



GOVERNMENT OF LESOTHO

**AUDIT REPORT  
ON THE  
ANNUAL FINANCIAL STATEMENTS  
OF**

**LESOTHO NATIONAL DEVELOPMENT CORPORATION  
FOR THE YEAR ENDED 31 MARCH 2018**

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



Lesotho National Development Corporation  
Financial Statements  
For the year ended 31 March 2018

# Lesotho National Development Corporation

Financial Statements for the year ended 31 March 2018

## General Information

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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.	
Board Chairperson	Ms Matseliso Lehohla	Terminated July 17
Directors	Mr. Nchemo Maile	May 17 to July 17
	Mr. Nkareng Letsie	May 2017
	Mr. Retselisitsoe Theko	May 17 to July 17
	Mr. Lepeli Molapo	May 17 to July 17
	Mrs. Mamotselisi Khiba	May 17 to July 17
	Mrs. Fumane Maema	May 17 to July 17
	Mr. Thebe Mokoatle	September 17
	Mr. Khomoatsana Tau	September 17
	Mrs. Puleng Lekholoane	September 17
	Mr. Malefetsane Nchaka	September 17
	Dr. Makatleho Matabooe	September 17
	Mr. Thabo Monyamane Jr	September 17
	Adv. Mphaiphele Maqutu	September 17
	Mr. Themba Sopeng	September17
	Mr. Lerotholi Pheko	September 17
		Adv. Ranale Thoahlane
Caretaker Chief Executive Officer to Nov 17	Mrs. Nthabiseng Posholi	May17
Chief Executive Officer	Mr. M. Seleke	December 17
Registered office	LNDC Kingsway Mall Block A, Development House	
Business address	LNDC Kingsway Mal 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 February 17	Mr. Selebalo Lekokoto	

# Lesotho National Development Corporation

Financial Statements for the year ended 31 March 2018

## General Information

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

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# Lesotho National Development Corporation

Financial Statements for the year ended 31 March 2018

## Directors' Responsibilities and Approval

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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.

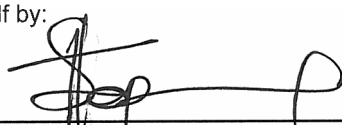
The Directors have reviewed the Corporation's cash flow forecast for the year to 31 March 2018 and, in the light of this review and the current financial position, they are satisfied that the Corporation has or has access to adequate resources to continue in operational existence for the foreseeable 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 pages 4 to 5.

The financial statements set out on pages 8 to 30, which have been prepared on the going concern basis, were approved by the Board of Directors on 22/09/2018 and were signed on its behalf by:



Chief Executive Officer - Mr Mohato Seleke



Board Chairperson – Mr Themba Sopeng



**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 2018**

**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 2018 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 2018, 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 Companies Act 2011 and 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.

**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 audit 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 my 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 audit 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 my audit report. However, future events or conditions may cause the Corporation 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 audit 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.



**LUCY L. LIPHAFI (MRS)**  
**AUDITOR-GENERAL**

**7 November 2018**

OFFICE OF THE AUDITOR-GENERAL  
AUDITOR GENERAL

**07 NOV 2018**

P.O. BOX 502  
MASERU100, LESOTHO



# Lesotho National Development Corporation

Financial Statements for the year ended 31 March 2018

## Directors' Report

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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 2018.

### 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	Terminated July 17
Mrs. Liengoane Lefosa	Mosotho	Terminated December 16
Dr Lefulesele Lebesa	Mosotho	Terminated April 17
Ms. Mampho Tjabane	Mosotho	Terminated April 17
Mr. Lebakeng Mohau Tigeli	Mosotho	Terminated April 17
Mr. Makhetha Thaele	Mosotho	Terminated April 17
Mr. Lehlohonolo Chefa	Mosotho	Terminated April 17
Ms. Ntsiuoa Jaase	Mosotho	Terminated April 17
Mr. Mosito Ntema	Mosotho	Terminated April 17
Mr. Sehlabaka Ramafikeng	Mosotho	Terminated 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 to March 2018
Mr Khomoatsana Tau	Mosotho	From September 2017
Ms Puleng Lekholoane	Mosotho	From September 2017
Mr Malefetsane Nchaka	Mosotho	From September 2017
Dr Makatleho Julia Mataboee	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

