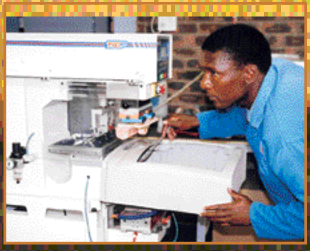
LNDC
LESOTHO NATIONAL DEVELOPMENT CORPORATION
*We Build Industry*

# LESOTHO NATIONAL DEVELOPMENT CORPORATION



With compliments of the Board of Directors, Management and Staff

ANNUAL REPORT 2000/2001

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# CORPORATE PROFILE

The Lesotho National Development Corporation (LNDC) is a Government of Lesotho's parastatal body originally established by the LNDC Act No. 20 of 1967. This act was later amended through the LNDC Order No. 13 of 1990 which became effective in June 1993, and further amended by LNDC (Amendment) Act No. 7 of 2000. The essential mandate of the Corporation as stipulated in section 4 subsection 1 of the LNDC Order No. 13 of 1990 states that:

***"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."***

The Corporation interprets its main role as the promotion of Lesotho as an attractive investment location for both foreign and indigenous investors. LNDC also offers a wide range of supportive services: serviced industrial sites; factory buildings; financial assistance to investors; and where possible, selective limited equity participation in projects considered to be of strategic importance to the national economy.

Until 1985, the Government of Lesotho (GOL) was the sole shareholder of the then M4 million authorised and issued share capital in the Corporation. In 1986, negotiations were successfully concluded with the German finance company for investments in developing countries (DEG) for a subscription of Deutschemark (Dm)1 million redeemable preference shares at a face value of one Loti each. The Board further authorised the conversion of M5 million capital reserves to fully issued and paid share capital to the GOL. Consequently, the Corporation's authorised capital was increased to M10 million, paid up as M9 million ordinary shares and M1 million redeemable preference shares owned by the Government of Lesotho and DEG respectively. In 1988, authorised share capital was increased to M20 million shares valued at one Loti each. Another financing protocol was entered into between the Government of Lesotho and Federal Republic of Germany, towards allocation of three million DM (3 million) to LNDC to increase DEG's interest.

Order No. 13 of 1990 provides for the Corporation's ownership to be opened up to 40% for other investors, while GOL retains 60%. To facilitate further equity capital injection, the LNDC Board resolved in 1990, that authorised share capital be further increased by M35 million to M55 million. During 1994/95, the GOL negotiated a financing arrangement from the European Investment Bank, which included ECU 0,75 million (then equivalent to M3 million) to be used for the subscription of additional shares by Government into LNDC. DEG converted some of its loans into shares in order to maintain the M4 million Maloti share holding. Following this subscription of additional shares by both GOL and DEG, paid up share capital increased form M20 milllion to M40 million million, comprising M36 million ordinary shares and M4 million preference shares.

LNDC falls under the auspices of the Ministry of Industry, Trade and Marketing which is responsible for providing overall policy direction on industrialisation. The Corporation's structure comprises three Directorates: Investment Promotion Centre, Operations and Finance. The LNDC is managed by the Chief Executive supported by the Executive and Management teams.

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 inter alia, in accordance with these statutory requirements, that the LNDC presents this edition of its annual report for the financial year starting April 1, 2000 and ending March 31, 2001. 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 of Directors. The Group Financial Statements constitute a consolidated performance by the Corporation, its subsidiary and associate companies. The LNDC stake in subsidiary companies ranges between 51% and 100%, and between 20% and 50% in associate companies.

# CORPORATE VISION

The Corporation's long term vision is directly derived from the dynamics of the Lesotho economy and the country’s future needs. One of the key features of the dynamics is the increasing dominance of the industrial sector in terms of contribution to GDP, employment creation and phenomenal growth in export volumes and earnings; a situation that is expected to prevail for quite some time in the future. With the industrial sector thus poised to be the economy's growth engine, LNDC's long term vision is to see:

