those borrowings.

1.15 Borrowing costs (continued)

- Weighted average of the borrowing costs applicable to the entity on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when:

- expenditures for the asset have occurred;
- borrowing costs have been incurred, and
- activities that are necessary to prepare the asset for its intended use or sale are in progress.

Capitalisation is suspended during extended periods in which active development is interrupted.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.16 Translation of foreign currencies

Foreign currency loans

All transactions denominated in foreign currency are translated to Maloti at the approximate rate of exchange ruling at the date of transaction. All assets and liabilities denominated in foreign currencies at the financial position date of are translated to Maloti at the approximate rate of exchange ruling at that date except where they are covered by forward exchange contracts. by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

Loans Before 1990

Realised exchange differences arising in respect of the Corporation's borrowings obtained prior to 1990 are debited to the Government of Lesotho who has agreed to provide protection against exchange rate changes on the Corporation's foreign currency borrowings. Exchange differences arising from year end conversions are debited or credited to the income statement.

Loans After 1990

Exchange differences arising from foreign currency borrowings obtained after 1990 are debited or credited to the income statement.

1.17 Financial Risk Management

Financial risk factors

The Corporation's activities expose it to a variety of financial risks: market risk (including currency risk fair value interest risk cash flow interest-rate risk and price risk) credit risk and liquidity risk. LNDC's overall risk management programme focuses on the unpredictability of the financial markets and seeks to minimise potential adverse effects on its financial performance. LNDC currently does not use derivative financial instruments to hedge certain risk exposures.

Market risk

From time to time LNDC is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the US dollar. Foreign exchange risk arises from future commercial transactions recognized assets and liabilities. Foreign exchange risk arises when future commercial transactions recognized assets and liabilities are denominated in a currency that is not LNDC's functional currency. As at 31 March 2017 LNDC was not exposed to any foreign currency exchange risk

Cash flow and fair value interest rate risk

As LNDC has no significant interest-bearing assets its income and operating cash flows are substantially independent of changes in market interest rates. LNDC's interest-rate risk arises from long-term borrowings. Borrowings issued at variable rates expose LNDC to cash flow interest-rate risk. Borrowings issued at fixed rates expose LNDC to fair value interest-rate risk. LNDC is not exposed to fair value interest rate risk because all its borrowings are at variable rates. LNDC does not consider the exposure to cash flow interest rate risk as significant; therefore it currently does not have formal mechanisms to mitigate this risk.

1.17 Financial Risk Management (continued)

Credit risk

Credit risk arises from cash and cash equivalents deposits with banks and financial institutions as well as credit exposures to industrial, commercial and residential customers including outstanding receivables and committed transactions. For banks and commercial institutions only high credit quality parties are accepted. If industrial and commercial customers are independently rated these ratings are used. Sales to customers are settled in cash. Management does not expect any losses from non-performance by these counterparties.

Notes to the Financial Statements

Figures in Maloti	2017	2016

2. Investment property

	2017			2016		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Investment property	919 766 256	(168 197 952)	751 568 304	836 346 185	(80 714 194)	755 631 991

Reconciliation of investment property - 2017

	Opening balance	Additions	Depreciation	Total
Investment property	755 631 991	83 420 071	(87 483 758)	751 568 304

Reconciliation of investment property - 2016

	Opening balance	Additions	Depreciation	Total
Investment property	590 682 127	177 925 025	(12 975 161)	755 631 991

Details of the leasehold land and buildings and information about the fair value hierarchy as at 31 March 2017 and 2016 are as follows:

	Level 1 M	Level 2 M	Level 3 M	Fair value as at 31 March 2017 M
Leasehold Land	-	-	894 230 000	894 230 000
Buildings	-	-	1 226 601 114	1 226 601 114
Buildings	-	-	2 120 831 114	2 120 831 114

	Level 1 M	Level 2 M	Level 3 M	Fair value as at 31 March 2016 M
Leasehold Land	-	-	605 584 000	605 584 000
Buildings	-	-	522 185 022	522 185 022
	-	-	1 127 769 022	1 127 769 022

Notes to the Financial Statements

3. Property, plant and equipment

	2017			2016		
	Cost / Valuation	**Accumulated depreciation**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation**	**Carrying value**
Furniture and fixtures	2 425 790	(1 269 656)	1 156 134	2 411 064	(1 057 307)	1 353 757
Buildings	34 428 312	(6 378 855)	28 049 456			
Motor vehicles	2 424 012	(1 670 259)	753 753	2 424 012	(1 301 772)	1 122 240
Office equipment	6 103 713	(4 637 392)	1 466 321	5 795 293	(4 385 600)	1 409 693
IT equipment	849 026	(486 858)	362 168	849 026	(429 238)	419 788
Computer software	1 896 745	(1 455 381)	441 364	1 812 317	(1 251 602)	560 715
Other Assets	436 879		436 879			
Total	**48 564 478**	**(15 898 402)**	**32 666 076**	**13 291 712**	**(8 425 519)**	**4 866 193**