# **Lesotho National Development Corporation**

Financial Statements for the year ended 31 March 2018

## **5. Secretary & Chief Executive Officer**

### **Caretaker Chief Executive Officer**

Mrs Nthabiseng Posholi from May 2017 to November 2017

### **Chief Executive Officer**

Mr Mohato Seleke from December 2017

### **The Secretary of the Corporation**

Mr. Selebalo Lekokoto from February 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 2018

## Statement of Financial Position as at 31 March 2018

Figures in Maloti	Note(s)	2018	2017
<b>Assets</b>			
<b>Non-Current Assets</b>			
Investment property	2	787 181 738	751 568 304
Property, plant and equipment	3	31 608 283	32 666 076
Investments in subsidiaries	4	178 031 611	178 073 613
Others Investments	5	29 980 178	22 234 316
Investment in associates	6	71 942 111	62 023 663
Long Term Receivable		4 800 000	4 600 000
		<b>1 103 543 921</b>	<b>1 051 165 972</b>
<b>Current Assets</b>			
Trade and other receivables	7	65 311 934	69 138 092
Short term Investment		159 158 871	95 562 445
Cash and cash equivalents	8	45 879 294	94 471 532
		<b>270 350 099</b>	<b>259 172 069</b>
<b>Total Assets</b>		<b>1 373 894 021</b>	<b>1 310 338 041</b>
<b>Equity and Liabilities</b>			
<b>Equity</b>			
Share capital	9	128 000 000	128 000 000
Reserves		636 736 760	602 188 754
Retained income		306 219 239	261 955 392
		<b>1 070 955 999</b>	<b>992 144 146</b>
<b>Liabilities</b>			
<b>Non-Current Liabilities</b>			
Provisions	11	4 122 983	4 440 671
Long Term – Liabilities		4 048 692	4 048 692
Long term borrowings - Non-current portion	12	256 500 672	260 274 408
		<b>264 672 347</b>	<b>268 763 771</b>
<b>Current Liabilities</b>			
Interest Accrued	10	3 153 522	7 101 274
Trade and other payables	13	20 752 401	27 331 973
Long Term Borrowing - Current portion	12	14 359 751	14 996 877
Bank overdraft	8	-	-
		<b>38 265 674</b>	<b>49 430 124</b>
<b>Total Liabilities</b>		<b>302 938 022</b>	<b>318 193 895</b>
<b>Total Equity and Liabilities</b>		<b>1 373 894 021</b>	<b>1 310 338 041</b>

# Lesotho National Development Corporation

Financial Statements for the year ended 31 March 2018

## Statement of Comprehensive Income

Figures in Maloti	Note(s)	2018	2017
Revenue	14	71 675 819	72 503 662
Other income		3 277 387	2 697 161
Operating expenses		(102 194 631)	(112 067 242)
<b>Operating loss</b>		<b>(27 241 425)</b>	<b>(36 866 419)</b>
Investment revenue	15	72 405 590	74 118 968
Finance costs	16	(1 337 728)	(1 662 835)
<b>Profit for the year</b>		<b>43 826 437</b>	<b>35 589 714</b>
<b>Total comprehensive income for the year</b>		<b>43 826 437</b>	<b>35 589 714</b>

