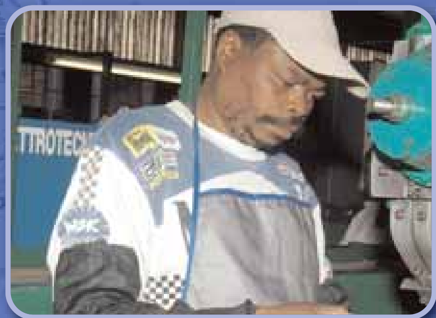
Lesotho National Development Corporation






Annual Report 2011/2012

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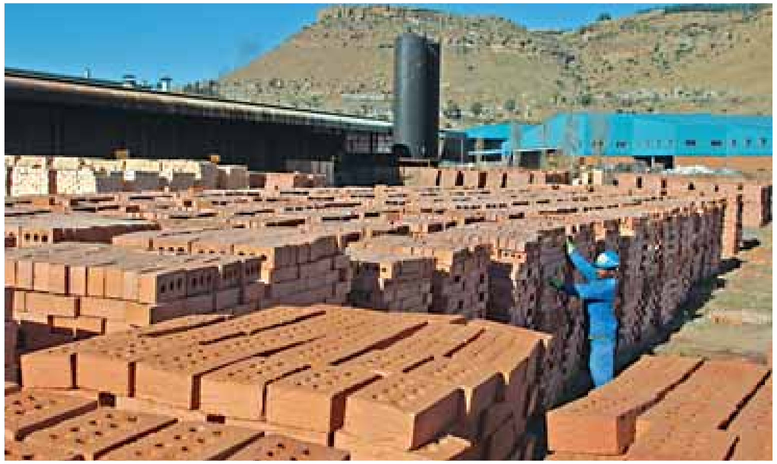


Corporate Profile

LNDC Act

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

LNDC mandate

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

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

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

Capital Structure

In 2011/12 the Corporation's authorised share capital was M250 million. Fully paid-up share capital was M128 million, comprising M128 million ordinary shares of M1 each.

Organisational Structure

During the year under review the Corporation's organisational structure was constituted as follows: Foreign Investment Division; Domestic Investment Division; Investment Services Division; Property Management Division; Projects Management Services Division; Finance and ICT Division; Internal Audit and Risk Assessment Division; Human Resources and Administration Division; Legal Corporate Governance Division and Public Relations Section. The LNDC is managed by the Chief Executive Officer supported by the Executive and Management teams. The Chief Executive Officer reports to the LNDC Board of Directors. The full organisational structure is presented on page 3.

Reporting

Section 19 (1) of the LNDC Order requires the Corporation to submit a report on the status of its affairs at the end of every financial year. It is in accordance with these statutory requirements that the LNDC presents this edition of its Annual Report for the financial year April 1, 2011 to March 31, 2012. The report reviews the Corporation's activities and achievements over that period. As usual, the report includes Group Audited Financial Statements approved by the Board. The Group Financial Statements constitute a consolidated performance by the Corporation, its subsidiary and associate companies. The LNDC's stake in subsidiary companies ranges between 51% and 100%, and between 20% and 50% in associate companies.

Corporate Vision

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

Vision

By 2020, LNDC shall be a leading institution in industrial and commercial development in the SADC region, through expanded and diversified sustainable high quality investments that will create wealth and jobs for the country.

Mission

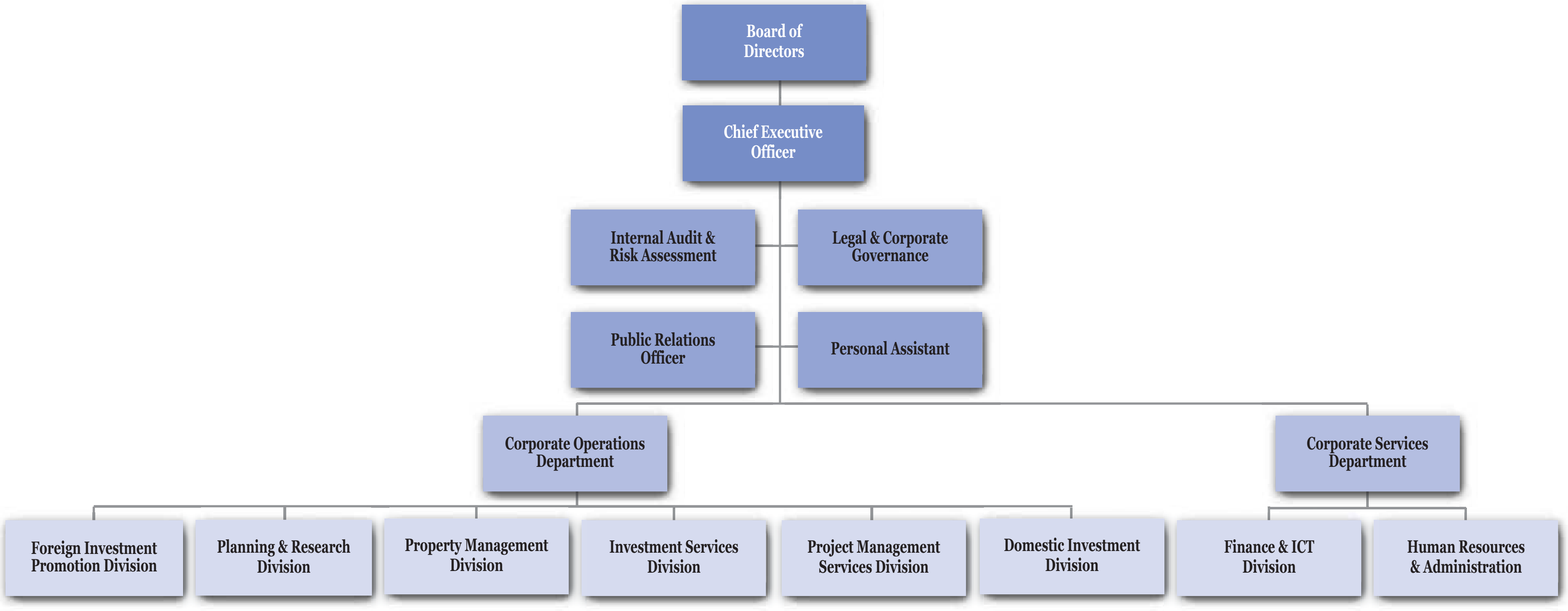
To promote economic growth by facilitating the development of sustainable medium to large enterprises through promotion and establishment of domestic and foreign direct investment.

Corporate Goals

LNDC pursues attainment of the following long term goals:

- Develop and expand Lesotho's industrial and commercial base through promotion of foreign and domestic investments
- Facilitate Domestic Economic Empowerment (DEE)
- Expand and diversify the Corporation's income base
- Explore new avenues and forms of capital funding

LNDC Organisational Structure



LNDC Board of Directors

CHAIRMAN

Mr. Teleko Ramotsoari *
Principal Secretary;
Ministry of Trade and Industry Cooperatives and Marketing

CHIEF EXECUTIVE OFFICER A.I

Mr. Motebang Mokoaleli*
Lesotho National Development Corporation

MEMBERS

Mr. J. Elias
Ministry of Finance Development Planning

Mr. R Theko
Private Sector

Mr. Mohale Sekoto*
Ministry of Agriculture and Food security

Mr. Tseko Bohloa
Tabfin Financial Services

Mr. Khotso Khabele
Ministry of Natural Resources

Ms. Liengoane Lefosa
Bureau of Statistics, Ministry of Finance

Mr. Khotso Mapepesa*
Lesotho Manufacturers Association

Mr. Ramatlali Nkhahle*
Lesotho Tourism Development Corporation

Mr. Madhav Vasant Dalvi
CGM Group

CORPORATE SECRETARY

Mr. CT Poopa
Lesotho National Development Corporation
Private Bag A96
Maseru

HEAD OFFICE

Development House
Kingsway Road
Maseru
Telephone: 266 2231 2012
Telefax: 266 2231 0038
Email: info@lndc.org.ls
Website: www.lndc.org.ls

AUDITORS

Moteane, Quashie & Associates
PO Box 1252
Maseru 100

BANKERS

Standard Lesotho Bank
Private Bag A169
Maseru 100
Telephone: 266 2231 6490

LNDC Executive & Management Team

Mr. Motebang Mokoaleli
Chief Executive Officer a.i

Mr. Thabang Khabo
Head, Finance and ICTo

Mrs. Lesa Makhoalibe
Head, Foreign Investment a.i

Mr. Mokhethi Shelile
Head, Domestic Investment

Mrs. 'Mathabo Klass
Head, Investment Services

Mr. Lebohang Mofammere
Head, Property Management

Ms. Lucy Mataboe
Head, Human Resources & Administration

Mr. Clark Taelo Poopa
Head, Legal & Corporate Governance

Ms. Teboho Lekalakala
Head, Internal Audit & Risk Assessment

Mrs. Marina Bizabani
Foreign Investment Promotion Manager

Ms. Fumane Maema
Projects Manager

Mr. Justice Sello Tsukulu
Industrial Relations Manager

Mrs. Nthabiseng Posholi
Senior Accountant

Ms. 'Majane Lesala
Senior Internal Auditor

Mr. Rasetla Mofoka
Senior Legal Officer

Mrs. Lesa Makhoalibe
Public Relations Manager

LESOTHO NATIONAL DEVELOPMENT CORPORATION ANNUAL REPORT 2011/2012

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, 2012.

