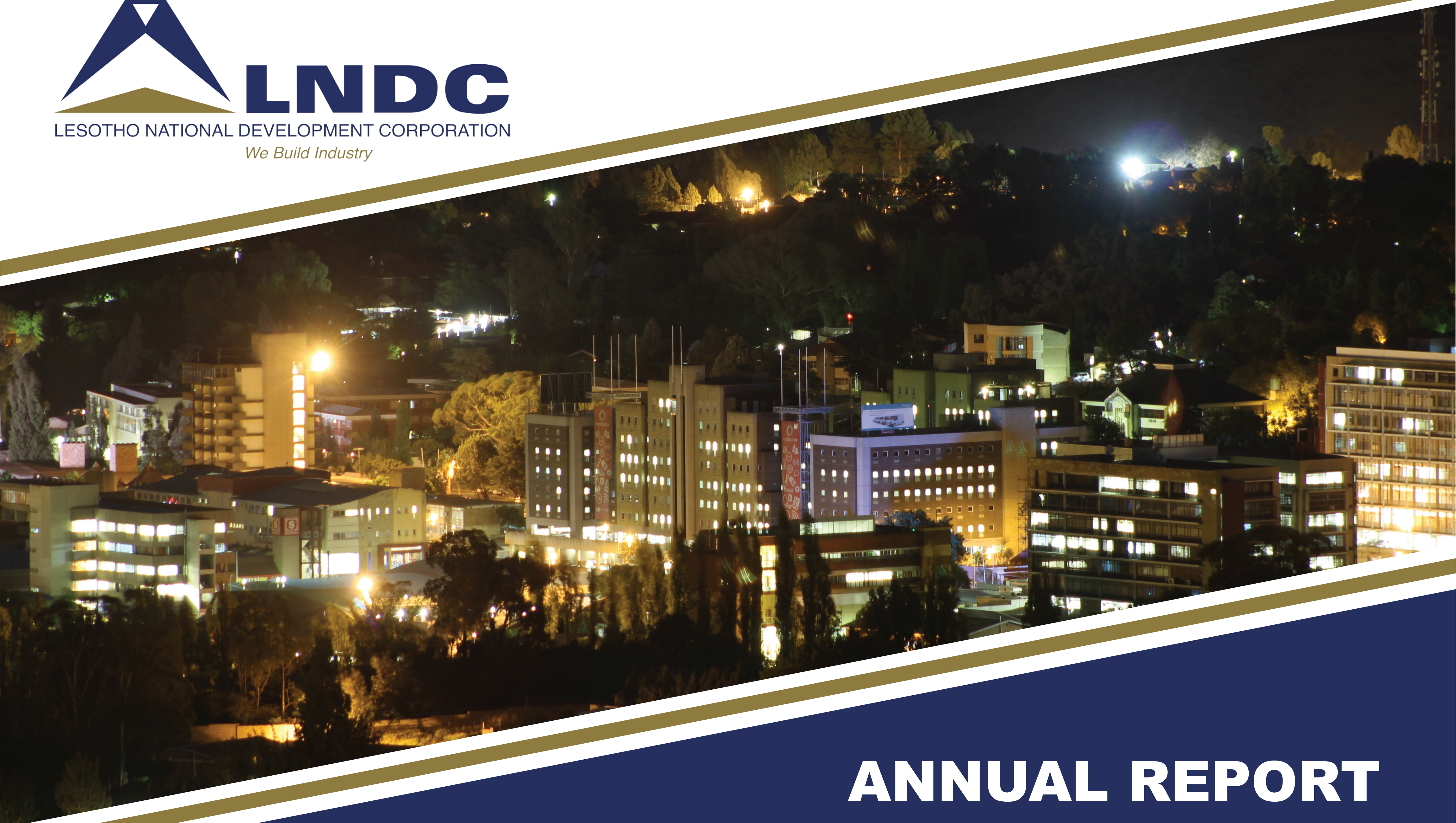
LNDC

LESOTHO NATIONAL DEVELOPMENT CORPORATION

We Build Industry



ANNUAL REPORT 2013/2014

LESOTHO NATIONAL DEVELOPMENT CORPORATION

We Build Industry

ANNUAL REPORT 2013/2014

TABLE OF CONTENTS

CORPORATE PROFILE

LNDC Act

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

LNDC Mandate

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

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

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

Capital Structure

In 2013/14 the Corporation's authorised share capital was M250 million. Fully paid-up share capital was M128 million, comprising M128 million ordinary shares of M1 each.

Organizational Structure

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

Reporting

Section 19 (1) of the LNDC Order requires the Corporation to submit a report on the status of its affairs at the end of every financial year. It is in accordance with these statutory requirements that the LNDC presents this edition of its Annual Report for the financial year April 1, 2013 to March 31, 2014. The report provides the Corporation's activities and achievements for this period. This report includes Group Audited Financial Statements approved by the Board. The Group Financial Statements constitute a consolidated performance by the Corporation, its subsidiary and associate companies. The LNDC's stake in subsidiary companies ranges between 51% and 100%. Its stake in associate companies ranges between 20% and 50%.

CORPORATE VISION

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

Vision

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

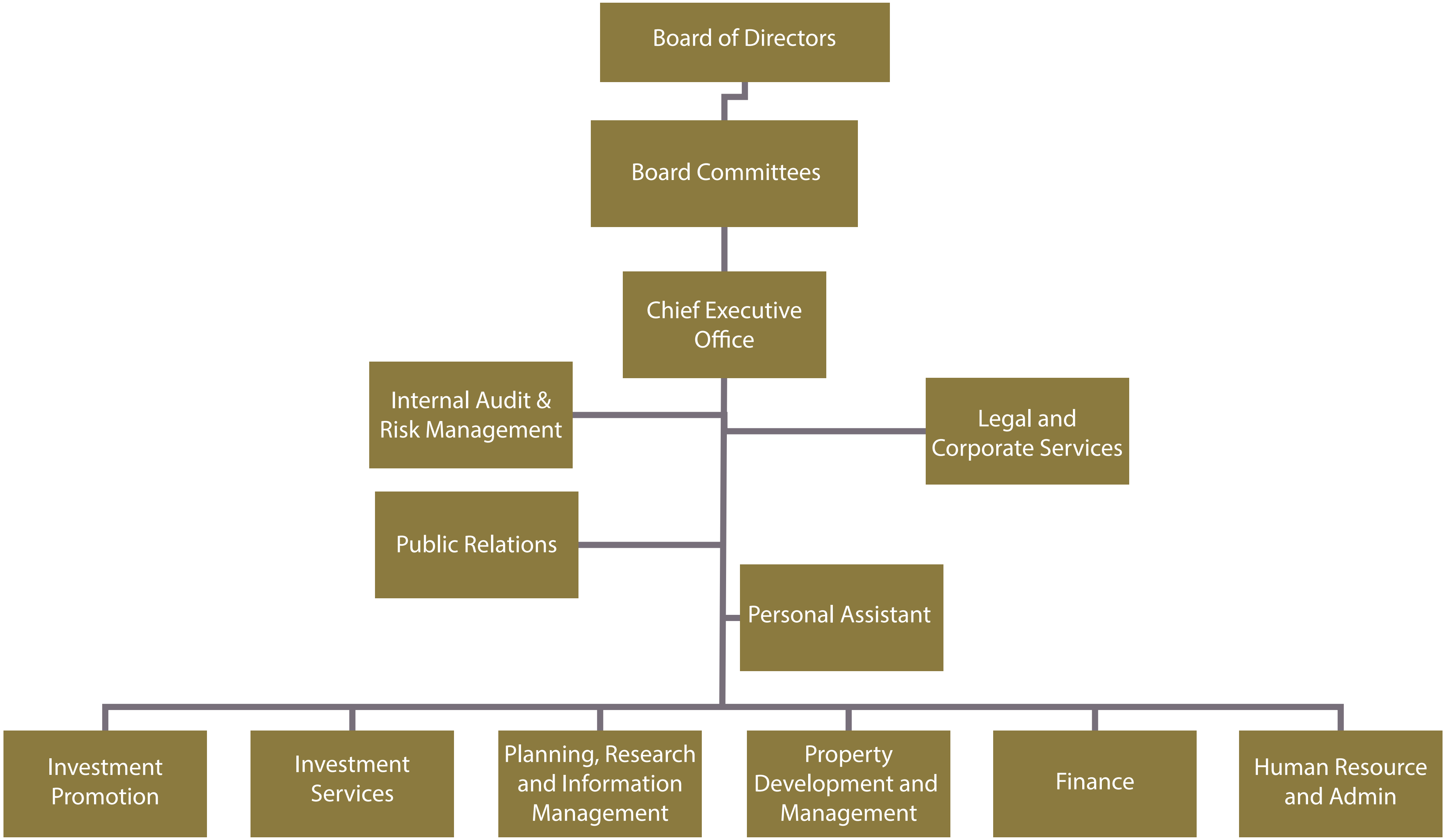
Mission

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

Corporate Goals

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

LNDC ORGANIZATIONAL STRUCTURE



LNDC BOARD OF DIRECTORS End of the Financial Year 2013/2014

CHAIRMAN
Mr. M. Mphaka
Principal Secretary
Ministry of Trade, Industry,
Cooperatives and Marketing