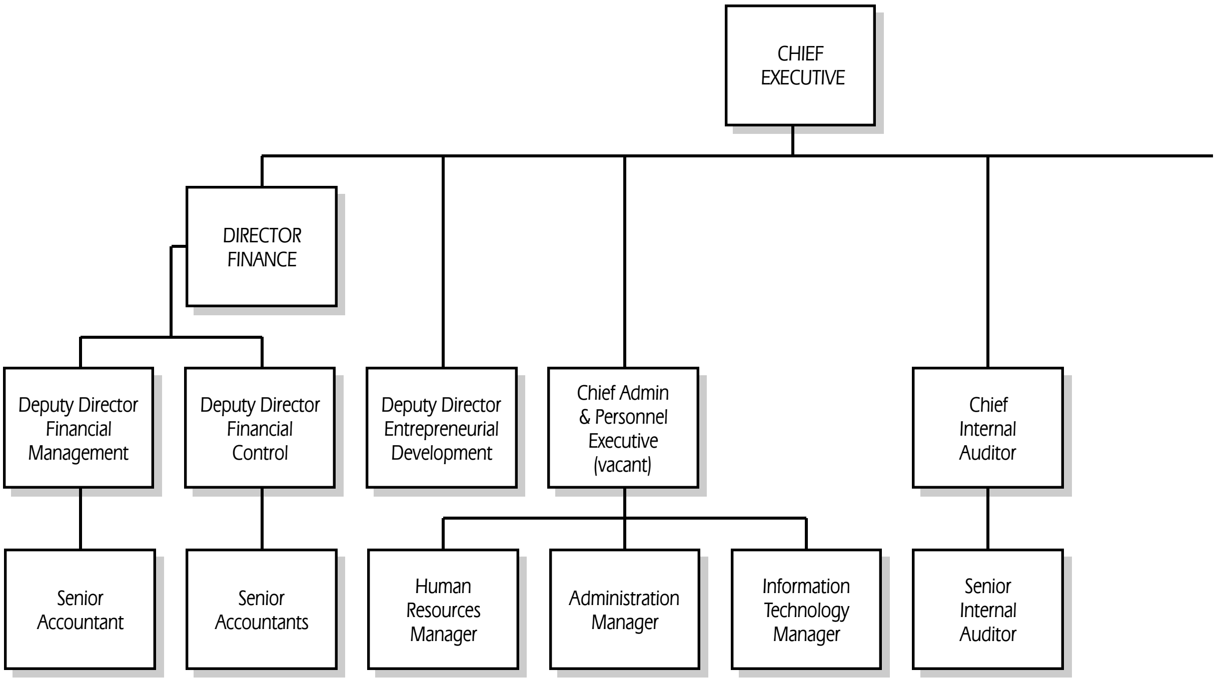
- A thriving and profitable manufacturing and processing industry, as well as general commercial activities which maintain a leading role in the economic development of Lesotho and which generate mass employment for the Basotho.
- The indigenous business community playing an active role in the industrial development programme of the country.
- Indigenous resources being turned into high value industrial products.
- The LNDC developing into a more market focused organisation that provides high quality services and facilities to its clients.
- The LNDC continuing to be an attractive long-term investment for its shareholders.

The expected results of this vision include:

- Generation of new investment projects and expansions especially in labour intensive industries.
- Employment generation and improved living standards.
- Enhancement of Lesotho's competitiveness.
- Increased participation of indigenous businesses through the provision of strategic support and the promotion of linkages with foreign companies.