The mandate of LNDCs Board of Directors centres around provision of a policy framework that support effective execution of the Corporation's key responsibilities, viz, job creation and wealth creation through promotion of foreign direct investment and active participation of Basotho entrepreneurs in Lesotho's economic development.

Within the Board approved policy framework, the Corporation stepped up its efforts to promote Lesotho as a destination of choice in the region and internationally. In addition the approved policy framework improved the Lesotho's investment climate by making it easier for the local private sector to access funding through commercial banks. In this regard the Corporation concluded Partial Credit Guarantee facility (PCG) risk sharing agreements with two local commercial banks. This activity then paved a way for easy commercial lending to local entrepreneurs for execution of investment projects. The result of this policy framework was a development of a healthy projects pipeline as well as the implementation of 4 new projects that created additional jobs for Basotho as well as improved tax revenues for the Government of Lesotho. A further transformation of pipeline projects into tangible projects on the ground will further create wealth and employment for the nation. It was again during the reporting period that the Corporation with the support of the Board developed a private sector strategy to assist Basotho entrepreneurs to participate meaningfully and effectively in phase 2 of the Lesotho Highlands Water project. This multi-billion project holds a lot of promise in wealth creation and employment for Basotho.

Under the Board leadership the Corporation strives to deliver high quality service to its clients and stakeholders. This Corporate value cannot be achievable without the development of highly professional and motivated staff. As such in the reporting year the Corporation made concerted efforts to develop its human assets through various programmes. 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. It is my pleasure to report that the period under consideration was no exception. This is because the Corporation, in carrying out its activities realised commendable profits and a healthy cash flow and as such remained a going concern.

I 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 mandate and purpose. I also acknowledge the support of the Government of Lesotho, specifically through the Ministry of Trade and Industry, Cooperatives and Marketing, including other development partners who have been instrumental in assisting LNDC to contribute to Lesotho's economic progress.

Teleko Ramotšoari
Board Chairman

Chief Executive's Report

for the year ended 31 March 2012

GENERAL

In 2011/12 the Corporation continued to promote diversified investments in terms of products and markets. This promotion drive was undertaken both internationally and in the region. Specific garment industry integration effort was also undertaken by generating interest both regionally and internationally. These efforts are beginning to bear fruit as demonstrated by a healthy pipeline of projects.

4 new companies started operations during the year and to further assist in retention of existing investments, the Corporation continued to freeze rentals to ease financial pressure on the industry due to increased costs and currency fluctuations.

Even though the Corporation managed to generate a healthy pipeline of diversified projects, project implementation rate was low because of financial constraints for construction of factory shells. To remedy this challenge, the Corporation is making concerted efforts to mobilise resources in order to construct the necessary infrastructure.

In addressing the challenge of access to finance for domestic investments, considerable progress was made on the implementation of the Partial credit guarantee Scheme whereby negotiations were kick started with local banks on risk sharing agreements.

In an effort to build a strong delivery oriented institution, LNDC continued to develop its staff resources as well as to build its image during the reporting year.

The ensuing are key activities of the Corporation in the financial year 2011/12.

1. FOREIGN INVESTMENT DIVISION

Trade and investment leads

The division had at least 73 trade and investment leads during the year, most of which enquired on general investment climate including issues of trade facilitation. Other enquiries were on various sectors of production including water bottling, pharmaceuticals, electronics, TV assembly, automotive industry, natural resources and energy sector.

Site visits

The division hosted 14 site visits during the year, mostly from companies which were relocating their manufacturing plants from RSA to Lesotho. There was also a site visit by Ambassador of Lesotho in Japan who proposed cooperation between the two countries in natural resources. Other site visits were from regional institutions dealing with investment climate issues.

Pipeline

The number of companies in the pipeline stood at 22 in the last quarter of the year (March, 2012). 16 of these companies were hot prospects. During the year, only 7 companies were implemented and 8 were shelved due to various reasons including waning interest.

Investment promotion related activities and meetings

Foreign Investment Division attended a number of Investment Promotion Missions, including one with MTICM in Canada where the main objective was to source new buyers to increase Lesotho's export into the Canadian market. However, the main challenge is that Canadian retailers require small quantities which go against Lesotho's structure which is designed to cater for large quantities. Major adjustments and commitment from all concerned are necessary to take advantage of the Market Access Initiative provided by the Canadian government.

LNDC participated in 17th Conference of Parties (COP 17) of UNFCCC. Government of Lesotho participated in an exhibition and organised an Investment Promotion Forum where investment opportunities on Agro-processing, environmental, tourism and renewable energy projects were presented to an audience of over 100 potential investors by LNDC and LTDC.

Chief Executive’s Report

(continued)

LNDC participated on the 118th IZMIR International Fair held in Turkey. An Investment Promotion Fair was held during the Fair where tourism and investment opportunities in Lesotho were shared with potential investors. Honourable Minister of Trade, Industry, Cooperatives and Marketing (MTICM) and Honourable Minister of Science and Technology and the Izmir Chamber of Commerce of the Republic of Turkey had a meeting to establish formal cooperation between Lesotho and Turkey.

LNDC together with MTICM officials and the private sector participated in the 10th AGOA Forum held in Zambia in June whereby they negotiated on extension of AGOA beyond 2015 and Third Country Fabric Provision beyond 2012 and also deliberated on relaxing some stringent Rules of Origin under AGOA that made it difficult for eligible countries to benefit fully under AGOA preference.

The Division attended quarterly IMTT meetings throughout the year and updated participants on industry performance and status of strikes that occurred during the period.

2. DOMESTIC INVESTMENT

Improving access to finance

Access to finance has been cited by many studies as one of the key impediments faced by local business. As a result the Corporation after the development of the Partial Credit Guarantee Scheme (PCG) concept, entered into a risk sharing agreement with First National Bank and NEDBANK Lesotho. The former signed with the Corporation in June 2011 while the latter signed in December of the same year. Through the agreement the banks will shoulder 50% coverage on the loans advanced to the private sector.

The first application for a loan amount of M300 000 was received in the first quarter of 2012. The application was on behalf of an aluminum window frame manufacturing company based in Maseru.

Promotion activities

Private Sector Strategy for opportunities of Phase II of the Lesotho Highlands Water Project.

The corporation presented a strategy developed to support local business to the Executive Committee of Business Council of Lesotho. The same strategy was then presented to a sitting of the Business Council of Lesotho in August 2011. The strategy was accepted by the council and the committee working on this strategy was instructed to prepare an implementation plan.

Chief Executive's Report

(continued)

Butha Buthe Cash and Carry

The former employees of Metro Cash and Carry organised themselves into a group and approached the LNDC for support to continue the operations of a wholesale under a different name after their former employer closed all its businesses in Lesotho. A new company called Butha Buthe Cash and Carry was registered with the help of the Corporation. A necessary support was provided to ensure procurement of a license to operate. A business account was also opened with FNB.

Road shows

- **Presentation to ST. Bernard Mizeki Mens's Guild Cathedral of St. Mary and St. James**

  A presentation was made to the Anglican Church association of Men called the ST. Bernard Mizeki Mens's Guild Cathedral of St. Mary and St. James. The presentation focused on investment opportunities available for Basotho entrepreneurs. It also covered opportunities under the Partial Credit Guarantee Scheme. Participants were advised to visit the LNDC office for further guidance, and that those who have their business plans should also submit them to us for review and guidance.

- **Presentation to Ha Nyenye Women's Craft Group**

  The Division made presentation to a group of women working on crafts at Maputsoe Ha Nyenye. This came at the request of Hon. Minister of Tourism who was accompanied by her Excellency the Ambassador of the United States. The group uses the off-cuts from the textile factories to manufacture hand-made blankets. The group was therefore linked with the Skills Development Centre at Maputsoe to further develop their skill. A proposal is expected from the Centre outlining budgetary requirements and the type of training that will be made.

- **Presentation to Butha Buthe Business Community**

  The Division made a presentation to Butha Buthe business community in late August as a pilot for future road shows to the rest of the country. 21 business people from different sectors attended the presentation which focused mostly on the PCG and investment opportunities. The outcome of the presentation was that the community made a decision to develop a proposal to acquire Caledonspoort site. LNDC is awaiting the said proposal.

3. INVESTMENT SERVICES DIVISION

The total number of companies monitored by the LNDC stood at 73 in the current reporting year as against 75 in the previous year. 65 of these companies were leasehold portfolio while 8 were equity portfolio. The majority of these companies, 44 were in textile and garment manufacturing including print and embroidery, 5 were in agro, 5 were in building material, 4 were in electronics and engineering 3 were in footwear, 2 were in health care and household care, 4 companies were in packaging, 2 were in hospitality, 1 was in commercial operations, and 2 were in other operations.

4 companies, namely Five Eight, Kiota Electronics, First Apparel Manufacturing and Lolita Clothing closed down during the year under review and 1,137 jobs were lost. New jobs created during the same period were not enough to offset the loss. 80 jobs were created by 4 new companies established during the review year. 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 across all sectors to 42,797 in the reporting period compared to 41,070 previously reported in 2010/2011. This translates to an overall increase of 4.2% compared to a decline of 7.3% in the previous year.