MEMBERS

1. Mr. J. Elias
Corporate Secretary
Ministry of Finance and
Development Planning
Mr. C. T. Poopa

Lesotho National
Development Corporation

2. Ms. M. Makara
Independent Director

3. Mr. L. Mofubetsoana
HEAD OFFICE
Ministry of Agriculture
and Food Security
Development House
Kingsway Road, Maseru

4. Mr. T. Bohloa
Telephone: +266 – 22 312 012
LCCI
Telefax: +266 – 22 310 038
Email: info@lndc.org.ls

5. Mr. S. Ntsekele
Website: www.lndc.org.ls
Lesotho Revenue Authority

AUDITORS

6. Mrs. L. Lefosa
Moteane, Quashie &
Bureau of Statistics
Associates
P O Box 1252, Maseru 100

7. Mrs. M. Mofelehetsi
BANKERS
Independent Director
Standard Lesotho Bank
Private Bag A169
Maseru 100
Tel: +266 – 22 316 490

LNDC EXECUTIVE AND MANAGEMENT TEAM
End of Financial Year 2013/2014

EXECUTIVE TEAM MANAGEMENT TEAM

Mr. Joshua Setipa
Mr. Justice Sello Tšukulu
Chief Executive Officer
Industrial Relations Manager

Mr. Motebang Mokoaleli
Ms. Ntšiuoa Sekete
Head Planning, Research & Information
Management Public Relations Manager (a.i)

Mr. Mokhethi Shelile
Ms. ‘Majane Lesala
Head Investment Promotion
Senior Internal Auditor

Mrs. ‘Mathabo Klass
Mrs. Marina Bizabani
Head Investment Services
Manager Foreign Direct Investment

Mr. Chaka Nkofo
Mr. Letlafuoa Lephoto
Head Property Development and Management (a.i)
ICT Manager

Ms. Lucy Mataboe
Mr. Semethe Raleche
Head Human Resources and
Administration Manager
Domestic Investment

Mrs. Nthabiseng Posholi
Mr. Selebalo Lekokoto
Head Finance (a.i)
Senior Legal Officer (a.i)

Mr. Clark Taelo Poopa
Head Legal and Corporate

Ms. Teboho Lekalakala
Head Internal Audit and
Risk Assessment

STATEMENT BY THE CHAIRMAN

It is once again, with great pleasure and honour that I, on behalf of the LNDC Board of Directors and indeed on my own behalf as the Board chairman, get this opportunity to present this Annual Report covering the Corporations activities for the financial year ended March, 2014.

The role of LNDC Board of Directors is to effectively repre sent and promote the interests of the shareholder in order to ensure that the Corporation achieves its mandate. The Board carries out its responsibilities by defining a strategic direction as well as providing a policy framework which guides behaviours and practices that catalyse growth and sustainable performance, thereby leading to job creation and improved standard of living for Basotho.

During the year under review the LNDC Board provided an oversight on the implementation of the revised and realigned institutional framework approved by the Board in the previous financial year. To recap, a strategic thrust of this revised and realigned institutional framework was premised on the following: a) Mobilisation of investments in key priority sectors by entrenching already existing industries through backward and forward integration of these existing industries, and as such creating economic clusters around these industries; b) Promotion of economic diversification by fostering growth in already locally existing nascent industries such as light electronics, clothing accessories, agro processing, shoe and leather as well as identifying, promoting and attracting other industries in which Lesotho is considered to have a comparative advantage; c) Plugging Lesotho into regional and international production value chains using the automotive industry

d) Developing capacity to become an active player in the service sector through facilitation of requisite investment in ICT infrastructure in order to be able to attract outsourcing operations such as call centres; e) Retention of already established industries in Lesotho by facilitating development of critical infrastructure as well as development of an After Care Strategy; f) Building key strategic partnerships with local, regional and international institutions in order to foster economic linkages with local enterprises, including access to finance; g) Evaluating and appraising LNDC equity portfolio with a view to rationalizing such investments; h) last but not least, realigning the Corporation's property portfolio in order to maximize revenues and future income streams.

During the financial year, LNDC focused its resources and energy towards the achievement of this new direction as mapped in the preceding paragraph. This new direction was reinforced through the development and roll out of two implementation tools viz: the 5yr LNDC Investment Promotion Strategy as well as the Textile and Apparel Strategy for Lesotho. The two documents then underpinned LNDC key projects and programs for the financial year under review. In particular, the two documents focused on the following: a) key Domestic Economic Empowerment interventions that support the development of local private sector and b) Specific linkages and infrastructure development programs that also support and benefit the local private sector and transform the local private sector into a key player in economic development.

Through Board oversight the Corporation is also committed to attain effective management of all its stakeholders. The Board therefore listens to concerns and legitimate interests and expectations of these groups of stakeholders and oversees the design and implementation of appropriate interventions. This Corporate objective cannot be achievable without the development of highly professional and motivated staff with a stakeholder focus. As such, in the reporting year the Corporation made concerted effort to develop its human assets through various programs. Corporate social investment is also the heart of the Corporation's activities, as a standard practice, LNDC rolled out a number of key projects in this regard.

In line with its founding Act, LNDC is required to apply commercially oriented principles in carrying out its purpose. This is a critical principle if the Corporation is to remain a going concern in future. It is my pleasure to report that the period under consideration was no exception. As was the case in the previous year, the Corporation once again registered profit as it carried out its projects and programs.

Let me draw this statement to a close by acknowledging contributions of the LNDC Board, Management and Staff for their passionate efforts in pursuit of the Corporation's purpose and mandate. I also acknowledge the support of the Government of Lesotho, specifically through the Ministry of Trade and Industry, Cooperatives and Marketing.

I also recognise development partners technical and financial contribution made to LNDC. Such interventions assisted the Corporation to make an impact towards Lesotho's economic progress.

……………………
Moahloli Mphaka
Board Chairman

CHIEF EXECUTIVE'S REPORT

GENERAL

During the reporting period, the Corporation continued its investment promotion and investment attraction drive. In doing so, the Corporation paid particular attention to diversify its portfolio of projects. In addition, the Corporation focused on the integration of already existing investments with the view to create more value add locally as well as the promotion of linkages with local economy. In this regard the Corporation attracted interest in diversified and integrated areas. This was demonstrated by the nature of investment leads LNDC tracked during the financial year. In particular, the Corporation received interest in areas that include: water bottling; mining and quarrying; renewable energy; farming utensils; pharmaceuticals as well as apparel accessories.

The Corporation attaches a great deal of importance to the development of the local private sector. With this in mind, LNDC rolled out Domestic Economic Empowerment interventions in support of the local private sector. It was during this period that LNDC consolidated its partnerships with local commercial financial institutions to offer partial credit guarantee facilities to deserving local businesses. The results have been quiet encouraging given interest shown by local entrepreneurs in this scheme.

It was again in the reporting period when LNDC consolidated its efforts in advocating for enhanced investment climate to render Lesotho more competitive vis-à-vis regional and international competition for similar investments, markets and export products.This is given the unfavourable ranking Lesotho has been receiving from international rating agencies in relation to ease of doing business and competitiveness of Lesotho as a location to do business.

LNDC endeavours in attracting and facilitating new investments yielded positive results during the course of the financial year. 8 manufacturing projects were established during the year. 2 of these were set up by local entrepreneurs. These 8 projects generated around 1600 additional jobs which translated into additional income for local households. In addition, the Corporation is holding a healthy pipeline which is made up of well diversified and integrated projects. Conversion of this pipeline holds further promise for additional jobs and income for Basotho.

Infrastructure development is central to LNDC's strategy of investment attraction. The development of Tikoe Industrial Estate measuring 270 000 m^2 with a net let-able area of 67 000m^2 gained momentum during the reporting period.
In particularsite clearance, excavation works and access roads were completed during the year. Sewer and storm water pipes were laid and completed. Steel structures for factory shells were also erected. The actual construction of factories commenced during the year and was work in progress by the end of the financial year.

In an effort to build a strong delivery oriented institution, LNDC continued to develop its human capital as well as to building its image and brand during the reporting year.

The ensuing are key activities of the Corporation in the financial year 2013/14.

INVESTMENT PROMOTION DIVISION

The Investment Promotion Division is responsible to promote Lesotho as a preferred investment location by both foreign and local investors. In addition, the Division is tasked not only to generate interest to investors but to attract such investors to actually establish operations in Lesotho in order to create employment and raise income for local households.

The report below outlines milestones achieved by the Division towards implementation of its investment promotion strategy.

Investment enquiries and leads

The division handled 50 investment enquiries in diverse sectors including power generation, garments, waste recycling, tyre refurbishments, food processing. These were from China, Lesotho, South Africa, USA and the United Kingdom. About 41 of the enquiries were from Lesotho.

Site Visits

4 site visits were hosted with an interest around assembly of assistive health devices, textiles and garments, property development, sandstone mining, automotive parts.

Other Activities

About 14 different activities were carried out during this period. The activities include the signing of the Risk Sharing agreement with Post Bank and participation at Magic Show held in the United State of America where 4 local companies participated. 2 out of these 4 where companies that are owned by Basotho.

Access to Finance

By end of the reporting period, 4 banks had signed into the Partial Credit Guarantee Scheme. During the year the scheme supported 29 companies. 2 of these have already paid off indebtedness to related banks. 4 projects were not performing well financially. One project was handed over for collection. The total share of individual banks was as follows: Post Bank (2 projects), First National Bank (24 projects), Nedbank (1 project) and Standard Lesotho Bank (2 projects). Total employment generated to date was 593 jobs.