Reconciliation of property, plant and equipment - 2017

	Opening Balance	**Additions**	**Depreciation**	**Total**
Furniture and fixtures	1 353 757	14 726	(368 487)	1 156 134
Building	-	34 428 312	(6 378 856)	28 049 456
Motor vehicles	1 122 240		(283 686)	753 753
Office equipment	1 409 693	308 420	(220 439)	1 466 321
IT equipment	419 788		(57 620)	362 168
Computer software	560 715	84 428	(615 802)	441 364
Other Assets			-	436 879
	4 866 193	**35 272 765**	**(1 391 805)**	**32 666 076**

Reconciliation of property, plant and equipment - 2016

	Opening balance	**Additions**	**Disposals**	**Depreciation**	**Total**
Furniture and fixtures	771 824	796 191	-	(214 258)	1 353 757
Motor vehicles	855 142	550 784	-	(283 686)	1 122 240
Office equipment	1 565 317	64 815	-	(220 439)	1 409 693
IT equipment	265 249	212 159	-	(57 620)	419 788
Computer software	799 316	377 201	-	(615 802)	560 715
	4 256 848	**2 001 150**	**-**	**(1 391 805)**	**4 866 193**

Figures in Maloti	2017	2016

4. Interests in subsidiaries

Name of company	Held by	% voting power 2017	% voting power 2016	% holding 2017	% holding 2016	Carrying amount 2017	Carrying amount 2016
Maluti Mountain Brewery		51,00 %	51,00 %	51,00 %	51,00 %	150 393 900	114 220 110
Loti Bricks Loan		- %	- %	- %	- %	16 275 745	12 599 830
Basotho Canners Loan		- %	- %	- %	- %	9 479 000	9 479 000
Sundry debtor- subsidiaries		- %	- %	- %	- %	21 119 580	21 538 951
Loti Bricks		73,60 %	73,60 %	73,60 %	73,60 %	30 410 880	30 410 880
Basotho Canners		100,00 %	100,00 %	100,00 %	100,00 %	100 002	100 002
						227 779 107	188 348 773
Impairment of investment in subsidiaries		- %	- %	- %	- %	(49 705 494)	(49 705 494)
						178 073 613	138 643 279

5. Others Investments

The following table lists all of the associates in the Corporation:

Name of company	Held by	% ownership interest 2017	% ownership interest 2016	Carrying amount 2017	Carrying amount 2016
Lesotho Milling		10,00 %	10,00 %	13 204 599	11 263 773
Lesotho Housing		13,00 %	13,00 %	2 825 571	2 825 571
Lesotho Housing - Provision for Bad debts		- %	- %	(1 868 000)	(1 868 000)
Avani		17,00 %	17,00 %	8 072 147	8 072 147
				22 234 316	20 293 491

6. Investment in associates

Name of company	2017	2016
Cashbuild Lesotho	14 441 000	12 276 500
Lesotho Foods	20 354 663	16 887 803
O.K Bazaars Lesotho	27 228 000	26 754 000
Mountain Kingdom Foods	-	723 289
	62 023 663	**56 641 592**

7. Trade and other receivables

	2017	2016
Trade receivables	28 042 612	20 252 153
Provision for Bad Debts	(18 676 593)	(11 993 037)
Staff debtors	103 607	35 327
Prepayments	4 160 375	4 254 182
Deposits	79 139	79 139
Dividend receivables	46 078 064	19 890 000
Suspense	7 197 182	5 295 179
Sundry debtors	2 123 592	2 131 247
Travel advance	30 114	31 879
	69 138 092	**39 976 069**

Notes to the Financial Statements

Figures in Maloti	2017	2016

8. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	1 000	287
Bank balances	38 910 591	59 127 184
Short-term deposits	55 559 941	52 309 636
Bank overdraft	-	-
	94 471 532	**111 437 107**
Current assets	94 471 532	111 437 107
Current liabilities	-	-
	94 471 532	**111 437 107**

9. Share capital

Authorised		
250 000 000 ordinary shares of M1 each	250 000 000	250 000 000
Reconciliation of number of shares issued:		
Reported as at 01 April 2016	128 000 000	128 000 000
Issued		
Ordinary	128 000 000	128 000 000

10. Interest Accrued

Interest Accrued		
Bank loan	7 101 274	5 438 439
Current liabilities		
At amortised cost	7 101 274	5 438 439