# Lesotho National Development Corporation

Financial Statements for the year ended 31 March 2018

## Statement of Changes in Equity

Figures in Maloti	Share capital	Reserves	Retained income	Total equity
<b>Balance at 01 April 2015</b>	<b>128 000 000</b>	<b>416 481 662</b>	<b>197 808 953</b>	<b>742 290 615</b>
Profit for the year	-	-	32 067 990	32 067 990
Other comprehensive income	-	-	-	-
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>32 067 990</b>	<b>32 067 990</b>
Increase in investments value	-	26 417 499	-	26 417 499
Grants	-	77 015 882	-	77 015 882
<b>Total contributions by and distributions to owners of company recognised directly in equity</b>	<b>-</b>	<b>103 433 381</b>	<b>-</b>	<b>103 433 381</b>
<b>Balance at 01 April 2016</b>	<b>128 000 000</b>	<b>519 915 043</b>	<b>229 876 943</b>	<b>877 791 986</b>
Profit for the year	-	-	35 589 714	35 589 714
Prior year adjustments	-	-	(3 511 266)	(3 511 266)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>32 078 448</b>	<b>32 797 528</b>
Increase in investments value	-	47 895 890	-	47 895 890
Grants	-	34 377 821	-	34 377 821
<b>Total contributions by and distributions to owners of company recognised directly in equity</b>	<b>-</b>	<b>82 273 711</b>	<b>-</b>	<b>82 273 711</b>
<b>Balance at 01 April 2017</b>	<b>128 000 000</b>	<b>602 188 754</b>	<b>261 955 392</b>	<b>992 144 146</b>
Profit for the year	-	-	43 826 437	43 826 437
Prior year adjustments	-	-	437 410	437 410
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>44 263 847</b>	<b>44 263 847</b>
Grants Received		16 883 696		16 883 696
Grants Amortised	-	17 664 310	-	17 664 310
<b>Total contributions by and distributions to owners of company recognised directly in equity</b>	<b>-</b>	<b>34 548 006</b>	<b>-</b>	<b>34 548 006</b>
<b>Balance at 31 March 2018</b>	<b>128 000 000</b>	<b>636 736 760</b>	<b>306 219 239</b>	<b>1 070 955 999</b>
Note(s)	9			

# Lesotho National Development Corporation

Financial Statements for the year ended 31 March 2018

## Statement of Cash Flows

Figures in Maloti

	Note(s)	2018	2017
<b>Cash flows from operating activities</b>			
Cash generated from operations	17	(66 672 617)	(42 068 366)
Interest income		10 285 050	9 854 982
Dividends received		62 120 540	64 263 986
Finance costs		(1 337 728)	(1 662 835)
<b>Net cash from operating activities</b>		<b>4 395 245</b>	<b>30 387 766</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	3	-	-
Sale of property, plant and equipment	3	324 858	-
Purchase of investment property	2	(48 901 481)	(37 978 722)
Movement of financial assets- other investments		-	-
Movement Short term investments		-	-
<b>Net cash from investing activities</b>		<b>(48 576 626)</b>	<b>(37 978 722)</b>
<b>Cash flows from financing activities</b>			
Repayment of interest accrued		-	-
Increase in long term Loans		(3 773 734)	-
Movement in Long term loans		(637 126)	(9 374 699)
<b>Net cash from financing activities</b>		<b>(4 410 859)</b>	<b>(9 374 699)</b>
<b>Total cash movement for the year</b>		<b>(48 592 238)</b>	<b>(16 965 655)</b>
Cash at the beginning of the year		94 471 532	111 437
Effect of exchange rate movement on cash balances		-	-
<b>Total cash at end of the year</b>	8	<b>45 879 294</b>	<b>94 471 532</b>

# Lesotho National Development Corporation

Financial Statements for the year ended 31 March 2018

## Accounting Policies

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### 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 as amended 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.

# Lesotho National Development Corporation

Financial Statements for the year ended 31 March 2018

## Accounting Policies

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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



# Lesotho National Development Corporation

Financial Statements for the year ended 31 March 2018

## Accounting Policies

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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.

# Lesotho National Development Corporation

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### 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.

# Lesotho National Development Corporation

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### 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.

# Lesotho National Development Corporation

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### 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.