INVESTMENT SERVICES DIVISION

The total number of companies monitored by the LNDC stood at 76 in the year under review. Sixty-seven (67) of these companies are leasehold portfolio while 9 are equity portfolio. The LNDC portfolio of companies is spread across various sectors and industries. The leasehold portfolio comprised of 45 clothing and textile manufacturing, including printing and embroidery, 4 agro-processing, 5 building material, 6 electronics and light engineering, 3 footwear, 3 health care and household care, 4 packaging, 1 hospitality company, 1 commercial operation, and 4 other operations.

Four (4)companies, namely LSA Manufacturing, Nyenye clothing, Phillips Lighting, Saxenburg Trading and Tern Sportswear closed down during the year under review and around 2,324 jobs were lost as per Table 2 below. 8 new companies, as shown in Table 1 below, started operations during the same period creating 1,628 new jobs which were unable to offset the figure that was caused by the closures. Other existing companies increased their employment levels to offset the decline in the employment generated by LNDC assisted companies. These developments brought the total number of jobs created across all sectors to 41,870 compared to 45,290 in previous financial year. This translates to an overall decline of 7.55% compared to an increase of 5.8% the year before.

Table 1: **Companies established in 2013/14**

New Company Name	Product	Initial Employment	Employment as at March, 2014
ALC	Car seat covers	19	87
Industrial Garments Manufacturers (IGM)	Garments	60	60
Fantastic Clothing	Garments	150	468
Johnson Controls Automotive (SA)	Car seat covers	20	185
Niminta Fashions	Garments	30	185
Tlotliso Investment Holdings	Garments	384	384
Twilight Clothing	Garments	20	20
Letsema Textiles	Garments	945	945
TOTAL		**1,628**	**2,334**

Table 2: **Closed companies in 2013/14**

Closed Company Name	Product	Number of Jobs Lost
Nyenye Clothing	Garments	1,100
Phillips Lighting	Lighting Bulbs	415
Saxenburg Trading	Garments	264
Tern Sportswear	Clothing	520
LSA Manufacturing	Camp covers	25
TOTAL		**2,324**

Table 3: **LNDC Equity and Associate Companies**

Name of company	Type	Shareholding	Status
Basotho Fruit and Vegetable Canners	Subsidiary	100%	Dormant
Cashbuild	Associate	20%	Operational
Maluti Mountain Brewery	Subsidiary	51%	Operational
Lesotho Milling Company	Associate	10%	Operational
Loti Brick	Subsidiary	76%	Operational
Avani Maseru Hotel and Avani Lesotho Hotel	Associate	16.7%	Operational
OK Bazaars/Shoprite	Associate	50%	Operational
Lesotho Housing and Land Development Corporation	Associate	15%	Operational
Lesotho Foods	Associate	39,7%	Dormant
Mountain Kingdom Foods	Associate	30%	Operational

In 2013/14 LNDC's equity portfolio consisted of eight (8) operating companies as follows:Five (5) associate companies and three (3) subsidiaries. Both subsidiaries and associates employed 1,437 people which constituted 3.4% of the total employment.

Strikes and Lock-outs

During the year under review, the industry did not experience any major strikes except small disputes which were settled either within the work place or by DDPR.

PLANNING, RESEARCH AND INFORMATION MANAGEMENT DIVISION

The Division provides corporate planning activities as well as monitoring and evaluation of corporate performance.In addition, the Division provides LNDC with research services with the aim to assist the Corporation to make optimal decisions which sustain the Corporation in the long run and create value for the shareholder. Finally, the Division is responsible to manage all LNDC information assets, including the provision of information and communication technology (ICT) infrastructure by way of hardware and software.

During the financial year, the Division undertook the following key activities:

Development of Divisional Systems and Processes

The Division was incepted in the previous year. The period under review ushered in the development of business systems and processes. Among other things, the Division designed and completed LNDC Annual Business Plans template as well as Strategic Plans performance reporting template. These templates were then operationalized to develop and monitor performance of LNDC Annual Business Plans, as well as to monitor and evaluate the performance of Strategic Plans.

Development of LNDC Annual Business Plan

The Division co-ordinated development of Annual Business Plan for the period. This plan was developed based on targets set in the operational Strategic Plan. The Division then monitored and evaluated the performance of this Annual Business Plan on a quarterly basis. These quarterly monitoring and evaluation exercise provided Management with useful insight on the performance of the Plan and the challenges requiring corrective and remedial actions in an effort to meet the targets of the current Strategic Plan.

Development of Planning Policy and Research Policy

In an effort to strengthen this newly formed Division, both Planning and Research Policies were developed during the year. At the end of the year, the 2 Policies had been considered by Management and were awaiting submission and consideration by LNDC Board of Directors.

Review of ICT Policies

During the year, the Division set in motion the process of reviewing ICT Policies in order to align them to best practice as well as to contain associated ICT based risks. The Division triggered this review by commencing benchmarking activities on best practice ICT Policies.

PROPERTY MANAGEMENT DIVISION

The Division plays a pivotal role in providing pertinent infrastructure to support the promotion of Lesotho as a destination of choice to foreign direct investment (FDI) as well as support infrastructure for indigenous investments.

The Division continually strives to improve its performance and the quality of service that it delivers. The Division undertook the following projects during the year:

New infrastructure projects under implementation

Table 4: **New projects initiated during the year**

ITEM	PROJECT TITLE	STATUS
1	Lesotho Wool Scouring Plant in Botha-Bothe	KTM was appointed as a consultant. The project stopped at tendering stage
2	Construction of Mars shell at Tikoe	Factory building was not constructed as planned
3	Construction of factory shells for local entrepreneurs at Tikoe Industrial Estate	Consultant was appointed but project stopped at tendering stage due to funding
5	Construction of standard M75 factory shell at Nyenye Industrial Estate Western Extension for Jack Hau	Project stopped at tendering stage
6	Construction of standard M40 factory shell at Nyenye Industrial Estate Western Extension for ALC	Project stopped at tendering stage

Construction of Tikoe Industrial Estate Infrastructure and Factory Shells

The Government of Lesotho secured a loan from Arab Bank for Economic Development in Africa (BADEA) and OPEC Fund for International Development (OFID) towards the cost of construction of Tikoe Industrial Estate infrastructure and factory shells. Tikoe project site measures 270 000 m^2 with a net-lettable area of 67 000m^2 that will be developed into factory shells for rental to prospective investors. The project involves the construction of municipal infrastructure and 11 advance factory shells totalling 30 000m^2 at the project cost of M182, 332, 398.20 inclusive of Value Added Tax @ 14%. Consulting Engineering Centre (CEC) of Jordan in association with a local firm; Mafube Consulting Engineers were appointed as the Project Managers at a professional fee of M730,825.00 excluding 14% VAT.

Construction work was in progress at the end of the reporting period. Site clearance, excavation works and access roads were completed during the year. Steel structures for factory shells are being erected and work is in progress, sewer and storms water pipes were also laid during the year.
Consulting Service for re-development of Sanlam Centre, Ex-Nurses Home and Refurbishment of LNDC Centre and Kingsway Mall Block A

African Development Economic Consultant (ADEC) and MEEDI JV were engaged to provide property advisory services in facilitating redevelopment of 2 LNDC commercial centres: Sanlam Centre and Nurses Home, and the refurbishment of LNDC Centre and Kingsway Mall Block A respectively. The services offered by the ADEC were acquired at the professional service of M1,210, 457.00 and MEEDI at M2,344, 400.00; both exclusive of 14% VAT.

Findings from the market analysis of the development potential for the 2 sites were presented. The Market Analysis was undertaken in order to forecast the economic potential and viability of various land uses as a basis for identifying and testing development concept for the sites that will maximize their both public and their private returns. Based on findings development concepts are being refined and recommendations will be made with respect to development, marketing and tenant recruitment, financing structuring as well as management of proposed developments. Any additional technical support that may be required will be identified at an appropriate future date, prior to the drafting of a Request for Developers.
The consultancy work was in progress at the end of the reporting period.
Construction of Factory Shells for local entrepreneurs at Tikoe
Consultant was appointed but project stopped at tendering stage due to lack of funding.

The GOL is currently facilitating industrial development through investment incentives such as provision of industrial infrastructure and advance factory shells. This initiative would enable the LNDC to attract flows of both foreign and domestic development investment, and to also provide an input into the privatisation and private sector development programmes through the creation of an enabling investment environment in Lesotho.

In attracting and promoting the small business climate LNDC noted that the Corporation has to adopt a new strategy to scale down the size of the building units to accommodate local entrepreneurs. In a new turnaround strategy, the Corporation appointed KTM Architects to conceptualise the design of six (6) x 500m^2 factory shells to accommodate small business with the sum of M729,299.04 inclusive of 14% Vat as the professional fees.

Consultancy Services for Design & Construction Supervision of Infrastructure and Building Services for Lesotho Wool Scouring Project at Ha-Belo Industrial Estate

Botha-Bothe Industrial Estate is situated at Ha Belo along the main road to Caledonspoort border post and it measures around 121 hectares. The Lesotho National Development Corporation has attracted a wool scouring company from China to set up a wool scouring plant in Lesotho. The Corporation has undertaken to provide infrastructure and buildings for this project at Ha Belo in Botha-Bothe. There was therefore an urgent need to construct the factory shells and related infrastructure within stated industrial estate which is not equipped with services currently. To facilitate the establishment of infrastructure, KTM Architects were appointed to facilitate the planning and designing of the Scouring Plant at a professional fees amounting to M6 158 641.92 inclusive of Value Added Tax @ 14%. Jeffares Green in association with the Ground Water Consulting Engineers were appointed to undertake the Feasibility Study of the whole area at professional fees amounting to M3 352 740.00inclusive of VAT.