11. Provisions

Reconciliation of provisions - 2017

	Opening balance	Additions	Utilised during the year	Total
Severance pay	3 847 075	748 548	(154 862)	4 440 671

Reconciliation of provisions - 2016

	Opening balance	Additions	Utilised during the year	Total
Severance pay	3 130 402	854 324	(137 651)	3 847 075

Notes to the Financial Statements

Figures in Maloti		2017	2016

12. Long term borrowings - Non-current portion

Description		M	M
Public Investment Commissioners		-	-
- 13.9% loan repayable on October 2016. Secured by Zero Coupon Bond			
	2	-	-
European Investment Bank 4B		-	137 421
- 5% loan from EIB to GOL on-lent to LNDC, repayable in ten equal annual instalments commencing April 2008			
	3	-	-
Thetsane - Nieng Hsing		-	260 000
- 2%loan repayable in twenty yearly instalments commencing 2006	4		
		-	-
IDA Line of Credit		3 780 656	5 460 946
- 7% loan repayable in twenty yearly installments commencing July 1 2000			
	5	-	-
ADB Line Credit	-	1 939 174	7 229 611
- 4% loan repayable in twenty semi-annual installments commencing July 1 2000			
	6	-	-
Basotho Canners	-	-	905 013
- 2% loan repayable in semi-annual installments commencing January 1 2009			
	7	-	-
ODA 2nd Line of Credit	-	761 627	1 485 343
- 7 % loan repayable annually over twenty-five years with five years moratorium from September 26 1996			
	8	-	-
CGM	-	15 000 000	21 000 000
Interest free loan payable in ten years with three years moratorium from December 2011			
	9	-	-
Factory Shells	-	51 000 000	51 000 000
- 2% loan repayable over fifteen years after five years moratorium from December 2017			
	10	-	-
GOL - Tikoe Phase 2 - Factory Shells	-	202 789 827	197 167 648
Subtotal	-	275 271 282	284 645 982
Long Term Borrowing - Current Portion	-	(14 996 877)	(14 635 016)
Long Term Borrowing - Non-current Portion	-	**260 274 405**	**270 010 967**
Long Term Liabilities- GOL World Bank Project Funds		4 048 692	4 048 692

13. Trade and other payables

Trade payables	-	93 668
VAT	98 813	177 215
Other payables	7 317 352	6 312 284
Sundry creditors	6 021 249	7 956 009
Accrued expense	3 696 673	2 231 943
Deposits received	10 197 887	8 894 572
	27 331 973	**25 665 691**

Notes to the Financial Statements

Figures in Maloti	2017	2016

14. Revenue

Rental Income	72 503 662	66 087 037
Miscellaneous other revenue	2 697 161	2 667 470
	75 200 823	**68 754 507**

15. Investment revenue

Dividend revenue		
Subsidiaries – Local	64 263 986	61 384 832
Interest revenue	9 854 982	10 327 785
Bank	-	396
	9 854 982	**10 328 181**
	74 118 968	**71 713 013**

16. Finance costs

Interest paid	1 662 835	6 024 323

17. Cash generated from operations

Profit before taxation	35 589 714	32 067 990
Adjustments for:		
Depreciation and amortization	14 242 447	14 150 778
Profit on sale of assets	-	(79 982)
Profit on foreign exchange	-	(1 644 372)
Dividends received	(64 263 986)	(61 384 832)
Interest received	(9 854 982)	(10 328 181)
Finance costs	1 662 835	6 024 323
Movements in provisions	593 596	716 673
Prior year adjustment	3 511 266	-
Grants received	34 377 821	77 015 881
Return on investments	72 456 132	71 651 017
Changes in working capital:		
Trade and other receivables	(29 161 981)	(7 925 529)
Trade and other payables	5 714 931	124 268
	64 867 793	**120 388 034**

18. Financial instruments

Exposure to currency, interest rate and credit risk arises in the normal course of the Authority's business.

18.1. Currency risk

At the balance sheet date there were no balances that were exposed to exchange rate fluctuations.

18.2 Interest rate risk

The Authority does not limit its risk in respect of interest rate changes. Accordingly, interest rate fluctuations will directly impact on the Authority's results. At the balance sheet date, however, there were no significant balances that were exposed to interest rate fluctuations.