Chief Executive's Report

(continued)

Table 1: Companies established in 2011/2012

New company name	Product	Initial employment	Employment as at March 12
Basotho Leisurewear	t-shirts	29	126
Hong Yung Investments	Steel and wooden products	15	29
Lefase Lesotho	TV sets	20	20
Saxenberg Trading	Children's clothing	16	134
TOTAL		**80**	**309**

Table 2: Closed companies in 2011/2012

Closed company name	Product	Number of jobs lost
Five-Eight	T-shirts & sweater	370
Kiota Electronics	TV sets	257
Lolita Clothing	Sportswear	346
First Apparel Manufacturing	T-shirts	164
Total		**1 137**

LNDC leasehold companies are spread across various sectors. The textile and manufacturing sector accounted for 61% of employment from the companies. Commercial sector accounted for 1.4%, footwear accounted for 4.2%, Packaging accounted for 5.6%, Agro accounted for 6.9%, electronics and engineering accounted for 5.6%, and the rest of the other categories accounted for 15.3% of the total employment.

In 2011/12 LNDC's equity portfolio consisted of 8 companies; 5 associate companies and 3 subsidiaries. Both subsidiaries and associates employed 1 595 people which constituted 3.7% of the total employment.

Strikes and lock-outs

During the year under review, the industry never witnessed any protected strikes excluding minor work stoppages from only 2 companies engineered by misunderstanding between management and employees.

4. PROPERTY MANAGEMENT

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 also provides oversight on the outsourced management of the Corporation's property portfolio through an independent private Real Estate Manager (Morai Maseela and Co (Pty) Ltd).

The Division continually strives to improve its performance and the quality of service that it delivers.

New property developments

The following factory shells were under construction during the reporting period:

1.1 000m^2 factory shell for Jonsson Workwear at Nyenye Industrial Estate
2. 3 000m^2 factory shell for Peter Blond Extension at Nyenye Industrial Estate

The Government of Lesotho has 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. The project area is 270 000 m^2 with a net let-able area of 67 000m^2 that shall be developed into factory shells for rental to interested investors. The project involves the construction of municipal infrastructure and eleven (11) advanced factory shell totalling 30 000m^2 in area at the project cost of M182 332 398.20 inclusive of Value Added Tax @ 14%.

Chief Executive's Report

(continued)

Property management

The Division Manages 170 properties, 144 are factory buildings, 6 office blocks, 8 residential units and 12 units in retail and commercial outlets located in various districts of Lesotho. The property portfolio accounts for a major component of the Corporation's income stream whilst on the other hand it plays a pivotal role in providing real employment for the local workforce.

Property maintenance (performance)

In the year under review, a total of 366 repair works were implemented with a total cost of M5 542 960.79. The works undertaken by the Corporation's Real Estate Manager are shown in 2 categories in the table below:

Category	No of jobs	Total Value (M)	Budgeted Amount
Planned Maintenance	16	1 978 294.83	6 732 677.00
Unplanned Maintenance	350	3 564 665.96	1 359 000.00
TOTAL	**366**	**5 542 960.79**	**8 091 677.00**

5. HUMAN RESOURCES AND ADMINISTRATION

The Corporation's salary review

In order to ensure that the salaries remain competitive with the market rates, the Corporation has a policy to review its salaries after every three years. There was a need therefore for the review of the salaries under the reporting period because the last review was in 2007/2008. In order to ensure objectivity and transparency the Corporation engaged the services of a consultant.

This review was still work in progress at the end of the financial year.

Recruitment

Position Date	
Investment Promotion Manager	February 2011
Systems Administrator	February 2011
ICT Systems Administrator	April 2011
Accounts Officer	April 2011
Registry Clerk	May 2011
Manager - Investment Services	May 2011
Human Resources Officer	June 2011
Driver	September 2011

Chief Executive's Report

(continued)

Staff training and development

Title	Course Title	Dates
Legal Officer	Drafting and enforcing commercial contracts	February,2011
Senior Accountant	Prudential standards & guidelines for Development finance Institutions	February,2011
Financial Accountant	Advanced Cash & treasury Management	March, 2011
Internal Audit Officer	Managing Fraud in the Work place	March, 2011
Projects Officer Investment Services Officer	Financial Project Analysis & Evaluation Workshop	April 2011
Personal Assistant	Management Development Skills for PAs	May 2011
Projects Officer Investment Promotion Officer	Strategic Investment Promotion	June 2011
Senior Accountant	Project Finance and Financial Modelling	July 2011
Legal Officer and Property Development Officer	Construction Contract Claims	July 2011
Internal Audit Manager	International Financial Reporting Standards (FRS)	July 2011
Senior Legal Officer	Legal and Regulatory issues in Microfinance	November 2011

Resignations

Position	Date
Research and Planning Officer	May 2011
Investment Services Manager	November 2011

6. PUBLIC RELATIONS

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

- A Communications Policy and Guidelines were developed and approved by the Board.
- Keynote speeches were prepared for the Minister of Trade and Industry, Cooperatives and Marketing for delivery at a Malaysian Business and Investment Forum held in Kuala Lumpur; a Lesotho-RSA Business Forum which took place during President Zuma's visit to Lesotho as well as closing remarks for the Minister at a Good Corporate Governance Workshop which was held for the LNDC Board and Management.
- Corporate social responsibility activities included LNDC Student Awards to 3 best performing tertiary graduates from the National University of Lesotho, Lerotholi Polytechnic and the Centre for Accounting Studies. The awards were lap tops. In addition, LNDC distributed food hampers and essential goods to senior citizens belonging to the Maseru Women Senior Citizens Association. Donations of soccer balls, trophies, medals, transport and catering were made to the Youth Soccer Development Federation of Lesotho for their end of year soccer tournament.
- Press releases were issued for all the major events including the signing of the Tikoe Industrial Estate Contract for construction of infrastructure and factory shells.

7. FINANCIAL PERFORMANCE

7.1 Overview

The Corporation has 3 subsidiaries and 5 associates companies forming the group. The International Financial Reporting Standards (IFRS) requires that the group accounts be prepared on an annual basis in order to show the performance of a group as a whole in addition to LNDC individual performance.

Chief Executive's Report

(continued)

The Corporation has the following Subsidiaries and Associates companies:

Subsidiary	Associates
Lesotho Brewing Company	O. K. Bazaars
Loti Brick	Cashbuild Lesotho
Basotho Fruit and Vegetable Canners	Lesotho Food Industries
	Sun International Lesotho
	Devles Property Investments

It is of paramount importance for the LNDC as a holding company to assess the overall performance of the group. This task is achieved or fulfilled by the preparation of the group / consolidated financial statements. It should be noted however that consolidated accounts show the group's performance rather than LNDC individual performance. Furthermore the non-performing entities do affect the overall group performance and turn to affect negatively the good performance that would have otherwise been achieved. It is on the basis of the above introduction that the performance and financial status of LNDC group accounts, herewith attached, should be viewed.

7.2 Performance and financial status analysis

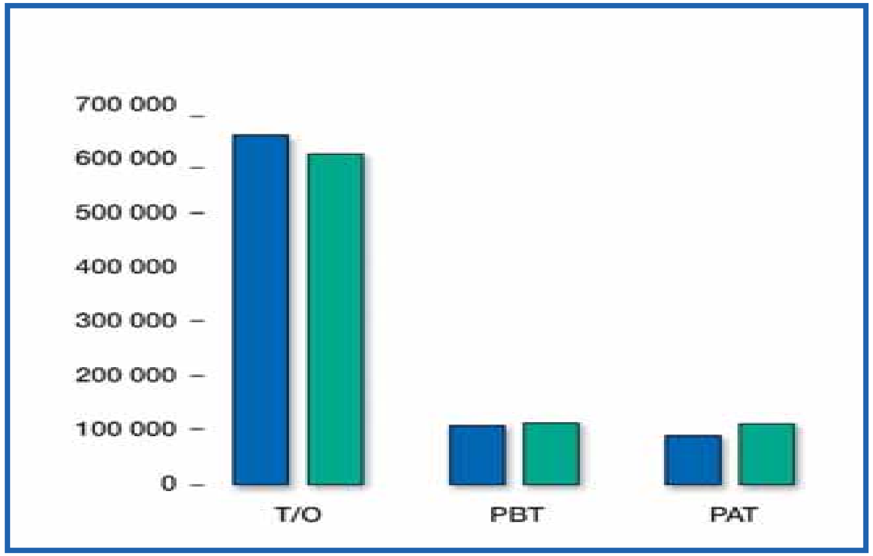
The Group Financial Statements, from which the data provided in Table 1 below was drawn, indicate the Group's financial performance and the Corporation's financial performance for the year ended March 31, 2012.

7.3 Turnover / operating income

a) Group

The Group's turnover (T/O) increased from M610.8 million in 2010/2011 to M643.2 million in 2011/2012. The increase was M32.5million or 5.3%. Although this increase was attributable to good performance by some of the members of the group, Profit before tax (PBT), decreased from M116.9 million in 2010/2011, to M109.7 million in 2011/2012. This represented a decrease of M7.2 million or 6.1%. Due to an increase in group's taxation by 35.5%, profit after tax (PAT) from M106.5 million to M95.6 million in 2010/2011 and 2011/2012 respectively. This represented a decrease of M10.9 million or 10.2%.