HUMAN RESOURCES AND ADMINISTRATION

The Division continued to roll out its key responsibilities during the course of the financial year. Below are some of the key activities which the Divisions undertook and facilitated during the year:

RECRUITMENT

#	POSITION	DIVISION	DATE
1	Leasing Officer	PM	September 2013
3	Credit Controller	Finance	October 2013
1	Cashier	Finance	October 2013
5			

TERMINATIONS

POSITION	REASON	DATE
Head Property Management	Negotiated settlement	August 2013
Public Relations Manager	Retirement	February 2014

STAFF TRAINING AND DEVELOPMENT

#	COURSE TITLE	DIVISION	TITLE	DATES
1	Training on Unsolicited Bids & Project Preparation	PM	Property Maintenance Officer	April 2013
1	Programme Project Management	PM	Property Development Officer	May 2013
1	Public Relations (Distance Learning)	HR	Switchboard Operator	June 2013
1	Advanced Mgt Dev't for PAs	Legal	PA	July 2013
2	International Financial Reporting Standards for SMEs	Finance	Financial Accountant Accounts Officer	August 2013
2	Finance for Non Finance Managers	PRIM IP	Planning & Research Officer FI Officer	
2	Investment Appraisal and Risk Analysis	IS	IS Officer Projects Officer	September 2013
2	Securing Investment for Southern Africa	IP	FI Officer	November 2013
2	Capacity Building Review	HR PRIM	HRO Planning & Research Officer	November 2013
1	Advanced Excel Masterclass	PRIM	Planning & Research Officer	February 2914
1	Master of IT	PRIM	Systems Admin	February 2014
1	Strategic Financial Reporting	Finance	Head Finance a.i	February 2014
1	Wellness & HIV/AIDS Conference	HR	Administration Officer	March 2014
1	Investment Subcommittee Meeting	Legal	Head Legal a.i	February 2014
19				

DISCIPLINARY CASES

Following the Forensic Audit undertaken by Nexus the previous year Management still had pending decisions on the following:

1. Head Finance
2. Head Legal and Corporate Governance

The disciplinary process was ongoing at the end of the reporting period.

PUBLIC RELATIONS

Highlights of the public relations and image building activities during the reporting period were as follows:

Publicity:

• The LNDC commissioned a Financial Times Report on Lesotho which was released and distributed at the World Bank annual spring meeting in Washington DC (USA).
• Press releases for local radio and print media were released.
• Publicising of Source Africa event held in Cape Town South Africa.
• Publicizing of Investment Promotions campaigns.
• Launch of LNDC French website.
• Conducted an industrial tour for Media.
• Facilitated and held gala dinner.
• Secured placement in the Lesotho Review Publication
• LNDC commissioned Proudly African Lesotho to produce a Best of Lesotho Publication.
• Participated in guest lecture at the Limkokwing University.
• Produced video for the African Development Bank.
• Produced an article for an Indian magazine “The Times of Africa”
• Press release on Partial Credit Guarantee Scheme.
• Facilitated for and attended LNDC press conferences.
• Public Relations facilitated for the Corporations subscriptions in several Business Directories.
• Public Relations conducted a Brand Audit exercise for the Corporation.

Corporate Social Responsibility:

• LNDC contributed to Her Majesty Queen’s trust fund.
• LNDC sponsored Litsoanya Music Competition.
• LNDC sponsored four graduates from four local tertiary institutions with laptops for top performance.
• Several vulnerable groups were donated to during His Majesty King Letsie III 50th Birthday.
• Donations were also made to the Mohakare Golf Classic Tournament.

• Sponsorship for LNDC staff at Business Talk gala dinner.

Investment Promotion:

• Public Relations attended the Indian Investment Forum.
• Public Relations attended the Kuwait – Africa Summit.
• Public Relations formed part of the pre mission for the RSA road show.
• Public Relations conducted stakeholder engagement briefing sessions in Johannesburg for RSA road show.
• Public Relations facilitated site visits for LNDC management.

Social Media:

• Video Clips of the Corporations operations both external and internal were uploaded on the Corporation's YouTube account.
• Public Relations shared and updated the Corporations activities on the Corporations Facebook Page.
• Fifty-four (54) photos were added to the LNDC flicker account for publicity.

LESOTHO NATIONAL DEVELOPMENT CORPORATION

STATEMENT OF DIRECTORS RESPONSIBILITY FOR THE YEAR ENDED 31 MARCH 2014

The directors are responsible for the preparation, integrity and fair presentation of the consolidated financial statements of Lesotho National Development Corporation. The consolidated financial statements presented on pages 5 to 33 have been prepared in accordance with Lesotho and International Financial Reporting Standards and include amounts based on judgements and estimates made by management. The directors also prepared the other information included in the consolidated financial statements and are responsible for both its accuracy and its consistency with the financial statements.

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

The going concern basis has been adopted in preparing the consolidated financial statements.The directors have no reason to believe that the group and its subsidiaries will not be a going concern in the foreseeable future based on forecasts and available cash resources. These consolidated financial statements support the viability of thegroup.

The consolidated financial statements have been audited, on behalf of the Auditor General of Lesotho, by the independent auditing firm, Moores Rowland, which was given unrestricted access to all financial records and related data, including minutes of all meetings of shareholders and the board of directors. The directors believe that all representations made to the independent auditors during their audit are valid and appropriate.The report of the independent auditors is presented on pages 3 and 4.

The directors confirm that the annual financial statements set out on pages 10 to 33 were approved by the Board of Directors on II"J>. Iccbv2015 and are signed on its behalf by: -

Director	Director
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REPORT OF THE AUDITOR-GENERAL ON THE CONSOLIDATED FINANCIAL STATEMENTS OF LESOTHO NATIONAL DEVELOPMENT CORPORATION AND ITS SUBSIDIARY COMPANIES FOR THE YEAR ENDED 31 MARCH2014

Moores Rowland Chartered Accountants, under Section15(1) of the Audit Act 1973 have auditedthe accompanying consolidated financial statementsofLesotho National Development Corporation and its subsidiary companies, which comprise the consolidated balance sheet as at 31 March 2014,and the consolidated income statement, consolidated statement of changes in equity and consolidated statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages10 to33.

Director's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but notfor the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates by management, as well as evaluating the overall presentation of the financial statements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Basis for Qualified Opinion

Rental Arrears

I have noted a marked improvement from prior years, however, there still remains a significant balance of rental arrears brought forward from previous months and years apparently due to poor debt collection. Net rental debtor receivables amounting to M7.8 million have been fully provided for. Also in a number of instances, I could not obtain sublease agreements to verify rental billings nor could I confirm the balances by direct confirmation as most tenants failed to respond to confirmation requests. In the circumstances, I was unable to determine whether any adjustments might be necessary to the amounts shown in the financial statements for rent debtors, rental income, income taxes, net earnings and retained earnings.

Qualified Opinion

In myopinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraph, the consolidated financial statements present fairly, in all material respects, the financial position of the corporation and its subsidiary companies as at 31st March 2014,the results of its operations and cashflows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Lesotho National Development Corporation Order, 1990 as amended.

LUCY L. LIPHAFA (MRS)   17 December 2015
AUDITOR-GENERAL

LESOTHO NATIONAL DEVELOPMENT CORPORATION

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2014

1. REVIEW OF ECONOMICENVIRONMENT

Lesotho's economy grew by 3.4% in 2014, while in 2013 it registered 6.2%. The growth experienced has not been inclusive as characterized by the widespread unemployment at 25% and high poverty levels at 57%. Growth was mainly supported by the booming construction activities, a strong recovery of the textile and garment sector, transport and communications as well as financial intermediation. Lesotho suffered from economic uncertainty in Europe which led to reduced production in the mining sector.

The outlook for Lesotho's economy in 2015 and 2016 remains moderately positive with average growth of 4.4% expected, though there are risks over global demand for diamonds and the renewal of the United States' African Growth and Opportunity Act which runs out in 2015. Prime rate fell by 0.58 and the T-bill rate increased by 0.1 during the year. Inflation rate remained at 5%, well within the South African band of 3 -6%.

2. REVIEW OFPERFORMANCE

The LNDC performance for the year was not favourable as operating profit decreased by 59% as a result of an increase of 4% in total income,but a 24% increase in expenditure.

Total balance sheet grew by 3.2% due to an increase of 9.4% in investment property and investments, whilst current assets decreased by 22%.

3. INVESTMENT PROMOTION DIVISION

The period under review marked the first year of consolidation of the former Domestic Investment Promotion Division and Foreign Investment Promotion Division functions under the Investment Promotion Division. The two divisions were merged with a view to maximize their complementarity. To better solidify the newly merged division a National InvestmentPromotion Strategy was developed.The strategy set forth broad parameters in terms of target sectors, target markets, promotion approach and resources needed. The strategy was further refined into an implementable Marketing Strategy.The marketing strategy focus is on the following priority sectors. Mining, Agriculture, Power generation, manufacturing sectors (textiles and light assembly work inclusive of automotive components), Services and Construction. The target market where these types of investments could be found are South Africa, China, Canada and Lesotho. It has to be mentioned that the intention is to focus on South Africa.