# Lesotho National Development Corporation

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## Accounting Policies

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### 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.

# Lesotho National Development Corporation

Financial Statements for the year ended 31 March 2018

## Accounting Policies

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### 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 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 receive 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 refined 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.

# Lesotho National Development Corporation

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## Accounting Policies

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### 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.

# Lesotho National Development Corporation

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### 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.



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### 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.

# Lesotho National Development Corporation

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### 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;

# Lesotho National Development Corporation

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## Accounting Policies

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### 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 be measured reliably.

#### Rental Income

Rental income from leased properties is recognised on a straight line basis 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.

# Lesotho National Development Corporation

Financial Statements for the year ended 31 March 2018

## Accounting Policies

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### 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 2018 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.

# Lesotho National Development Corporation

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### 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.

# Lesotho National Development Corporation

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## Notes to the Financial Statements

Figures in Maloti	2018	2017
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### 2. Investment property

	2018			2017		
	Cost / Valuation	Accumulated Depreciation	Carrying value	Cost / Valuation	Accumulated Depreciation	Carrying value
Investment property	887 404 152	(100 222 414)	787 181 738	919 766 256	(168 197 952)	751 568 304

#### Reconciliation of investment property - 2018

	Opening balance	Additions	Disposal	Depreciation	Total
Investment property	751 568 304	-	(32 362 104)	(67 975 538)	787 181 738

#### Reconciliation of investment property - 2018

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

Details of the leasehold land and buildings and information about the fair value hierarchy as at 31 March 2018 and 2017 are as follows:

	Level 1 M	Level 2 M	Level 3 M	Fair value as at 31 March 2018 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 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

# Lesotho National Development Corporation

Financial Statements for the year ended 31 March 2018

## Notes to the Financial Statements

### 3. Property, plant and equipment

	2018			2017		
	Cost / Valuation	Accumulated Depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Furniture and fixtures	2 425 790	(1 433 032)	992 758	2 425 790	(1 269 656)	1 156 134
Buildings	34 428 312	(7 067 422)	27 360 890	34 428 312	(6 378 855)	28 049 456
Motor vehicles	2 274 097	(1 501 117)	772 980	2 424 012	(1 670 259)	753 753
Office equipment	6 411 722	(4 919 986)	1 491 736	6 103 713	(4 637 392)	1 466 321
IT equipment	849 026	(544 477)	304 550	849 026	(486 858)	362 168
Computer software	1 896 745	(1 659 161)	237 584	1 896 745	(1 455 381)	441 364
Other Assets	447 784		447 784	436 879		436 879
<b>Total</b>	<b>48 733 477</b>	<b>(17 125 194)</b>	<b>31 608 283</b>	<b>48 564 478</b>	<b>(15 898 402)</b>	<b>32 666 076</b>

#### Reconciliation of property, plant and equipment - 2018

	Opening Balance	Additions	Depreciation	Total
Furniture and fixtures	1 156 134	14 726	(368 487)	992 758
Building	28 049 456	34 428 312	(6 378 856)	27 360 890
Motor vehicles	753 753		(283 686)	772 980
Office equipment	1 466 321	308 420	(220 439)	1 491 736
IT equipment	362 168		(57 620)	304 550
Computer software	441 364	84 428	(615 802)	237 584
Other Assets	436 879		-	447 784
	<b>32 666 076</b>	<b>35 272 765</b>	<b>(1 391 805)</b>	<b>31 608 283</b>

#### Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Disposals	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
	<b>4 866 193</b>	<b>35 272 765</b>	<b>-</b>	<b>(1 391 805)</b>	<b>32 666 076</b>