Figure 1 below summaries the above Group's performance for the year 2011/2012 and status at the end of the year.



b) Corporation

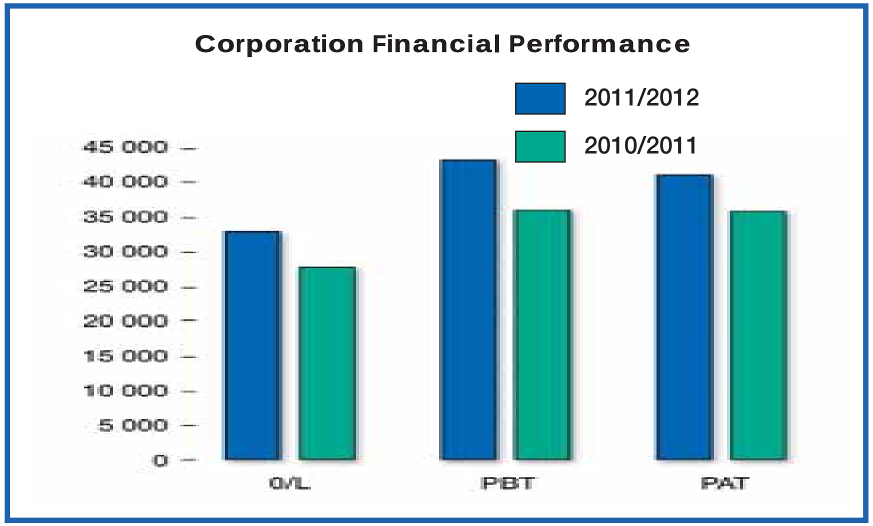
The Corporation's profit for the year was M33.3 million when compared to a profit of M28.2 million in 2010/2011. This resulted in an increase of M5.1 million or 18.0%.

The major contributor was an overall increase in dividend income of 26%.

Chief Executive's Report

(continued)

Figure 2 below depicts the above highlighted Corporation's performance for the year 2011/12.

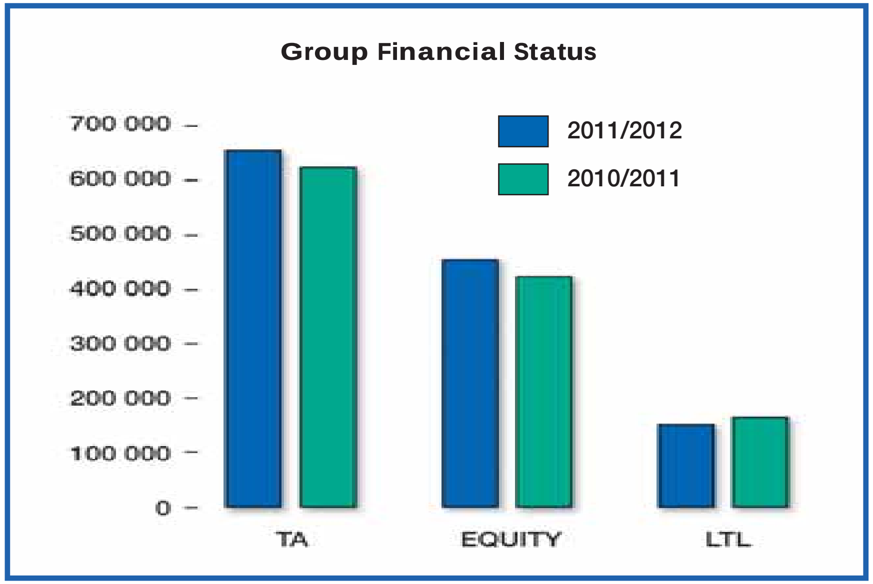


7.4 Total assets, equity and long-term loans

a) Group

The Group's total assets grew by M13.7 million or 1.3% from M1,029.0 million in 2010/2011 to M1,042.7 million in 2011/2012. The shareholders' equity also increased by M55.3 million or 8.0% from M695.7 million in 2010/2011 to M751.0 million in 2011/2012. The increase was mainly attributable to the profit generated during the year that resulted in an increase of M46.2 million in Retained Income. Long term liabilities (LTL) increased by M3.9 million or 2.4% from M165.0 million in 2010/2011 toM168.9 million in 2011/2012.

Figure 3 below highlights the situation stated above.



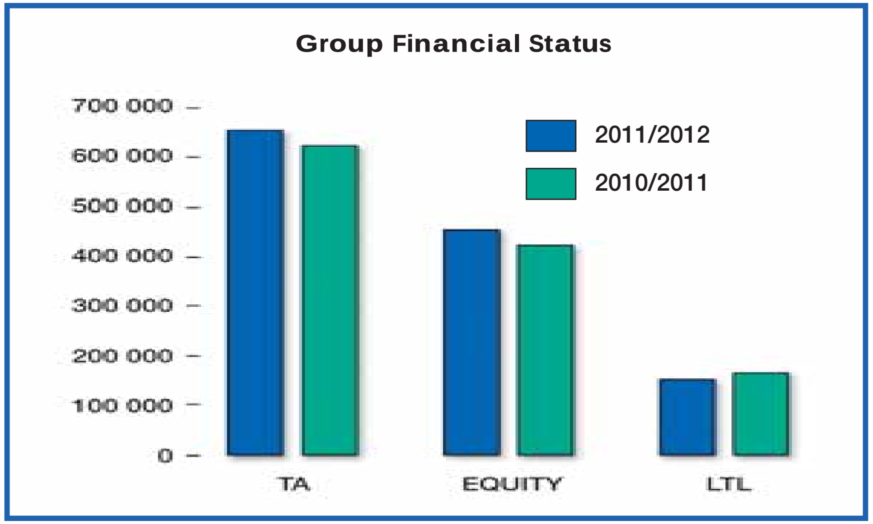
b) Corporation

The Corporation made a profit after tax of M41.4 million during the year 2011/2012 which resulted in an increase in the overall growth in the Corporation's total assets. The shareholders' equity increased by M41.4 million or 9.8%. Long term loans declined by M9.3 million as a result of repayments made during the year.

Chief Executive's Report

(continued)

The graph below summarises the performance highlighted above.



RATIO ANALYSIS

Table 1

	Group			
	% Increase/ (decrease)	Increase/ (decrease) M'000	31 March 2011 M'000	31 March 2010 M'000
Turnover/operating income	10.01	55 553	610 767	555 214
Profit before tax	93.44	56 447	116 858	60 411
Profit after tax	102.17	53 804	106 463	52 659
Total assets	10.61	98 701	1 029 044	930 343
Equity	25.38	140 803	695 685	554 882
Long-term liabilities	(5.48)	(9 571)	165 030	174 601
Return on capital employed	74.88	5	11.36	6.49
Earnings per share (Lisente)	102.17	42	83.17	41.14

Table 2

	Corporation			
	% Increase/ (decrease)	Increase/ (decrease)	31 March 2011	31 March 2010
		M'000	M'000	M'000
Turnover/operating income	313.38	21 407	28 238	6 831
Profit before tax	148.45	21 987	36 798	14 811
Profit after tax	148.45	21 987	36 798	14 811
Total assets	5.53	32 651	622 561	589 910
Equity	11.34	42 924	421 354	378 430
Long-term liabilities	(5.96)	(10 315)	162 829	173 144
Return on capital employed	135.42	3.40	5.9	2.5
Earnings per share (Lisente)	148.45	17.18	28.75	11.57

Statement of Directors Responsibility

for the year ended 31 March 2012

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 23 to 47 have been prepared in accordance with Lesotho and International Financial Reporting Standards and include amounts based on judgements and estimates made by management. The directors also prepared the other information included in the consolidated financial statements and are responsible for both its accuracy and its consistency with the financial statements.

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

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

The consolidated financial statements have been audited, on behalf of the Auditor General of Lesotho, by the independent auditing firm, 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 page 18.

The directors confirm that the annual financial statements set out on pages 23 to 47 were approved by the Board of Directors on 20 March 2014 and are signed on its behalf by:-

Director Director

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

Report of the Auditor General

on the Financial Statements of Lesotho National Development Corporation and its Subsidiary Companies for the year ended 31 March 2012

Moteane, Quashie and Associates, under Section 15(1) of the Audit Act 1973 have audited the accompanying consolidated financial statements of Lesotho National Development Corporation and its Subsidiary Companies, which comprise the consolidated balance sheet as as 31 March 2010, and the consolidated income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 23 to 47.

Director's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedure to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

The introduction of a new computerised billing system has resulted in numerous errors in rent debtor which resulted in a qualification in respect to the consolidated financial statements for the year ended 31 March 2011. From a process of rectifying the system deficiencies and related errors, the rental debtors figure of M20,5 million has been fully provided for, with M7,3 million proposed for write-off. In a number of instances, I could not obtain sublease agreements to verify rent billings against the respective sublease agreements, nor could I confirm the balances due by direct confirmation. 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 taxes and net earnings and retained earnings.

Qualified Opinion

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the corporation and its subsidiary companies as at 31 March 2012, the results of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Lesotho Nation Development Corporation Order, 1990 as amended

Lucy L Liphafa
Auditor General
30 April 2014

OFFICE OF THE AUDITOR-GENERAL
AUDITOR GENERAL
2014 -04- 30
P.O. BOX 502
MASERU 100 LESOTHO

Directors' Report

for the year ended 31 March 2012

1. REVIEW OF ECONOMIC ENVIRONMENT

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

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

2. REVIEW OF PERFORMANCE

The Group turnover increased slightly by 4% due challenges in the regional and global environment. Operating income increased by 111% due to a good performance by the two subsidiaries and profit after tax was also 102% above prior period.

Total balance sheet grew by 11% due to increase in funding of projects during the year under review. The major contributor was in current assets with an increase of 26% and 7% in investment property.