During the period under review the Corporation undertook investment promotion missions to China, Costa Rica, South Africa and others. The missions were designed to attract companies within the. priority sectors of the investment promotion strategy. Companies in numerous sectors committed themselves to site visit. Most notably two companies in automotive components visited Lesotho during the reporting period and made commitments to open up facilities in Lesotho.

During the reporting period the milestones in trade and investment promotion and access to finance were achieved. The division handled more than 900 enquiries during the reporting period on trade and investment issues. The enquiries were in various sectors such as agriculture, automotive components,energy, electronics, leather products, textiles and garments. It has to be noted that the majority of the inquiries where from the local private sector. The local private sector represents about 70 inquiries per month to the division. Fourteen site visits from automotive leather car seats manufacturing companies, plastic products manufacturers, outdoor camp gear manufacturer, transport, cement manufacturing, water bottling amongst others were hosted during this period. At the end of the reporting period the pipeline of projects stood at 24 companies of which 8 were domestic and 16 FDI. The pipeline was predominantly textile and garments companies with a few in energy, agro processing, automotive components, printing and furniture production.

In relation to improving access to finance,the Corporation having signed the Risk Sharing agreement with FNB and Nedbank, entered into an additional agreement with Standard Lesotho Bank in December 2012. During the review period the Corporation made it possiblefor additional three projects bringing the total to four projects to access funding from the FNB andNedbank. At the end of the reporting period the LNDC had made possible for the banks to release M 2.3 million to the local privatesector.

4. PLANNING RESEARCH AND INFORMATION MANAGEMENT

The Division was established in the preceding financial year in line with newly espoused strategic direction in order to provide the Corporation with critical planning, research and information management activities. During the reporting period the Division invested its resources in building this newly established outfit. The Division started work on defining functions, reviewing existing job descriptions and developing newones, developing policies and work processes as well as identifying appropriate systems.

In particular, the Division commenced producing and facilitating research reports in order to support the Corporation's projects and programs.Planning policy and Research policy were developed during the review period while the review on ICT-policy also commenced.

By the end of the year both Planning and Research policies were in draft form and awaiting Board consideration and approval.

5. PROPERTY MANAGEMENTDIVISION

The Property Management Division plays a pivotal role in providing pertinent infrastructure to support the promotion of Lesotho as a destination of choice for foreign direct investment (FDI) as well as support infrastructure for local Private Sectors. The division also contributes to the enhancement of Lesotho's investment climate to support effective attraction of FDI.

During the year, the Corporation undertook the following:

5.1 Developments:

5.1.1 IndustrialEstates

a) Consultancy and construction of a 2000m^2 extension for Lesotho Coating Company at Tikoe Industrial Estate -Phase 1 (LNDC financed)
b) Consultancy and construction of Infrastructure and 30,000 m^2 factory shells at Tikoe Industrial Estate -(GOL, BADEA & OFID financed)
c) Feasibility Study Botha-Bothe Industrial Estate LNDC financed
d) Consultancy for design of Infrastructure and factory shell for wool scouring plant (Ministry of Trade &Industry financed)
e) Consultancy for the Design of Infrastructure and 75 000 m2 factory shell for Jack Hau at Nyenye Industrial Estate - (LNDC financed)
f) Consultancy for the Design of Infrastructure and 4000m 2 factory shell for ALC at Nyenye Industrial Estate (LNDC financed)

5.1.2 Commercial Developments

a) Consultancy on Property Advisory Services on Market & Financial Analysis for LNDC Mall - (LNDC financed)
b) Consultancy on Refurbishment of LNDC Centre and Kingsway Mall Block A - (LNDC financed)

5.2 Property Management (RealEstate)

Oversight of Property Maintenance & Management of the Property Portfolio

6. PUBLIC RELATIONS

The Section conducted the following activities during the reporting period:

6.1 Image Building andPublicity

Quarterly dissemination of information and news about LNDC was done through newsletter, print and electronic media with some divisional Heads and the CEO being exposed to such media appearances The "Best of Lesotho" publication due for publishing in 2015 was also commissioned to showcase the country, its opportunities, industries, culture and people at their very best. 500 copies of 'Lesotho at a Glance" were printed and distributed at the launch of the Lesotho-RSA Roadshow in Sandton. A special report/article on Lesotho was produced and featured prominently in "The Times of Africa," an Indian Magazine during the Africa-India Conclave, at which the Rt. Hon. The Prime Minister, Dr. Thomas Thabane led the Lesotho Delegation.

Public Relations also facilitated the production of a video for the African Development Bank to highlight the positive benefits and outcomes of the second line of credit to the LNDC. Coverage of Lesotho's participation at Source Africa held annually in Cape-Town was facilitated for the local and South African media, to highlight Lesotho as the hub for textiles manufacturing. Nine Press Releases were issued and extensive coverage was arranged to publicise the review of the Partial Credit Guarantee Scheme. Publicity of the Investment Promotion campaigns to Austria and Germany was made locally and abroad. The LNDC investment opportunities brochure was also translated into German language to maximise promotional and communication efforts. A Press conference setting the recordstraight regarding allegations of instability within the Corporation was held.

6.2 Corporate Social ResponsibilityActivities

The Public Relations Officer delivered a lecture on "Linking theory to practice" at the Limkokwing University of Creative Technology.

Monetary contributions were made to different society groups as follows;

• M20,000 to support the Queen's Trust fund for vulnerable children.

• M20,000 for the Thaba-Bosiu Centre for purchase of chicken layers that would in turn generate income through the sale of eggs.
• M20,000 towards the Mohokare Classic Golf Tournament in honour of the King's birthday.
• M5,000 towards the Maloti Rotary Club fundraising for a campaign on immunisation of children against polio.
• Four galaxy tablets worth M24,691.07 were presented as LNDC Awards to best performing students of NUL, CAS, Lerotholi Polytechnic and LUCT.
• M150,000 was contributed towards a fund-raising jazz concert by Nnena Feelon in honour of the King's birthday. The proceeds were meant to refurbish the Scott Hospital.

7. SHARE CAPITAL

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

8. DIVIDEND

No dividend was paid or proposed.

9. FUTURE CORPORATE STRATEGY

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

Vision

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

Mission

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

Corporate Goals

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

10. TRIBUTE TO STAFF

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

11. EVENTS SINCE BALANCE SHEETDATE

The Board of Directors is not aware of any matters or circumstances arising since the end of the year or otherwise dealt with in this report or annual financial statements, that would have a significant effect on the operations of LNDC or the results of its operations.

12. DIRECTORS AND SECRETARY

Directors during the year were:

Chairman

Mr. Moahloli Mphaka (Appointed 24 January 2013)

Members

Mr. Retšepile J. Elias (Appointed 29 August 2010)
Mr. Retšelisitsoe Theko (Resigned 11 April 2013)
Mr. Liteboho Mofubetsoana (Appointed 5 December2011)
Mrs. Liengoane Lefosa (Re-appointed 24 January 2013)
Mr. Tseko Bohloa (Appointed 25 January 2013)
Ms. Makalle Makara (Appointed 24 January 2013)
Mrs. Mankone Mofelehetsi (Appointed 24 January 2013)
Mr. Samonyane Ntsekele (Appointed 24 January 2013)
Mr. Sehlabaka Ramafikeng (Appointed 24 January 2013)

Coopted Advisor

Mr. Joshua Setipa - Chief Executive Officer

Secretary

Mr. Clark T. Poopa

13. AUDITORS

The Corporation's auditors were Moores Rowland (Lesotho) on behalf of the Auditor General of Lesotho.

14. REGISTERED OFFICE AND ADDRESS

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

Physical Address
Block A, Development House
Kingsway, Maseru, Private Bag A96, Maseru 100
Website: www.lndc.org.ls
Email: info@lndc.org.ls

LESOTHO NATIONAL DEVELOPMENT CORPORATION

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2014

		CORPORATION		GROUP	
	Notes	2014 M'OOO	2013 M'OOO	2014 M'OOO	2013 M'OOO
TURNOVER	14	**56 295**	**44094**	**740 331**	**692 528**
OPERATING PROFIT		2127	13699	55 261	83 414
Incomefromassociates		8545	12120	5 873	11846
Income before tax	15	10 672	25 819	61 134	95 260
Taxation	16			(8331)	(12 756)
Income after taxation		10 672	25 819	52 803	82 504
Minorityinterests				(38647)	(48450)
Income from ordinary activities		10 672	25 819	14 156	34 054
Prior year adjustments	18	(5 974)		(5 974)	(12 808)
At beginning of year		180 102	154 283	339 198	317 952
At endofyear		**184800**	**180102**	**347380**	**339198**