# Lesotho National Development Corporation

Financial Statements for the year ended 31 March 2018

## Notes to the Financial Statements

Figures in Maloti						2018	2017
4. Interests in subsidiaries							
Name of company	Held by	% voting power 2018	% voting power 2018	% holding 2018	% holding 2018	Carrying amount 2018	Carrying amount 2018
Maluti Mountain Brewery		51,00 %	51,00 %	51,00 %	51,00 %	150 393 900	150 393 900
Loti Bricks Loan		- %	- %	- %	- %	16 275 745	16 275 745
Basotho Canners Loan		- %	- %	- %	- %	9 479 000	9 479 000
Sundry debtor- subsidiaries		- %	- %	- %	- %	21 077 578	21 119 580
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
						227 737 105	227 779 107
Impairment of investment in subsidiaries		- %	- %	- %	- %	(49 705 494)	(49 705 494)
						178 031 611	178 073 613

## 5. Others Investments

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

Name of company	% ownership interest 2018	% ownership interest 2017	Carrying amount 2018	Carrying amount 2017
Lesotho Milling	10,00 %	10,00 %	13 962 046	13 204 599
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 %	15 060 561	8 072 147
			29 980 178	22 234 316

## 6. Investment in associates

Name of company		
Cashbuild Lesotho	16 096 497	14 441 000
Lesotho Foods	29 152 838	20 354 663
O.K Bazaars Lesotho	26 692 775	27 228 000
Mountain Kingdom Foods	-	-
		71 942 111
		62 023 663

## 7. Trade and other receivables

Trade receivables	24 355 100	28 042 612
Provision for Bad Debts	(12 637 510)	(18 676 593)
Staff debtors	56 319	103 607
Prepayments	4 463 739	4 160 375
Deposits	79 139	79 139
Dividend receivables	24 244 323	46 078 064
Suspense	21 773 138	7 197 182
Sundry debtors	2 971 187	2 123 592
Travel advance	6 500	30 114
		65 311 934
		69 138 092



# Lesotho National Development Corporation

Financial Statements for the year ended 31 March 2018

## Notes to the Financial Statements

Figures in Maloti	2018	2017
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### 8. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	297	1 000
Bank balances	45 878 997	38 910 591
Short-term deposits	-	55 559 941
Bank overdraft	-	-
	<u>45 879 294</u>	<u>94 471 532</u>

Current assets	45 879 294	94 471 532
Current liabilities	-	-
	<u>45 879 294</u>	<u>94 471 532</u>

### 9. Share capital

#### Authorised

250 000 000 ordinary shares of M1 each	250 000 000	250 000 000
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#### Reconciliation of number of shares issued:

Reported as at 01 April 2018	128 000 000	128 000 000
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#### Issued

Ordinary	128 000 000	128 000 000
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### 10. Interest Accrued

#### Interest Accrued

Bank loan	3 153 522	7 101 274
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#### Current liabilities

At amortised cost	3 153 522	7 101 274
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### 11. Provisions

#### Reconciliation of provisions - 2018

	Opening balance	Additions	Utilised during the year	Total
Severance pay	4 440 671	664 936	(982 624)	4 122 983