3. OPERATIONS

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

3.1 Foreign Investment Division

The Division focused on diversifying markets and products as well as integrating the garment industry. Direct contribution was made into activities aimed towards the improvement of the investment climate through reforms. The Corporation in partnership with the USAID SA Trade Hub developed an investor roadmap tool to be used as a guideline for investors and policy makers on improving the ease of doing business in Lesotho. The main promotion platforms were provided by the COP 17 event in Durban where the Corporation promoted investment opportunities in green industries with specific emphasis on agribusiness and renewable energy. A promotion mission to Turkey, Izmir also provided an audience of 35 business representatives from agro industry, meat products, leather, renewable energy, plastic products, textiles and garments.

The period saw an addition of 5 companies producing clothing and in television assembly. These companies generated an employment of 1035.

3.2 Domestic Investment Division

The Division provides support to local businesses, with a view to advocate and facilitate for an improved business environment. Support is provided to local business in the areas of access to finance, business support services, linkages with the mainstream economy, market development and facilitations locally, regionally and internationally.

The most important milestone by the Division was the signing of a Risk Sharing Agreement by the Corporation and First National Bank in June 2011 followed by a similar signing with NEDBANK in December 2011. Since the signing to the end of the reporting period the Corporation had approved three projects all from FNB. The signing of the agreement made it mandatory for the division to launch numerous awareness campaigns using mass media and road shows.

Presentations were made to the business community in the districts and in Maseru. The divisional pipeline of projects stood at 28 by the end of the reporting period.

3.3 Investment Services Division

The Division continues to provide assistance to investors to set up manufacturing concerns in the country, provision of after care service to existing companies as well as playing an oversight role in the equity and loan portfolio. In addition, the Division provides assistance to the Corporation's portfolio of companies with regard to maintenance of industrial stability.

Two new companies started operations during the period under review resulting in initial employment of 34 people estimated to increase to 500 at full capacity. The companies' total investment was M7 million. On the other hand, four companies closed operations due to difficult economic conditions. 630 people lost their jobs as a result of the closure. The companies were in the sectors of clothing, embroidery and TV assembly.

3.4 Property Management Division

The Division in the main provides property development and management services on the Corporation's property portfolio comprising; residential, commercial/retail and industrial properties throughout Lesotho. Morai Maseela and Co (Pty) Ltd is engaged by the Corporation to provide outsourced real estate management services which entail; letting, billing, rent collection and maintenance.

The Division supervised procurement of building contractors services for the construction of among others factory shells. Two (2) property development initiatives were under way during the year under review. These are two factory shells measuring $3000m^2$ and $1000m^2$ at Nyenye Industrial Estate.

3.5 Public Relations

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

- **Induction of New Chief Executive Officer**

  A tour of LNDC portfolio of companies was organised to familiarise the new Chief Executive Officer, Mr. Joshua Setipa with all factory operations.

- **Corporate social responsibility activities included:**

  LNDC Awards to best performing graduates from the National University of Lesotho, Lerotholi Polytechnic, Limkokwing University of Creative Technology and the Centre for Accounting Studies. Qualifying categories for LNDC awards are in the fields of Economics, Accounting, Information Technology, Built Environment and Statistical Research.

  LNDC also contributed candle making equipment to the tune of M20,000 to train visually impaired persons at the Mohloli oa Bophelo Rehabilitation and Training Centre at Ha Tsosane in Maseru.

  Food hampers and essential items worth M20,000 were distributed to Malibuseng Children's Home at Maseru East to celebrate the festive season. The home provided shelter for 32 children aged from one to 14 years of age.

  LNDC donated M20,000.00 to HOPE, an organisation which raises funds to assist disadvantaged children as well as to finance the establishment and running of Early Childhood Care Development Centres. In addition to its contribution, LNDC also hosted several organisations to a fund raising event to assist in promoting HOPE.

- **Publicity**

  Major events for the period under review which were publicised included:
  The roll out of the first LNDC internship programme which comprised an intake of five (5) student interns during the 2011 winter vacation. The interns were placed in the Foreign Investment Promotion Division, Domestic Investment Promotion Division, Investment Services Division as well as Finance and ICT Division.

Directors' Report

Signature of the Partial Credit Guarantee Risk Sharing agreement between LNDC and First National Bank as well as Nedbank Lesotho. The M10 million Partial Credit Guarantee Scheme was established to provide loan guarantees to local business people to start or expand medium to large business without having to put up collateral/security to support facilities provided by participating banks.

Signing of an MoU between an LNDC subsidiary, Loti Brick and the Lesotho Denim Industry comprising Nien Hsing Group and CGM Group to use primary sludge produced by the factories for brick manufacturing.

3.6 Subsidiary performance

Subsidiaries within the group delivered mixed results with two contributing to the profit of the Group, while one posted a loss.

4. SHARE CAPITAL

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

5. DIVIDENDS

No dividend is paid or proposed.

6. FUTURE STRATEGY

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

7. STAFF TRAINING FACILITY

The Human Resources Division is responsible for among other duties, staff welfare, recruitment and training. These are the activities of the division for the period:

- 11 members of staff we trained on various programs
- The Corporation recruited 8 employees and there were 2 resignations
- The Board of Directors approved the report on consultancy on Review of Job Grading and Salaries and recommended that it be implemented in trenches.
- The Board also approved the revised Organisational Structure

8. TRIBUTE TO THE STAFF

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

Directors’ Report

for the year ended 31 March 2012 (continued)

9. EVENTS SINCE BALANCE SHEET DATE

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.

10. DIRECTORS AND SECRETARY

The directors during the year were:

Board of Directors

Chairman	Mr. Teleko J. Ramots’oari (Up to 7 November 2011)
Chairman	Mr. Hlompho Mpeta (From 8 November 2011)
Members	Mr. Madhav V. Dalvi (Resigned)
	Mr. Ret’sepile J. Elias
	Mr. Rets’elisitsoe Theko
	Mr. Khotso Mapepesa (Resigned)
	Mr. Ramatlali Nkhahle (Resigned)
	Mr. Mohale Sekoto (Deceased)
	Mr. Liteboho Mofubetsoana (From 16 November 2011)
	Mrs. Liengoane Lefosa
	Mr. Khotso Khabele
	Mr. Tseko Bohloa
	Mr. Motebang Mokoaleli – Chief Executive Officer (a.i. up to 15 January 2012)
	Mr. Joshua Setipa - Chief Executive Officer (from 16 January 2012)
Secretary	Mr. Clark T. Poopa

11. AUDITORS

The Corporation’s auditors were Moores Rowland on behalf of the Auditor General of Lesotho.

12. REGISTERED OFFICE AND ADDRESS

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

Physical Address	Block A, Development House Kingsway, Maseru
Postal address	Private Bag A96, Maseru 100
Web site	www.lndc.org.ls
Email	info@lndc.org.ls

Consolidated Statement of Comprehensive Income

for the year ended 31 March 2012

		CORPORATION		GROUP	
		2012	2011	2012	2011
	Note	M'000	M'000	M'000	M'000
Turnover	14	**43 814**	**43 983**	**643 234**	**610 767**
Operating profit	15	33 327	28 242	94 492	100 107
Income from associates		10 284	8 560	15 200	16 751
Income before tax		43 611	36 802	109 692	116 858
Taxation	16	(2 194)	-	(14 084)	(10 395)
Income after taxation		41 417	36 802	95 608	106 463
Minority interests		-	-	(49 372)	(43 464)
Income from ordinary activities		41 417	36 802	46 236	62 999
Prior year adjustment	18	-	-	-	-
At beginning of year		112 866	76 064	271 716	208 717
At end of year		**154 283**	**112 866**	**317 952**	**271 716**

Consolidated Statement of Financial Position

for the year ended 31 March 2012

		CORPORATION		GROUP	
		2012	2011	2012	2011
ASSETS	Notes	M'000	M'000	M'000	M'000
Non-current assets		**532 581**	**516 105**	**794 670**	**752 891**
Property, plant and equipment	4	3 337	1 839	211 418	180 473
Investment property	4	487 241	475 747	487 241	475 747
Intangible asset		-	-	2 889	3 950
Investment in subsidiaries	5	2 136	2 040	-	-
Investment in associates	6	564	1 194	53 819	57 435
Other investments	7	38 943	34 925	38 943	34 926
Loan debtors	8	360	360	360	360
Current assets		**122 568**	**106 455**	**248 031**	**276 153**
Inventories	9	-	-	62 992	50 597
Accounts receivable	10	15 392	15 372	55 493	99 777
Short term investments		102 016	86 522	114 670	97 361
Bank balances and cash		5 160	4 561	14 876	28 418
Total assets		**655 149**	**622 560**	**1 042 701**	**1 029 044**
EQUITY AND LIABILITIES					
EQUITY					
Share capital	1	128 000	128 000	128 000	128 000
Non-distributable reserves	2	180 441	180 491	224 240	224 290
Retained income		154 283	112 866	317 952	271 716
		462 724	421 357	670 192	624 006
Minority interest		-	-	80 818	71 679
Total equity		**462 724**	**421 357**	**751 010**	**695 685**
Non-current liabilities					
Long-term borrowings	3.1	148 447	157 743	160 917	159 673
Long-term provisions	3.2	5 903	5 146	6 897	5 146
Deferred tax		-	-	1 129	211
Total non-current liabilities		**154 350**	**162 889**	**168 943**	**165 030**
Current liabilities					
Bank overdrafts		-	-	6 226	630
Accounts payable	11	38 075	38 314	115 475	163 147
Taxation	16	-	-	1 047	4 552
Total current liabilities		**38 075**	**38 314**	**122 748**	**168 329**
Total equity and liabilities		**655 149**	**622 560**	**1 042 701**	**1 029 044**