Notes to the Financial Statements

18.3 Credit risk

No collateral is required in respect of financial assets. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. At the balance sheet date there were no concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

18.4 Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of any netting agreements:

	Carrying amount	**Contractual cash flows**	**Within 1 year**	**Between 2 and 5years**
31 March 2017	**M**	**M**	**M**	**M**
Financial liabilities:				
Borrowings	286 421 248	12 444 957	12 444 957	273 976 291
Trade and other payables	31 772 644	31 772 644	31 772 644	-
	318 193 892	**44 217 601**	**44 217 601**	**273 976 291**
31 March 2016				
Financial liabilities:				
Borrowings	294 133 112	20 073 453	20 073 453	274 059 659
Trade and other payables	25 464 117	25 464 117	25 464 117	-
	319 597 229	**45 537 570**	**45 537 570**	**274 059 659**

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at a significantly different amount.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2017	**2016**
	M	**M**
Loans and receivables	69 138 092	39 976 111
Cash and cash equivalents	190 033 977	176 536 559
	259 172 069	**216 512 670**

Notes to the Financial Statements

18.5 Fair values

The fair values of all financial instruments are substantially identical to the carrying amounts reflected in the balance sheet.

18.5.1 The fair value of financial assets and financial liabilities together with the carrying amounts shown in the statement of financial position, are as follows:

	Loans and receivables	Other financial liabilities	Total carrying amount	Fair Value
	M	M	M	M
As at 31 March 2017				
Financial assets				
Trade and other receivables	69 138 092		69 138 092	69 138 092
Cash and cash equivalents	190 033 977	-	190 033 977	190 033 977
	259 172 069	**-**	**259 172 069**	**259 172 069**
Financial liabilities				
Trade and other payables	31 772 644	-	31 772 644	31 772 644
Borrowings	286 421 248	-	286 421 248	286 421 248
	318 193 892	**-**	**318 193 892**	**318 193 892**

	Loans and receivables	Other financial liabilities	Total carrying amount	Fair Value
	M	M	M	M
As at 31 March 2016				
Financial assets				
Trade and other receivables	39 976 111	-	39 976 111	39 976 111
Cash and cash equivalents	176 536 559	-	176 536 559	176 536 559
	216 512 670	**-**	**216 512 670**	**216 512 670**
Financial liabilities				
Trade and other payables	25 464 117	-	25 464 117	25 464 117
Borrowings	294 133 112	-	294 133 112	294 133 112
	319 597 229	**-**	**319 597 229**	**319 597 229**

Detailed Income Statement

Figures in Maloti	Note(s)	2017	2016
Revenue			
Rental Income		72 503 662	66 087 037
Other revenue		2 697 161	2 667 470
	14	**75 200 823**	**68 754 507**
Other income			
Bad debts Recoveries			4 800 000
Dividend revenue	15	64 263 986	61 384 832
Interest received	15	9 854 982	10 328 181
Gains on disposal of assets		-	79 982
Profit on exchange differences		-	1 644 372
		74 118 968	**78 237 367**
Expenses (Refer to page 30)		**(112 067 242)**	**(108 899 561)**
Operating profit		**37 252 549**	**38 092 313**
Finance costs	16	(1 662 835)	(6 024 323)
Profit for the year		**35 589 714**	**32 067 990**

Lesotho National Development Corporation
Financial Statements for the year ended 31 March 2017

Detailed Income Statement

Figures in Maloti	Note(s)	2017	2016
Operating expenses			
Bank Charges		182 838	157 177
Forex Exchange & Fair Value Loss		3 424 467	-
Staff Costs		33 534 863	28 425 727
Audit Fees		131 418	227 525
Bad Debts		7 555 343	21 061
Board Members expenses		2 124 608	876 050
Business Entertainment & CEO Expenses		96 064	109 611
Cleaning		1 563 295	1 260 656
Consulting fees		2 583 469	1 381 098
Courier & Postage Services		6 441	9 197
Depreciation		14 242 447	14 150 778
Donations & CSR		129 128	93 965
Utilities (Electricity & Water)		5 227 514	4 031 058
Fringe Benefit Tax		1 477 484	1 259 580
Ground Rental		2 882 461	3 462 630
Insurance		5 362 763	5 535 147
Investment Promotion		3 562 988	2 963 268
Legal Fees		774 841	432 914
Building Maintenance		7 923 542	6 643 970
Equipment & Furniture Maintenance		192 459	304 553
Motor Expenses		141 599	58 142
Office Expenses		50 701	64 371
Motor Vehicle Expenses		141 599	58 142
Petrol		124 461	79 532
Printing & Stationery		122 253	268 972
Promotional Gifts & Branding		131 794	315 315
Property Rates		7 603 737	6 244 583
Publications		735 502	590 601
Publicity & Public Relations		740 437	1 231 621
Staff Recruitment		87 818	199 220
Staff Welfare & Refreshments		242 678	226 269
Security Fees		3 582 873	2 549 311
Sports Expenses		251 930	449 261
Subscriptions		1 745 981	707 475
Telephone & Fax		346 978	669 697
Training Expenses		1 797 059	1 383 365
Traveling Expenses		1 383 007	1 475 491
		112 067 242	**108 899 561**