LESOTHO NATIONAL DEVELOPMENT CORPORATION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2014

		CORPORATION		GROUP	
		2014	2013	2014	2013
		M'OOO	M'OOO	M'OOO	M'OOO
NON-CURRENT ASSETS		**599 176**	**545 464**	**952 625**	**825 285**
Property, plant and equipment	4.1	2 306	3 249	309 596	230 263
Investment property	4.2	542 414	495 746	542 414	495 746
Intangible asset		-	-	1 118	1 866
Investment in subsidiaries	5	5 268	2 040	-	-
Investment in associates	6	236	564	50 545	53 545
Other investments	7	48 952	43 505	48 952	43 505
Loan debtors	8	-	360	-	360
CURRENT ASSETS		**111 827**	**143 362**	**258 751**	**321 650**
	9	-	-	103 965	90 878
Accounts receivable	10	15 972	19 648	40 676	65 732
Short term investments		81 967	120 346	90 295	129 906
Taxation		-	-	515	-
Bank balances and cash		13888	3 368	23 300	35 134
TOTAL ASSETS		**711 003**	**688 826**	**1 211 376**	**1 146 935**

LESOTHO NATIONAL DEVELOPMENT CORPORATION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2014

EQUITY AND LIABILITIES

EQUITY		**525 790**	**507 074**	**732 169**	**709 969**
Share capital	1	128 000	128 000	128 000	128 000
Reserves	2	212 990	198 972	256 789	242 771
Retained income		184 800	180 102	347 380	339 198
Minority interest				96 102	90 278
TOTAL EQUITY		**525 790**	**507 074**	**828 271**	**800 247**
NON-CURRENT LIABILITIES		**143 666**	**146 702**	**152 894**	**160 929**
Long-term borrowings	3	136 860	140 223	141 363	149 742
Long-term provisions	3.2	6 806	6 479	7 658	7 396
Deferred tax		-	-	3 873	3 791
CURRENT LIABILITIES		**41 547**	**35 050**	**230 211**	**185 759**
Short-term loans		9 353	8 478	73 663	10 157
Accounts payable	11	32 194	26 572	156 548	174 769
Taxation		-	-	-	833
TOTAL EQUITY ANDLIABILITIES		**711003**	**688826**	**1211376**	**1 146935**

LESOTHO NATIONAL DEVELOPMENT CORPORATION

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2014

GROUP	SHARE CAPITAL M'OOO	RESERVES INCOME M'OOO	RETAINED TOTAL M'OOO	M'OOO
BALANCE 31 MARCH 2012	**128 000**	**225 040**	**317 952**	**670 992**
Retained income for the year			34 054	34 054
Prior year adjustment			(12 808)	(12 808)
Movement on non-distributable reserves (refer note 2)		17 731		17 731
BALANCE 31 MARCH 2013	**128 000**	**242 771**	**339 198**	**709 969**
Retained income for the year			14 156	14 156
Prior year adjustment			(5 974)	(5 974)
Movement on non-distributable reserves (refer note 2)		14 018		14 018
BALANCE 31MARCH2014	**128000**	**256789**	**347380**	**732169**

LESOTHO NATIONAL DEVELOPMENT CORPORATION

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2014

CORPORATION				
BALANCE 31 MARCH 2012	**128,000**	**180 441**	**154 283**	**462 724**
Retained income for the year			25 819	25 819
Movement on non-distributable reserves (refer note 2)		18 531		18 531
BALANCE 31 MARCH 2013	**128 000**	**198 972**	**180 102**	**507 074**
Retained income for the year			4 698	4 698
Movement on non-distributable reserves (refer note 2)		14 018		14 018
BALANCE 31 MARCH 2014	**128 000**	**212 990**	**184 800**	**525 790**

LESOTHO NATIONAL DEVELOPMENT CORPORATION

CONSOLIDATED STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31 MARCH 2014

		CORPORATION		GROUP	
	Notes	2014 M'OOO	2013 M'OOO	2014 M'OOO	2013 M'OOO
NET CASH FLOW FROM OPERATIONS	17.1	**30 857**	**(25 475)**	**152 459**	**91 017**
Returns on investments	17.2	43 924	54 481	9 268	13 152
Capital expenditure	17.3	(53 601)	(18 684)	(159 947)	(61 873)
Minority interest				5 824	9 460
Taxation paid				(9 597)	(10 308)
Management of liquid resources	17.4	(7 987)	(4 466)	(2 087)	(4 288)
Financing	17.5	(2 673)	(7 648)	(7 754)	(10 676)
Increase in cash in year		10 520	(1 792)	(11 834)	26 484
Cash at beginning of year		3 368	5 160	35 134	8 650
CASH AT END OF YEAR	17.6	**13 888**	**3 368**	**23 300**	**35 134**

LESOTHO NATIONAL DEVELOPMENT CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. PRINCIPAL ACTIVITIES AND BASIS OF PREPARATION

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

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

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

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

STANDARDS INTERPRETATIONS AND AMENDMENTS EFFECTIVE FOR THE FIRST TIME FOR THE 31 MARCH 2013 YEAR END -ADOPTED

IAS1 Presentation of Financial Statements:

(Effective 01 July 2012). New requirements to group together items within Other Comprehensive Income (OCI) that may be reclassified to the profit or loss section of the Income Statement in order to facilitate the assessment of their impact on the overall performance of an entity.

STANDARDS INTERPRETATIONS AND AMENDMENTS EFFECTIVE FOR THE FIRST TIME FOR THE 31 MARCH 2013 YEAR END -NOT YET ADOPTED

IFRS 7 Financial Instruments: Disclosures:

(Effective 01 January 2013). Amendments require entities to disclose gross amounts subject torights of set-off, amounts set off in accordance with the accounting standards followed, and the related net credit exposure. This information will help investors understand the extent to which an entity has set off in its balance sheet and the effects of rights of set-off on the entity's rights and obligations.

IFRS 12 Disclosure of Interest in Other Entities:

(Effective 01 January 2013). New and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

(Effective 01 January 2013). Amendments to the transition guidance of IFRS 10 Consolidated financial Statements, JFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interest in Other Entities, thus limiting the requirement to provide adjusted comparative information.
(Effective 01 January 2013). New disclosures required for Investment Entities (as defined in IF

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IFRS 13 Fair Value Measurement:

(Effective 01 January 2013). New guidance on fair value measurement and disclosure requirements.

(Effective 01 January 2013). Annual Improvements 2009-2011 Cycle: Amendments clarifying the requirements for comparative information including minimum and additional comparative information required.

/AS 16 Property, Plant and Equipment:

(Effective 01 January 2013). Annual Improvement 2009-2011 Cycle: Amendments to the recognition and classification of servicing equipment.

/AS 19 Employee Benefits:

(Effective 01 January 2013) Amendments to the accounting for current and future obligations resulting from the provision of defined benefit plans.

/AS 27 Consolidated and Separate Financial Statements:

(Effective 01 January 2013) Consequential amendments resulting from the issue of IFRS 10, 11 and12.

/AS 28 Investments in Associates

(Effective01January2013)Consequential amendments resulting from the issue of IFRS10, 11 and12.

/AS 32 Financial Instruments: Presentation

(Effective 01 January 2013). Amendments require entities to disclose gross amounts subject to rights of set-off, amounts set off in accordance with the accounting standards followed, and the related net credit exposure. This information will help investors understand the extent to which an entity has set off in its balance sheet and the effects of rights of set-off on the entity's rights and obligations.

(Effective 01 January 2013). Annual Improvements 2009-2011 Cycle: Amendments to clarify the tax effect of distribution to holders of equity instruments.

/AS 34 Interim Financial Reporting:

(Effective 01 January 2013). Annual Improvements 2009-2011 Cycle: Amendments to improve the disclosures for interim financial reporting and segment information for total assets and liabilities.

STANDARDS, INTERPRETATIONS AND AMENDMENTS ISSUED BUT NOT YET EFFECTIVE AND HAVE NOT BEEN EARLY ADOPTED BY THE CORPORATION

IFRS 9 Financial Instruments:

(Effective 01 January 2015). New standard that forms the first part of a three-part project to replace IAS 39 Financial Instruments: Recognition and Measurement.

IFRS 10 Consolidated Financial statements:

(Effective 01 January 2014). IFRS 10 exception to the principle that all subsidiaries must be consolidated.Entities meeting the definition of 'Investment Entities' must be accounted for at fair value under IFRS 9, Financial Instruments, or /AS 39 Financial Instruments: Recognition and Measurement.

/AS 27 Consolidated and Separate FinancialStatements:

(Effective 01 January 2014). Requirement to account for interests in 'Investment Entities' at fairvalue under IFRS 9, Financial Instruments, or /AS 39 Financial Instruments: Recognition and Measurement, in the separate financial statements of a parent.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. GROUP ACCOUNTING

2.1 GROUP FINANCIAL STATEMENTS

The group financial statements comprise the assets, liabilities and results of the Corporation, and those of its subsidiaries, which it is intended, should continue as going concerns.

2.2 SUBSIDIARYCOMPANIES

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

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

Subsidiaries are excluded from consolidation when: -

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

2.3 TRANSACTION AND MINORITY INTEREST

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

2.4 ASSOCIATEDCOMPANIES

Associated companies comprise those companies, not being subsidiaries, in which the Corporation holds directly or indirectly 20% or more of the equity share capital or over whom the group has significant influence, but which it does notcontrol. Investments are accounted for by the equity method of accounting.

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 JOINTVENTURE

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

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

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

2.6 INVESTMENT

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

2.7 METHOD OF DETERMINING STOCKVALUES

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

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

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

2.8 LAND AND BUILDINGS

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

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 OTHER FIXEDASSETS

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

Motor vehicles
Furniture, plant and equipment Computers

20%
10%
33.33%

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

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

2.10 CAPITALISATION OF BORROWINGCOSTS

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

2.11 FOREIGN CURRENCY TRANSLATION

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

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

2.12 GRANTS RECEIVED

2.12.1 BySubsidiaries:

a) Grants received to fund the construction or acquisition of specific fixed assets are

transferred to income in the financial statements of subsidiaries over the expected useful livesof the relevant assets. Balances not thus transferred are, to the extent attributable to the Corporation, credited to shareholder's funds for the reason that the Corporation is precluded from distributing its income orproperty.