Consolidated Statement of Changes in Equity

for the year ended 31 March 2012

GROUP	Share capital	Non-distributable reserves	Retained income	Total
Balance March 31, 2010	**128 000**	**218 164**	**208 717**	**554 881**
Retained income for the year	-	-	62 999	62 999
Movement on non-distributable reserves (refer note 2)	-	6 126	-	6 126
Balance March 31, 2011	**128 000**	**224 290**	**271 716**	**624 006**
Retained income for the year	-	-	46 236	46 236
Prior year adjustment	-	-	-	-
Movement on non-distributable reserves (refer note 2)	-	(50)	-	(50)
Balance March 31, 2012	**128 000**	**224 240**	**317 952**	**670 192**
CORPORATION				
Balance March 31, 2010	**128 000**	**174 365**	**76 064**	**378 429**
Retained income for the year	-	-	36 802	36 802
Prior year adjustment	-	126	-	126
Development grant	-	6 000	-	6 000
Balance March 31, 2011	**128 000**	**180 491**	**112 866**	**421 357**
Retained income for the year	-	-	41 417	41 417
Movement on non-distributable reserves (refer note 2)	-	(50)	-	(50)
Balance March 31, 2012	**128 000**	**180 441**	**154 283**	**462 724**

Consolidated Statement of Cash Flow

for the year ended 31 March 2012

	Note	CORPORATION		GROUP	
		2012	2011	2012	2011
	Note	M'000	M'000	M'000	M'000
Net cash flow from operations	**17.1**	**(2 289)**	**8 899**	**67 175**	**48 949**
Returns on investments	17.2	50 955	39 827	9 475	40 038
Capital expenditure	17.3	(18 356)	(40 908)	(73 541)	(69 123)
Minority interest		-	-	9 139	17 550
Taxation paid		(2 194)	-	(16 671)	(11 854)
Management of liquid resources	17.4	(3 484)	(4 157)	(401)	(12 356)
Financing	17.5	(8 539)	(10 315)	2 995	(9 571)
Increase in cash in year		16 093	(6 654)	(1 829)	3 633
Cash at beginning of year		91 083	97 737	125 149	121 516
CASH AT END OF YEAR	17.6	**107 176**	**91 083**	**123 320**	**125 149**

Summary of Significant Accounting Policies

for the year ended 31 March 2012

1.0 PRINCIPAL ACTIVITIES AND BASIS OF PREPARATION

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

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

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

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

2.0 GROUP ACCOUNTING

2.1 GROUP FINANCIAL STATEMENTS

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

2.2 SUBSIDIARY COMPANIES

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

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

Subsidiaries are excluded from consolidation when:-

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

2.3 TRANSACTION AND MINORITY INTEREST

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

2.4 ASSOCIATED COMPANIES

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

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

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

2.5 JOINT VENTURES

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

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

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

2.6 INVESTMENT

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

2.7 METHOD OF DETERMINING STOCK VALUES

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

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

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

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, not more than 30 years.

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

2.9 OTHER FIXED ASSETS

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

Motor vehicles	20%
Furniture, plant and equipment	10%
Computers	33.33%

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

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

2.10 CAPITALISATION OF BORROWING COSTS

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

2.11 FOREIGN CURRENCY TRANSLATION

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

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

2.12 GRANTS RECEIVED

2.12.1 By Subsidiaries

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

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

2.12.2 By the Corporation

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

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

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

2.14 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 to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Severance payment is calculated in terms of section 79 of the Labour Code of Lesotho, 1992.

2.15 REVENUE RECOGNITION

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

Income

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

Interest income

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

2.16 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 capital element which reduces the outstanding obligation for future instalment. All other leases are accounted for as 'operating leases' and the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.

2.17 FINANCIAL ASSETS

Classification

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

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

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

(b) Loans and receivables

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

(c) Held-to-maturity investments

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

(d) Available-for-sale financial assets

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

(e) Recognition and measurement

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

Realised and unrealized 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. unrealized gains and losses arising from changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in equity. When securities classified available-for-sale are sold or impaired, the accumulated fair value adjustments in equity are included in the income statement as gains and losses from investment securities.

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

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

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

2.18. CASH AND CASH EQUIVALENTS

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

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

2.19 TRADE AND OTHER RECEIVABLES

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

2.20 TRADE AND OTHER PAYABLES TO THE STAFF

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

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 be made.

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 right to defer settlement of the liability for at least 12 months after the balance sheet date.

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 RISK MANAGEMENT

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

Financial risk factors

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

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

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.

Credit risk

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

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

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

Fair value estimation

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

2.25 COMPARATIVE FIGURES

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

2.26 INTANGIBLE ASSETS

An intangible asset is recognised when:

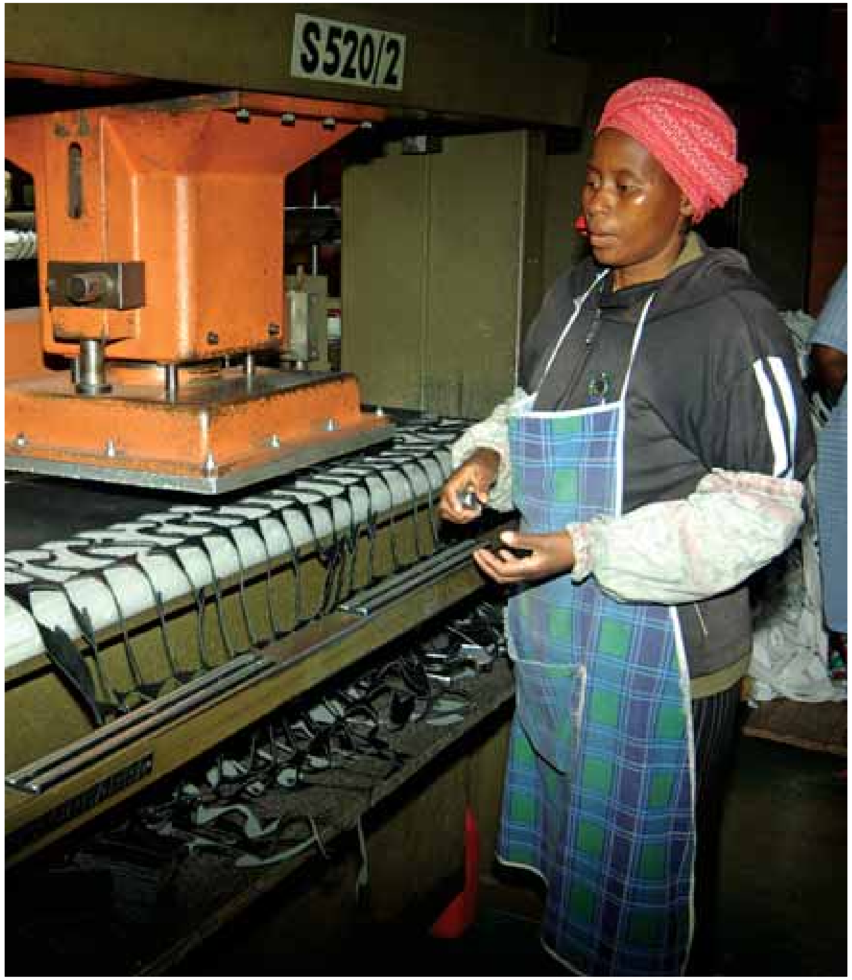
- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

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 recognised when:

- 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.



Notes to the Financial Statements

for the year ended 31 March 2012

		CORPORATION		GROUP	
		2012 M'000	2011 M'000	2012 M'000	2011 M'000
1.	**SHARE CAPITAL**				
	AUTHORISED				
	250 000 000 shares of M1 each	250 000	250 000	250 000	250 000
	ISSUED AND FULLY PAID				
	128 000 000 shares of M1 each	128 000	128 000	128 000	128 000
2.0	**NON-DISTRIBUTABLE RESERVES**				
2.1	**Development grants**				
	Grants from Lesotho Government:				
	At beginning of year	45 288	39 288	45 288	39 288
	Received during the year	-	6 000	-	6 000
	Transferred to income statement	(50)	-	(50)	-
	At end of year	**45 238**	**45 288**	**45 238**	**45 288**
	Capital grants				
	At beginning of year	-	-	1 415	1 415
	Adjustment during the year	-	-	-	-
	At end of year	-	-	1 415	1 415
	Total development grants	**45 238**	**45 288**	**46 653**	**46 703**
2.2	**unrealized surplus (revaluation)**				
	Surplus on revaluation of land and buildings				
	At beginning of year	130 873	130 747	172 044	171 918
	Movement during the year	-	126	-	126
	At end of year	**130 873**	**130 873**	**172 044**	**172 044**

Notes to the Financial Statements

for the year ended 31 March 2012 (continued)