#### Reconciliation of provisions - 2017

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

# Lesotho National Development Corporation

Financial Statements for the year ended 31 March 2018

## Notes to the Financial Statements

Figures in Maloti	2018	2017
<b>12. Long term borrowings - Non-current portion</b>		
Description	M	M
Public Investment Commissioners - 13.9% loan repayable on October 2018. Secured by Zero Coupon Bond	-	-
European Investment Bank 4B - 5% loan from EIB to GOL on-lent to LNDC, repayable in ten equal annual instalments commencing April 2008	-	-
Thetsane - Nieng Hsing - 2% loan repayable in twenty yearly instalments commencing 2006	-	-
IDA Line of Credit - 7% loan repayable in twenty yearly installments commencing July 1 2000	2 835 492	3 780 656
ADB Line Credit - 4% loan repayable in twenty semi-annual installments commencing July 1 2000	1 454 381	1 939 174
Basotho Cannery - 2% loan repayable in semi-annual installments commencing January 1 2009	-	-
ODA 2nd Line of Credit - 7 % loan repayable annually over twenty-five years with five years moratorium from September 26 1996	-	761 627
CGM Interest free loan payable in ten years with three years moratorium from December 2011	12 000 000	15 000 000
Factory Shells - 2% loan repayable over fifteen years after five years moratorium from December 2018	47 900 000	51 000 000
GOL - Tikoe Phase 2 - Factory Shells	206 670 552	202 789 827
Subtotal	270 860 425	275 271 282
Long Term Borrowing - Current Portion	(14 359 754)	(14 996 877)
<b>Long Term Borrowing - Non-current Portion</b>	<b>256 500 671</b>	<b>260 274 405</b>
<b>Long Term Liabilities- GOL World Bank Project Funds</b>	<b>4 048 692</b>	<b>4 048 692</b>
<b>13. Trade and other payables</b>		
Trade payables	-	-
VAT	601 612	98 813
Other payables	4 291 237	7 317 352
Sundry creditors	1 270 879	6 021 249
Accrued expense	3 328 565	3 696 673
Deposits received	11 260 108	10 197 887
	<b>20 752 401</b>	<b>27 331 973</b>

# Lesotho National Development Corporation

Financial Statements for the year ended 31 March 2018

## Notes to the Financial Statements

Figures in Maloti	2018	2017
<b>14. Revenue</b>		
Rental Income	71 675 819	72 503 662
Miscellaneous other revenue	3 277 387	2 697 161
	<b>74 953 206</b>	<b>75 200 823</b>
<b>15. Investment revenue</b>		
Dividend revenue Subsidiaries – Local	62 120 540	64 263 986
Interest revenue	10 285 050	9 854 982
Bank	-	-
	<b>10 285 050</b>	<b>9 854 982</b>
	<b>72 405 590</b>	<b>74 118 968</b>
<b>16. Finance costs</b>		
Interest paid	1 337 728	1 662 835
<b>17. Cash generated from operations</b>		
Profit before taxation	43 501 579	35 589 714
<b>Adjustments for:</b>		
Depreciation and amortization	14 345 840	14 242 447
Bad Debts	3 173 470	-
Profit on foreign exchange	-	-
Dividends received	(62 120 540)	(64 263 986)
Interest received	(10 285 050)	(9 854 982)
Finance costs	1 337 728	1 662 835
Movements in provisions	317 688	593 596
Prior year adjustment	437 410	3 511 266
Grants received	16 883 695	34 377 821
Return on investments	71 067 862	72 456 132
<b>Changes in working capital:</b>		
Trade and other receivables	652 687	(29 161 981)
Trade and other payables	6 579 572	5 714 931
	<b>66 672 793</b>	<b>64 867 793</b>

### 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.

# Lesotho National Development Corporation

Financial Statements for the year ended 31 March 2018

## 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 5 years
	M	M	M	M
<b>31 March 2018</b>				
<b>Financial liabilities:</b>				
Borrowings	279 032 098	14 359 751	14 359 751	264 672 347
Trade and other payables	23 905 923	23 905 923	23 905 923	-
	<b>302 938 021</b>	<b>38 265 674</b>	<b>38 265 674</b>	<b>264 672 347</b>
<b>31 March 2017</b>				
<b>Financial liabilities:</b>				
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	-
	<b>318 193 892</b>	<b>44 217 601</b>	<b>44 217 601</b>	<b>273 976 291</b>

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:

	2018	2017
	M	M
Loans and receivables	65 311 934	69 138 092
Cash and cash equivalents	205 038 165	190 033 977
	<b>270 350 099</b>	<b>259 172 069</b>