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

2.12.2 By the Corporation:

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

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as deduction, net of tax, from the proceeds.

2.14 RETIREMENT AND TERMINAL BENEFITS

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

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

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

2.15 REVENUERECOGNITION

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

Income

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

Interest income

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

2.16 LEASES

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

2.17 FINANCIALASSETS

Classification

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

(e) Recognition andmeasurement
Regular purchases and sales of financial assets are recognised on trade-date - the date on which the group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised-when the right store receive cash flows from the investment-shave expired or have been transferred and the group has

transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value throughprofit and loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES {CONTINUED)

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

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

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

2.18 CASH AND CASHEQUIVALENTS

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

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

2.19 TRADE AND OTHERRECEIVABLES

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

2.20 TRADE AND OTHERPAYABLE

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

2.21 PROVISIONS

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

2.22 BORROWINGS

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

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

2.23 TAX

Current tax assets and liabilities

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

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

2.24 FINANCIAL RISKMANAGEMENT

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

Financial risk factors

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

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

Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group enters into a variety of derivative financial instruments to manage its exposure to foreign currency risk and interest rate risk,

Foreign currency risk management

The Group undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

Interest rate risk management

The Group is exposed to interest rate risk because entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings, and by the use of interest rate swap contracts and forward interest rate contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite, ensuring the most cost effective hedging strategies are applied.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Group's short-, medium- and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

2.25 COMPARAT IVEFIGURES
Where necessary,comparative figures have been restated to conform to the current reporting format.

2.26 INTANGIBLEASSETS
An intangible asset is recognised when:
• it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
• the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognisedwhen:

• it is technically feasible to complete the asset so that it will be available for use or sale.
• there is an intention to complete and use or sell it.
• there is an ability to use or sell it.
• it will generate probable future economic benefits.
• there are available technical, financial and other resources to complete the development and to use or sell the asset.
• the expenditure attributable to the asset during its development can be measured reliably.

LESOTHO NATIONAL DEVELOPMENT CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

	CORPORATION		GROUP	
	2014	2013	2014	2013
	M'000	M'000	M'000	M'000
1. **SHARECAPITAL**				
AUTHORISED				
250 million shares of M1 each	250000	250000	250000	250000
ISSUED AND FULLY PAID				
128 million shares of M1each	128000	128000	128000	128000
2. **NON -DISTRIBUTABLE RESERVES**				
2 .1 DEVELOPMENT GRANTS				
Grants from Lesotho Government :				
At beginning of year	63 769	45 238	63 769	45 238
Received during the year	14 078	20 000	14 078	20 000
Transferred to income statement	(60)	(1 469)	(60)	(1 469)
At end of year	77 787	63 769	77 787	63 769

At end of year			1415	1415
Total Development grants	**77 787**	**63 769**	**79 202**	**65 184**

2.2 UNREALISED SURPLUS/(REVALUATION)

Surplus on revaluation of land and buildings				
At beginning of year	130 873	130 873	172 044	172 044
Movement during the year				
At end of year	**130 873**	**130 873**	**172 044**	**172 044**

2.3 UNREALISED SURPLUS (ACQUISITION)

Arising on the acquisition of subsidiaries				
At beginning of year			413	413
Movement during year				
At endof year			**413**	**413**

LESOTHO NATIONAL DEVELOPMENT CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 (CONTINUED)

		CORPORATION		GROUP 2014	
			2013	2014	2013
		M'OOO	M'OOO	M'OOO	M'OOO
2.4	ATTRIBUTABLE SHARE INASSOCIATED COMPANIES				
	Share premium			400	400
	Capitalisation of accumulated profits	330	330	330	330
	Capital redemption fund			400	400
	At end of year	**330**	**330**	**1 130**	**1 130**
2.5	CAPITAL REDEMPTION				
	Capitalised revenue reserve to finance redemption of preference shares	4 000	4 000	4 000	4·000
	Total non-distributable reserves	**212 990**	**198 972**	**256 789**	**242 771**

3.	**LONG TERM LOANS**				
	Loans outstanding as detailed below:	146 213	148 702	154 167	159 901
	Less: Current maturities includedin short-term loans	(9 353)	(8 479)	(12 804)	(10 159)
	Total long-term loans	**136 860**	**140 223**	**141 363**	**149 742**

2014	2013
M'OOO	M'OOO

3.1 CORPORATION AND GROUP

Public Investment Commissioners 13.9% loan repayable in October2015, secured by zero coupon bond	52 878	52 878
Frasers Limited: Interest free loan with no fixed date of repayment		6
EuroQeanInvestment Bank B 5% loan from EIB to GOL on lenttoLNDC, repayable in ten equal instalments commencing April 2008.	320	**366**
Government of Lesotho: *Thetsane- NiengHsing* 2% loan repayable in twenty yearly instalments Commencing2006	325	390
JOA 7% loan repayable in twenty yearly instalments commencing 01July2000	5881	6 301
Carried-forward	59404	59 941

LESOTHO NATIONAL DEVELOPMENT CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 (CONTINUED)

		2014 M'OOO	2013 M'OOO
3.1	CORPORATION AND GROUP (CONTINUED) Brought-forward	59 404	59 941
	KFW (OLD) 0.75% loan repayable over fifteen years after a five year grace period commencing September 2005	132	177
	ADB 4% loan repayable in twenty yearly instalments Commencing 01 July 2000	8 552	9 875
	ODA II 8% loan. Repayable over 25 years commencing July 01 1991	88	95
	ODA III 8% loan. Repayable over 25 years commencing July 01 1991	57	71
	ODA 1st line of credit 7% loan ODA line of credit. Repayable over 25years commencing July 31 1995		157
	ODA 2nd line of credit 7% loan, ODA line of credit. Repayable over 25 years commencing September 26 1996	1 847	2 028
	CGM Interest free loan repayable in 10 years, with 3-year moratorium, from December 2011	24 000	24 000

Factory Shells 2% loan repayable over 15 years, with 5-year moratorium, from December 2016.	51 000	51 000
Basotho Canners 2% loan repayable in semi-annual instalments, commencing 1 July 2000	1 133	1 358
Total loans - Corporation	146 213	148 702
Standard Lesotho Bank Loti Brick (Pty) Ltd Instalment and asset finance loans	7 954	11 199
Totalloans–Group	154167	159901

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 (CONTINUED)

	CORPORATION		GROUP	
	2014	2013	2014	2013
	M'OOO	M'000	M'OOO	M'OOO
3.2 LONG-TERM PROVISIONS				
At beginning of year	6 479	5 903	6 897	6 897
Additional provisions	327	623	701	701
Payments		(47)	(202)	(202)
At end of year	6 806	6 479	7 396	7 396

The provisions relate to severance pay liabilities, which are computed in accordance with the provisions of section 79 of the Labour Code Order 1992.

	CORPORATION		GROUP	
	2014	2013	2014	2013
4.1 PROPERTY, PLANT AND EQUIPMENT				
Cost or valuation				
At beginning of year	10 519	10 201	485 395	441 859
Additions	360	1036	106 706	44 254
Disposals	(728)	(718)	(728)	(718)
At end of year	10 151	10 519	591 373	485 395
Depreciation				
At beginning of year	7 270	6 864	255 132	230 441
Charge for the year	714	1 124	27 784	25 409
Eliminated on disposals	(139)	(718)	(139)	(718)
At end of year	7 845	7 270	281 777	255 132

Net Book Value				
At 31 March 2013	3 249	3 337	230 263	211 418
At 31 March 2014	**2 306**	**3 249**	**309 596**	**230 263**

4.2 **INVESTMENT PROPERTY**

Cost or valuation				
At beginning of year	544 703	526 875	544 703	526 875
Additions	56 308	17 828	56 308	17 828
Disposals	(449)		(449)	
At end of year	600 562	544 703	600 562	544703
Depreciation				
At beginning of year	48 957	39 634	48 957	39 634
Charge for the year	9 191	9 323	9 191	9 323
Eliminated on disposals				
At end of year	58 148	48 957	58 148	48957
Net Book Value				
At 31 March 2013	495 746	487 241	495 746	487 241
At 31March2014	**542414**	**495746**	**542414**	**495746**

4.3 VALUATION OF LAND AND BUILDINGS -CORPORATION

The directors' policy is to review the valuation of land and building severy 5 years. Valuation was done during the year 2007/2008 and was carried out by an independent valuer.

4.4 INVESTMENTPROPERTY

Details of investment properties are recorded in a register which may be inspected by members at the Corporation’s registered office.