	CORPORATION		GROUP	
	2012 M'000	2011 M'000	2012 M'000	2011 M'000
2.0 NON-DISTRIBUTABLE RESERVES (continued)				
2.3 unrealized surplus (acquisition)				
Arising on the acquisition of subsidiaries				
At beginning of year	-	-	413	413
Movement during year	-	-	-	-
At end of year	**-**	**-**	**413**	**413**
2.4 Attributable share in associated companies				
Share premium	-	-	400	400
Capitalisation of accumulated profits	330	330	330	330
Capital redemption fund	-	-	400	400
At end of year	**330**	**330**	**1 130**	**1 130**
2.5 Capital redemptions				
Capitalised revenue reserve to finance redemption of preference shares	4 000	4 000	4 000	4 000
Total non-distributable reserves	**180 441**	**180 491**	**224 240**	**224290**
3. LONG-TERM LOANS				
Loans outstanding as detailed below:	158 784	171 475	174 230	174 803
Less: Current maturities included in accounts payable	(10 337)	(13 792)	(13 313)	(15 130)
Total long-term loans	**148 447**	**157 743**	**160 917**	**159 673**

Notes to the Financial Statements

for the year ended 31 March 2012 (continued)

3. LONG-TERM LOANS (continued)

3.1 Corporation and Group

	2012 M'000	2011 M'000
Public Investment Commissioners		
13.9% loan repayable in October 2015, secured by zero coupon bond	52 878	52 878
Frasers Limited:		
Interest free loan with no fixed date of repayment	6	6
European Investment Bank B		
5% loan from EIB to GOL on lent to LNDC, repayable in ten equal instalments commencing April 2008.	943	1 464
Nedbank Lesotho		
Interest is charged at prime minus 4%, repayable in 10 years commencing November 2003.	983	2 488
Government of Lesotho:		
Thetsane – Nieng Hsing		
2% loan repayable in twenty yearly instalments commencing 2006	520	650
IDA		
7% loan repayable in twenty yearly instalments commencing 01 July 2000	7 141	7 981
KFW (OLD)		
0.75% loan repayable over fifteen years after a five year grace period commencing September 2005	309	398
ADB		
4% loan repayable in twenty yearly instalments commencing 01 July 2000	12 520	17 810
ODA II		
8% loan. Repayable over 25 years commencing July 01 1991	113	128
Carried-forward	75 413	83 803

Notes to the Financial Statements

for the year ended 31 March 2012 (continued)

		2012 M'000	2011 M'000
3.1	**Corporation and Group (continued)**	75 413	83 803
	Brought-forward		
	ODA III		
	8% loan. Repayable over 25 years commencing July 01 1991	107	135
	ODA 1st line of credit		
	7% loan ODA line of credit. Repayable over 25 years commencing July 31 1995	656	822
	ODA 2nd line of credit		
	7% loan, ODA line of credit. Repayable over 25 years commencing September 26 1996	2 571	2 752
	LNDC Centre		
	5% loan repayable in 20 half yearly instalments, after a five year grace period	-	700
	CGM		
	Interest free loan repayable in 10 years, with 3 year moratorium, from December 2011	27 000	30 000
	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	2 036	2 263
	Total loans – Corporation	158 784	171 475
	Standard Lesotho Bank		
	Loti Brick (Pty) Ltd	15 446	3 328
	Instalment and asset finance loans		
	Total loans – Group	174 230	174 803

	CORPORATION		GROUP	
	2012 M'000	2011 M'000	2012 M'000	2011 M'000
3.2 Long-term provisions				
At beginning of year	5 146	4 482	5 146	4 482
Additional provisions	930	952	930	952
Payments	(173)	(288)	(173)	(288)
At end of year	5 903	5 146	5 903	5 146

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

4. NON-CURRENT ASSETS

4.1 Property, vehicles, furniture and equipment

	CORPORATION 2012 M'000	CORPORATION 2011 M'000	GROUP 2012 M'000	GROUP 2011 M'000
Cost or valuation				
At beginning of year	8 802	8 719	385 606	360 456
Additions	3 264	351	58 569	27 661
Disposals	(1 865)	(268)	(2 316)	(2 511)
At end of year	10 201	8 802	441 859	385 606
Depreciation				
At beginning of year	6 963	6 418	205 133	176 098
Charge for the year	1 096	730	26 954	31 022
Eliminated on disposals	(1 195)	(185)	(1 646)	(1 987)
At end of year	6 864	6 963	230 441	205 133
Net book value				
At 31 March 2011	1 839	2 301	180 473	184 358
At 31 March 2012	**3 337**	**1 839**	**211 418**	**180 473**

Notes to the Financial Statements

for the year ended 31 March 2012 (continued)

	CORPORATION		GROUP	
	2012 M'000	2011 M'000	2012 M'000	2011 M'000
4. NON-CURRENT ASSETS (continued)				
4.2 Investment property				
Cost or valuation				
At beginning of year	506 450	466 164	506 450	466 164
Additions	21 165	40 286	21 165	40 286
At end of year	**526 875**	**506 450**	**526 875**	**506 450**
Depreciation				
At beginning of year	30 703	22 435	30 703	22 435
Charge for the year	8 990	8 268	8 990	8 268
Eliminated on disposals	(59)	-	(59)	-
At end of year	**39 634**	**30 703**	**39 634**	**30 703**
Net book value				
At 31 March 2011	475 747	443 729	475 747	443 729
At 31 March 2012	**487 241**	**475 747**	**487 241**	**475 747**

4.3 Valuation of land and buildings

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

4.4 Investment property

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

Notes to the Financial Statements

for the year ended 31 March 2012 (continued)

Name	Principal activity	Equity held 2012 %	Cost of equity held directly M'000	Amounts owing M'000	Provision attributable net losses M'000	Net interest **2012** **M'000**	Net interest 2011 M'000
5. INVESTMENT IN SUBSIDIARIES							
5.1 Active subsidiaries							
Basotho Fruit & Vegetable Canners (Proprietary) Ltd	Cannery	100	100	18 109	(18 209)	-	-
Maluti Mountain Brewery (Proprietary) Ltd	Brewery	51	2 040	-	-	2 040	2 040
Loti Brick (Proprietary) Ltd	Brickmaking	74	3 234	14 667	(17 805)	96	-
Totals			**5 374**	**32 776**	**(36 014)**	**2 136**	**2 040**

	CORPORATION 2012 M'000	CORPORATION 2011 M'000	GROUP 2012 M'000	GROUP 2011 M'000
5.2 Provision for losses in subsidiaries				
Balance at beginning of year	34 782	34 147	-	-
(Decrease) /Increase in provision	1 232	635	-	-
Total provision for losses in subsidiaries	**36 014**	**34 782**	**-**	**-**
6. INVESTMENT IN ASSOCIATES				
Shares at cost	564	1 194	564	1 194
Share of non-distributable reserves	-	-	800	800
Share of retained income	-	-	52 455	55 441
Directors' valuation	**564**	**1 194**	**53 819**	**57 435**

6. INTEREST IN ASSOCIATED COMPANIES (continued)

Name **Corporation and Group**	Principal activity	Proportion Held %	Cost of equity M'000	Non distributable reserves M'000	Distributable reserves M'000	Total Interest 2012 M'000	Total Interest 2011 M'000
Cash Build Lesotho (Pty) Ltd*	Wholesaler	20	20	-	9 587	9 607	7 989
Lesotho Food Industries (Pty) Ltd**	Investment company	40	66	-	15 631	15 697	20 208
OK Bazaars Lesotho (Pty) Ltd*	Retailer	50	150	800	16 772	17 722	17 263
Sun International Lesotho (Pty) Ltd*	Hotel and Casino	20	328	-	10 465	10 793	11 345
Devles Property Investments (Pty) Ltd	Property Investment	50	-	-	-	-	630
			564	800	52 455	53 819	57 435

* financial year-end : 30 June 2012
** financial year-end : 30 September 2012

7. OTHER INVESTMENTS

	2012 M'000	2011 M'000
Corporation and Group		
Unlisted equity shares:		
Lesotho Housing and Land Development Corporation	958	958
Frasers Ltd	14	14
Lesotho Milling (Pty) Ltd	4 500	4 500
Zero coupon loan stock (RSA Govt. Bond)	33 471	29 453
	38 943	34 925

8. LONG TERM DEBTORS

Corporation and Group		
Loan debtors at varying rates of interest and repayment terms	360	360
	360	360

Notes to the Financial Statements

for the year ended 31 March 2012 (continued)

9. INVENTORIES

	2012 M'000	2011 M'000
Group		
Raw materials	18 546	20 244
Finished goods and merchandise	21 546	12 960
Consumable stores	4 982	625
Work in progress	4 221	2 958
Retail merchandise	11 154	11 715
Spares	2 543	2 095
	62 992	**50 597**

10. ACCOUNTS RECEIVABLE

	CORPORATION		GROUP	
	2012 M'000	2011 M'000	2012 M'000	2011 M'000
Value added tax	7 548	6 609	7 548	6 609
Trade receivables	-	-	35 665	29 905
Building rental	26 999	27 463	26 999	27 463
Other debtors	1 421	1 697	11 555	61 595
Provision and other debtors	(20 576)	(20 397)	(26 274)	(25 795)
	15 392	15 372	55 493	99 777

11. ACCOUNTS PAYABLE

	CORPORATION 2012 M'000	CORPORATION 2011 M'000	GROUP 2012 M'000	GROUP 2011 M'000
Trade payables	-	5 520	28 316	61 680
Loans : current portion	10 337	13 792	13 313	15 130
Interest accruals	13 610	7 747	13 610	-
Rental deposits	6 464	6 616	6 464	6 616
Accruals	5 928	4 049	19 340	17 011
LRA related payables	-	633	10 550	23 160
Payroll related payables	1 736	-	8 911	9 950
Other payables	-	21	14 971	29 600
	38 075	38 378	163 147	163 147