# Lesotho National Development Corporation

Financial Statements for the year ended 31 March 2018

## 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
<b>As at 31 March 2018</b>				
<b>Financial assets</b>				
Trade and other receivables	65 311 934		65 311 934	65 311 934
Cash and cash equivalents	205 038 165	-	205 038 165	205 038 165
	<u>270 350 099</u>	<u>-</u>	<u>270 350 099</u>	<u>270 350 099</u>
<b>Financial liabilities</b>				
Trade and other payables	23 905 923	-	23 905 923	23 905 923
Borrowings	279 032 098	-	279 032 098	279 032 098
	<u>302 937 196</u>	<u>-</u>	<u>302 937 196</u>	<u>302 937 196</u>
	Loans and receivables	Other financial liabilities	Total carrying amount	Fair Value
	M	M	M	M
<b>As at 31 March 2017</b>				
<b>Financial assets</b>				
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
	<u>259 172 069</u>	<u>-</u>	<u>259 172 069</u>	<u>259 172 069</u>
<b>Financial liabilities</b>				
Trade and other payables	34 433 247	-	34 433 247	34 433 247
Borrowings	283 760 646	-	283 760 646	283 760 646
	<u>318 193 893</u>	<u>-</u>	<u>318 193 893</u>	<u>318 193 893</u>

# Lesotho National Development Corporation

Financial Statements for the year ended 31 March 2018

## Detailed Income Statement

Figures in Maloti	Note(s)	2018	2017
<b>Revenue</b>			
Rental Income		71 675 819	72 503 662
Other revenue		3 277 387	2 697 161
	14	<b>74 953 206</b>	<b>75 200 823</b>
<b>Other income</b>			
Bad debts Recoveries			
Dividend revenue	15	62 120 540	64 263 986
Interest received	15	10 285 050	9 854 982
Gains on disposal of assets		-	-
Profit on exchange differences		-	-
		<b>72 405 590</b>	<b>74 118 968</b>
<b>Expenses (Refer to page 30)</b>		<b>(102 194 631)</b>	<b>(112 067 242)</b>
<b>Operating profit</b>		<b>45 164 165</b>	<b>37 252 549</b>
Finance costs	16	(1 337 728)	(1 662 835)
<b>Profit for the year</b>		<b>43 826 437</b>	<b>35 589 714</b>

# Lesotho National Development Corporation

Financial Statements for the year ended 31 March 2018

## Detailed Income Statement

Figures in Maloti	Note(s)	2018	2017
<b>Operating expenses</b>			
Bank Charges		196 906	182 838
Forex Exchange & Fair Value Loss		4 406 159	3 424 467
Staff Costs		29 767 648	33 534 863
Audit Fees		139 566	131 418
Bad Debts		4 488 200	7 555 343
Board Members expenses		1 511 315	2 124 608
Business Entertainment & CEO Expenses		122 965	96 064
Cleaning		1 570 815	1 563 295
Consulting fees		431 461	2 583 469
Courier & Postage Services		5 288	6 441
Depreciation		14 345 840	14 242 447
Donations & CSR		112 000	129 128
Utilities (Electricity & Water)		4 321 378	5 227 514
Fringe Benefit Tax		1 250 004	1 477 484
Ground Rental		1 868 232	2 882 461
Insurance		5 260 256	5 362 763
Investment Promotion		2 266 989	3 562 988
Legal Fees		717 751	774 841
Building Maintenance		6 311 348	7 923 542
Equipment & Furniture Maintenance		379 169	334 058
Office Expenses		19 513	50 701
Petrol		129 564	124 461
Printing & Stationery		110 738	122 253
Promotional Gifts & Branding		276 045	131 794
Property Rates		12 576 380	7 603 737
Publications		106 070	735 502
Publicity & Public Relations		1 987 668	740 437
Staff Recruitment		11 105	87 818
Staff Welfare & Refreshments		313 903	242 678
Security Fees		4 202 744	3 582 873
Sports Expenses		233 169	251 930
Subscriptions		1 343 819	1 745 981
Telephone & Fax		236 408	346 978
Training Expenses		438 476	1 797 059
Traveling Expenses		735 740	1 383 007
		<b>(102 194 631)</b>	<b>(112 067 242)</b>