5. INVESTMENT IN SUBSIDIARIES

Name	Principal activity	Equity held 2014 %	Costof equity held direct! M'000	Amounts owing M'000	Provision net losses M'000	Netinterest 2014 M'000	2013 M'000
5.1 ACTIVESUBSIDIARIES							
Basotho Fruit &Vegetable Canners(Proprietary)Ltd	Cannery	100	100	19583	(19683)		
Maluti Mountain Brewery (Proprietary)Ltd	Brewery	51	2040			2040	2040
Loti Brick(Proprietary)Ltd	Brick-making	74	3234	13045	(13051)	3228	
Totals			**5374**	**32628**	**(32734)**	**5268**	**2040**

	CORPORATION		GROUP	
	2014 M'OOO	2013 M'OOO	2014 M'OOO	2013 M'OOO

5.2 PROVISIONFORLOSSESINSUBSIDIARIES

Balance at beginning of year	36697	36014
(Decrease) /Increase in provision	873	753
Total provision for losses in subsidiaries	**37570**	**36767**

6. **INVESTMENT INASSOCIATES**

Shares at cost	236	564	236	564
Share of non-distributable reserves / sharepremium			800	800
Share of retained income			49 509	52 181
	236	**564**	**50545**	**53545**
Directors'valuation	**236**	**564**	**50545**	**53545**

LESOTHO NATIONAL DEVELOPMENT CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013 (CONTINUED)

6. INTEREST IN ASSOCIATED COMPANIES (CONTINUED

NAME	Principal Activity	Shares Held	Costof	Share prem./ Non-distrib. Reserves	Retained income	Total Interest 2014	Total Interest 2013
		%	M'000	M'000	M'000	M'000	M'000
GROUP							
Cash Build Lesotho (Pty) Ltd*	Wholesaler	20.0	20	400	10 797	11 217	10 008
LesothoFoodIndustries (Pty)Ltd*	Investment company	39.7	66		19 669	19 735	12 987
OK Bazaars Lesotho (Pty) Ltd*	Retailer	50.0	150	400	19 043	19 593	19 935
SunInternationalLesotho (Pty)Ltd*#	Hoteland Casino	16.7					10 615
			236	**800**	**49 509**	**50 545**	**53545**

* financial year-end:30 June2014
\# moved to other investments in2014

7. **OTHERINVESTMENTS**		**2014** **M'000**	**2013** **M'000**
CORPORATION AND GROUP			
Unlisted equity shares:			
Lesotho Housing and Land Development	Corporation	958	958
Frasers Ltd			14
Lesotho Milling (Pty) Ltd		4 500	4 500
Sun International Lesotho(Pty) Ltd		274	
Zero coupon loan stock (RSA Govt. Bond)		43220	38033
		48952	**43505**

8. LONG TERMDEBTORS

CORPORATION AND GROUP

Loan debtors at varying rates of interest and repaymentterms		360
		360

9. INVENTORIES

GROUP

Raw materials	23 617	24 295
Finished goods and merchandise	49 441	41 270
Consumable stores	10 949	5 848
Work in progress	5 046	4 644
Retail merchandise	11630	12 254
Spares	3282	2567
	103965	**90878**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 (CONTINUED)

	CORPORATION		GROUP	
	2014 M'OOO	2013 M'OOO	2014 M'OOO	2013 M'OOO
10. ACCOUNTSRECEIVABLE				
Value Added Tax		8 990		8 990
Trade receivables			21 704	32 302
Building rental	6 736	30 954	6 736	30 954
Other debtors	9 236	3 519	12 236	22 531
Provision and other debtors		{23 815}		{29 045}
	15972	**19648**	**40676**	**65732**

	CORPORATION		GROUP	
	2014 M'OOO	2013 M'OOO	2014 M'OOO	2013 M'OOO
11. ACCOUNTS PAYABLE				
Trade Payables	94	42	22 204	28 684
Rental Deposits	6 703	7 180	6 703	7 180
Accruals	2 045	2 229	16 226	14 185
LRA related payables	4 780		13 579	16 158
Payroll related payables			9 841	10 670
Other payables	18 572	17 121	87 995	97 892
	32 194	**26 572**	**156 548**	**174 769**

12. CONTINGENT LIABILITIES

12.1 Guarantees

The Corporation had no guarantees in respect of loans and overdrafts advanced to subsidiaries and other parties as at the financial year-end.

12.2 Claims by thirdparties

Ex-employee (R Mofoka) for unfair dismissal	3 000	3 000	3 000	3 000
Injury dispute compensation (M Letebele)	200	200	200	200

13. **COMMITMENTS**

Capital commitments contracted for:		
- Buildingsandequipment	198768	198768
Authorised but not committed:		
- Buildings andequipment		
TotalCapitalCommitments	**198768**	**198768**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FORTHE YEAR ENDED MARCH 31 2014 (CONTINUED)

	CORPORATION		GROUP	
	2014	2013	2014	2013
	M'OOO	M'OOO	M'OOO	M'OOO
14. **TURNOVER**				
LesothoNationalDevelopmentCorporation	56295	44094	56295	44094
MalutiMountainBreweries(Proprietary)Ltd			656938	615197
Loti Brick(Proprietary)Ltd			27098	32444
Basotho Fruit andVegetableCanners (Proprietary) Ltd				793
	56295	**44094**	**740331**	**692528**

Turnover is the amount receivable by theGroup in theordinarycourseofbusinessforgoodssupplied andservicesrendered.

15. **INCOMEBEFORETAX**

Turnover	*56 295*	*44 094*	*740 331*	*692528*
Cost of Sales		{3238}	{292131}	{266067}
Gross Profit	56295	40 856	448200	426461
Other Income	45433	53023	9702	13963
Operating Expenses	{92271}	{69694}	{397491}	{346 196}
Operating Profit	9457	24185	60411	94228
Net Finance costs	1215	1634	723	1032
Profit Before Tax	**10672**	**25819**	**61134**	**95260**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FORTHE YEAR ENDED MARCH 31 2014 (CONTINUED)

Stated after crediting or charging the following:

Income				
Profit on disposal of fixed assets	2 478	179	3 168	209
Interest received	11 286	11 504	12 769	12 556
Property rentals	56 295	44 094	56 295	44 094
Other income	246	144	798	1 938
Income from Subsidiaries and Associates - dividends	42 709	52 700	5 873	12 120
Expenses				
Depreciation and amortisation of fixed assets	10 354	10447	34 991	34 732
Auditors remuneration: Audit fees	133	142	638	803
Interest paid	10 071	10 189	12 045	11 524

16. TAXATION

Normal tax on current profits	8 249	10 093
Deferred tax	82	2 663
	8331	**12756**

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

LESOTHO NATIONAL DEVELOPMENT CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31 2014 (CONTINUED)

	CORPORATION		GROUP	
17. NOTES TO THE CASH FLOWSTATEMENT	2014 M'OOO	2013 M'OOO	2014 M'OOO	2013 M'OOO
17.1 RECONCILIATION OF OPERATING PROFIT TONET CASH INFLOW FROMOPERATINGACTIVITIES				
Profit before tax	4 698	25 819	16 513	34 002
Return on investment	(43 924)	(54 481)	(9 268)	(13 152)
Depreciation	10 354	10 447	36 424	34 732
Profit on sale of fixed assets	(2 478)	(179)	(2 478)	(209)
Amortisation of intangible assets			748	1023
Grants (amortised)/received	14 018	18 531	14 018	18·531
(Increase)/decrease in inventory			(13 087)	(27 886)
Decrease/(Increase) inaccounts receivable	3 676	(4 257)	25 056	(10 239)
Decrease/(Increase) in short term investment	38 379	(18 330)	39 611	(15 236)
Increase/(Decrease) in short-term loans	512	(1 858)	63 143	(3 154)
Increase/(Decrease) in accounts payable	5 622	(1 167)	(18 221)	72 605
NET CASH FLOW FROM OPERATING ACTIVITIES	**30 857**	**(25 475)**	**152 459**	**91 017**
17.2 RETURNS ONINVESTMENTS				
Dividends received	42 709	52 700	8 545	12 120
Interest received	11 286	11 504	12 768	12 556
Interest paid	{10 071}	(9 723}	(12 045}	(11 524}
	43924	**54481**	**9268**	**13152**

17.3 CAPITAL EXPENDITURE

Payments to acquire fixed assets	(56 668)	(18 863)	(163 014)	(62 082)
Receipts from sale of fixed assets	3 067	179	3 067	209
Payments to acquire intangible assets				
	(53601)	**(18684)**	**(159947)**	**(61873)**

17.4 MANAGEMENT OF LIQUID RESOURCES

Decrease in investment in associates	328		3 000	274
Increase in investment in subsidiaries	(3 228)	96		
Increase in other investments	(5 447)	(4 562)	(5 447)	(4 562)
Decrease in loan debtors	360		360	
	(7987)	**(4466)**	**(2087)**	**(4288)**

	CORPORATION		**GROUP**	
	2014	**2013**	**2014**	**2013**
	M'OOO	**M'OOO**	**M'OOO**	**M'OOO**
17.5 FINANCING				
Increase/(Decrease) inlong termloans	(3000)	(8224)	(8016)	(11175)
Increase/(Decrease)inlongtermprovisions	327	576	262	499
	(2673)	F**648!**	**(7754**	**(10676)**
17.6 ANALYSIS OF CASH AT END OFYEAR				
Bank balancesand cash	13888	3368	23300	35134
	13888	**3368**	**23300**	**35134**

18. PRIOR YEARADJUSTMENTS

Consolidation adjustments:				
- Provision for subsidiary lossescorrection				1 198
- Pre-2011 inter-group adjustment error				(14 312)
Prior year VATadjustment	(5974)		(5947)	
Subsidiary profit adjustment				306
	(5974)		**(5947)**	**(12808)**

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