Notes to the Financial Statements

for the year ended 31 March 2012 (continued)

	CORPORATION 2012 M'000	CORPORATION 2011 M'000	GROUP 2012 M'000	GROUP 2011 M'000
12. CONTINGENT LIABILITIES				
12.1 There were no guarantees in respect of the repayment of loans and overdrafts advanced to subsidiaries and other parties during the year.				
13. COMMITMENTS				
Capital commitments contracted for:				
- Buildings and equipment	25 000	-	25 000	-
Authorised but not committed:				
- Buildings and equipment	-	85 175	-	86 405
Total capital commitments	**25 000**	**85 175**	**25 000**	**86 405**

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

14. TURNOVER

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

	CORPORATION 2012 M'000	CORPORATION 2011 M'000	GROUP 2012 M'000	GROUP 2011 M'000
Lesotho National Development Corporation	43 814	43 983	43 814	43 983
Maluti Mountain Breweries (Proprietary) Ltd	-	-	571 127	538 302
Loti Brick (Proprietary) Ltd	-	-	27 899	28 311
Basotho Fruit and Vegetable Canners (Proprietary) Ltd	-	-	394	172
	43 814	**43983**	**643 234**	**610 767**

Notes to the Financial Statements

for the year ended 31 March 2012 (continued)

	CORPORATION		GROUP	
	2012 M'000	2011 M'000	2012 M'000	2011 M'000
15. OPERATING PROFIT FOR THE YEAR				
Turnover	43 814	43 983	643 234	610 767
Cost of sales	(2 554)	(2 554)	(240 598)	(233 747)
Gross profit	41 429	41 429	402 636	377 020
Other income	39 871	39 871	4 187	13 483
Operating expenses	(51 368)	(51 368)	(311 522)	(289 028)
Operating profit	29 932	29 932	95 301	101 475
Net finance costs	(1 694)	(1 694)	(809)	(1 368)
Profit before tax	**28 238**	**28 238**	**94 492**	**100 107**
Stated after crediting or charging the following :				
Income				
Profit on disposal of fixed assets	4 722	69	4 842	666
Interest received	9 270	8 951	11 482	10 515
Property rentals	43 814	43 983	43 814	43 983
Other income	210	243	4 187	13 483
Income from Subsidiaries and Associates - dividends	52 157	41 406	-	-
Expenses				
Depreciation and amortisation of fixed assets	10 086	8 997	35 944	29 034
Auditors remuneration: Audit fees	182	181	840	557
Interest paid	10 472	10 530	12 006	11 883
16. TAXATION				
16.1 Normal tax on current profits	2 194	-	13 166	11 006
Deferred tax	-	-	918	(611)
	2 194	**-**	**14 084**	**10 395**

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

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

Notes to the Financial Statements

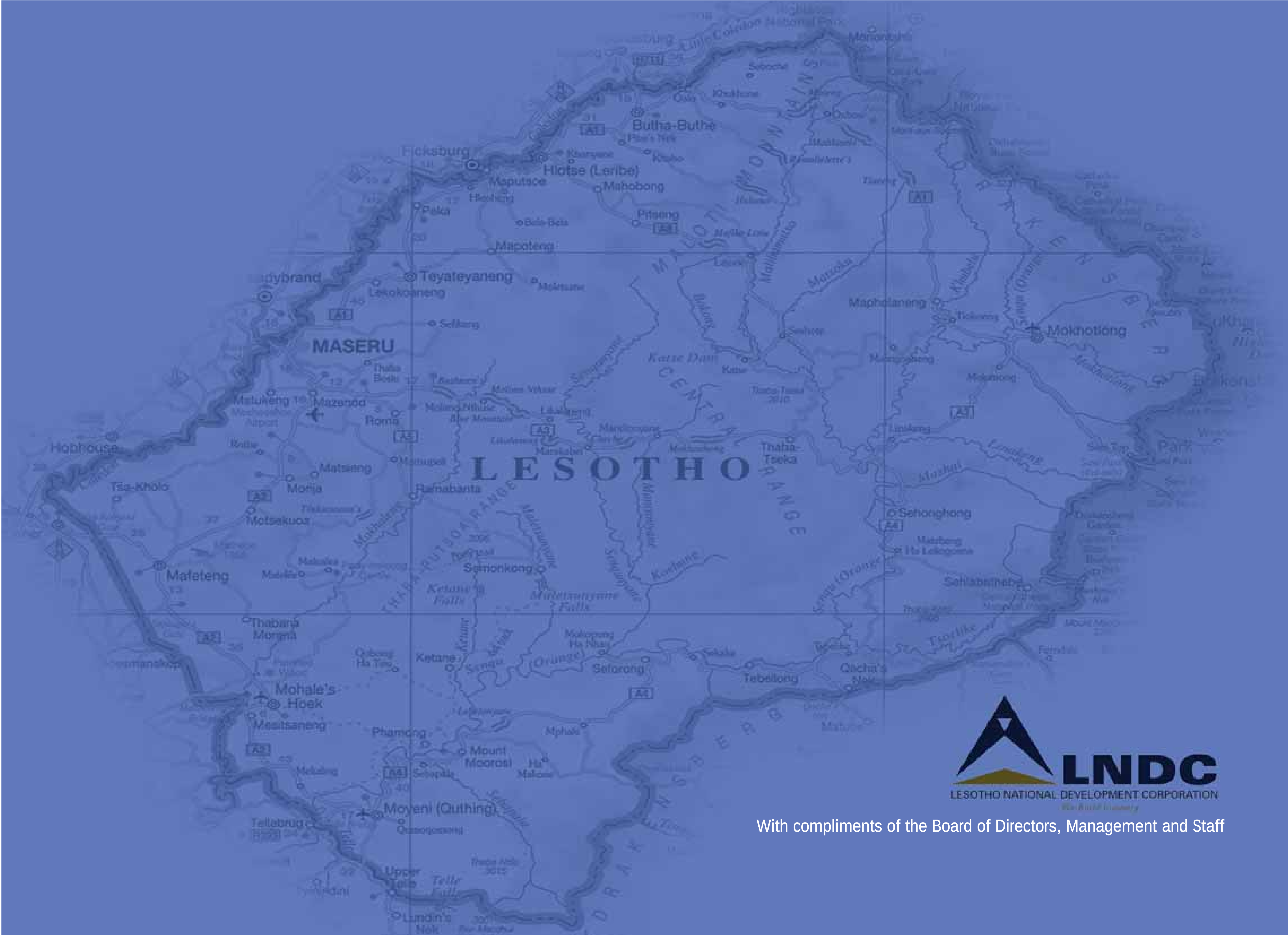
for the year ended 31 March 2012 (continued)

	CORPORATION		GROUP	
	2012	2011	2012	2011
	M'000	M'000	M'000	M'000
17. NOTES TO THE CASH FLOW STATEMENT				
17.1 Reconciliation of operating profit to net cash inflow from operating activities				
Profit before tax	43 611	37 422	60 320	73 394
Return on investment	(50 955)	(39 827)	(9 475)	(40 038)
Depreciation	10 086	8 998	35 944	39 290
Profit on sale of fixed assets	(4 722)	(69)	(4 842)	(227)
Amortisation of intangible assets	(50)	-	1 061	982
Grants (amortised)/received	-	-	(50)	6 000
(Increase)/decrease in inventory	-	6 000	(12 395)	9 232
Decrease/(increase) in debtors	(20)	(3 583)	44 284	(62 933)
Increase/(decrease) in creditors	(239)	(42)	(47 672)	23 249
Net cash flow from operating activities	**(2 289)**	**8 899**	**67 175**	**48 949**
17.2 Returns on investments				
Dividends received	52 157	41 406	10 284	41 406
Interest received	9 270	8 951	11 482	10 515
Interest paid	(10 472)	(10 530)	(12 291)	(11 883)
	50 955	**39 827**	**9 475**	**40 038**
17.3 Capital expenditure				
Payments to acquire fixed assets	(24 429)	(41 059)	(79 734)	(67 822)
Receipts from sale of fixed assets	6 073	151	6 193	748
Payments to acquire intangible assets	-	-	-	(2 049)
	(18 356)	**(40 908)**	**(73 541)**	**(69 123)**

Notes to the Financial Statements

for the year ended 31 March 2012 (continued)

	CORPORATION		GROUP	
	2012	2011	2012	2011
	M'000	M'000	M'000	M'000
17.4 Management of liquid resources				
Decrease/(increase) in investment in associates	630	-	3 616	(8 821)
Increase in investment in subsidiaries	(96)	-	-	-
Increase in other investments	(4 018)	(4 157)	(4 017)	(3 535)
	(3 484)	**(4 157)**	**(401)**	**(12 356)**
17.5 Financing				
Increase/(decrease) in long term loans	(9 296)	(10 315)	1 244	(9 624)
Increase/(decrease) in long term provisions	757	-	1 751	53
	(8 539)	**(10 315)**	**2 995**	**(9 571)**
17.6 Analysis of cash at end of year				
Bank balances and cash	5 160	4 561	14 876	28 418
Bank overdraft	-	-	(6 226)	(630)
Short term investments	102 016	86 522	114 670	97 361
	107 176	**91 083**	**123 320**	**125 149**



LNDC

LESOTHO NATIONAL DEVELOPMENT CORPORATION

With compliments of the Board of Directors, Management and Staff