# LNDC ORGANISATIONAL STRUCTURE

*end of the financial year 2000/2001*



# LNDC ORGANISATIONAL STRUCTURE

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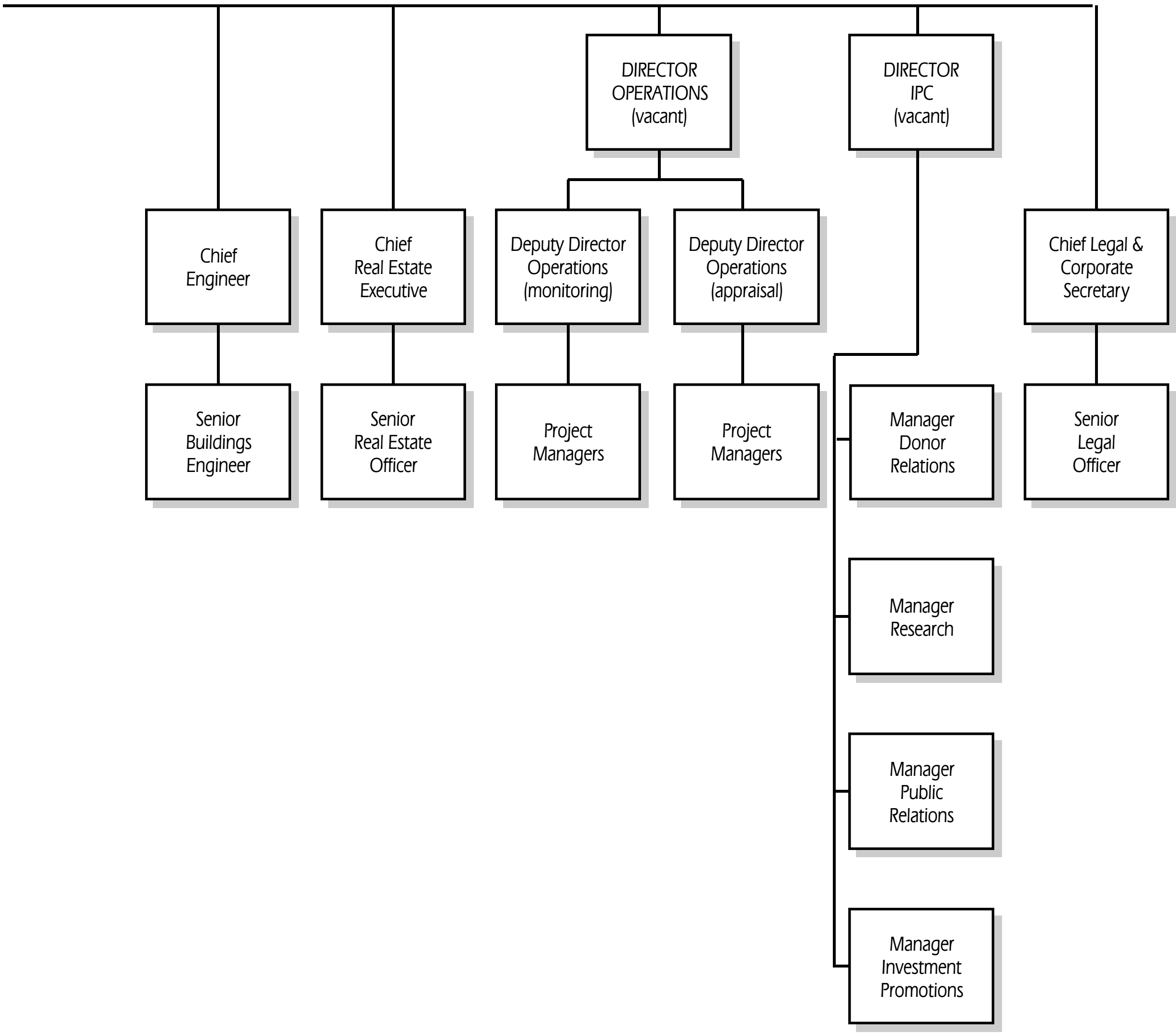


# LNDC BOARD OF DIRECTORS

end of the financial year 2000/2001

**CHAIRMAN**

**The Honourable M Malie**
Minister of Industry, Trade and Marketing

**MEMBERS**

**Honourable K Maope**
Minister of Finance and Development Planning

**Honourable V Bulane**
Minister of Agriculture, Cooperatives and Land Reclamation

**Mrs M Chondoma**
Representative
Lesotho Chamber of Commerce and Industry

**Ms B Baethke**
Representative
DEG

**Mr C Baitz**
Businessman

**Mr P Mokhesi**

**Dr P Sekatle**

**Mr O Selikane**
Businessman

**The LNDC CHIEF EXECUTIVE**

**Mrs S M Mohapi**
Telephone : (09266) 22 312012
Direct Tel : (09266) 22 315096

**The CORPORATE SECRETARY**

**Mrs M Bosiu**
Telephone : (09266) 22 312012
Direct Tel : (09266) 22 323997

**AUDITORS**

**KPMG**
PO Box 1252
Maseru, 100
Lesotho

**Postal Address**

Lesotho National Development Corporation
Private Bag A96
Maseru, 100
Lesotho

**Head Office**

Development House
Kingsway Road
Maseru, 100
Telephone: (09266) 22 312012
Telefax: (09266) 22 310038
E-mail: info@lndc.org.ls
Website: www.lndc.org.ls

**BANKERS**

Lesotho Bank
PO Box 999
Maseru, 100
Lesotho
Telephone: (09266) 22 314333

# LNDC EXECUTIVE & MANAGEMENT TEAM

end of financial year 2000/2001

**EXECUTIVE TEAM**

**Mrs S M Mohapi**
B.Com (Hons)
Chartered Accountant (Lesotho)
Chief Executive

**Mr L A Sephelane**
B.Com (Accounting)
Chartered Accountant (Lesotho)
Director Finance

**Ms T Lekalakala**
BA Economics & Statistics
Registered Accountant (RA2 Lesotho)
Chief Internal Auditor

**Mr M Mohale**
MBA
Deputy Director Operations (Appraisal)

**Mrs M Bosiu**
BA Law, LLB
Head, Legal & Corporate Secretary

**Mr M Shelile**
BA Economics
Deputy Director Entrepreneurial Development

**Mr K S Kanetsi**
Bsc CE, MSc. AM. ASCE M. PMISA
Chief Engineer

**Mrs A M Maseela**
BA, Bsc (Land Admin) ARICS
Chief Real Estate Executive

**Mrs M Lerotholi**
BA Administration & Accounting
Deputy Director, Operations (Monitoring)

**Mrs N Posholi**
BCom. Accounting
Deputy Director Financial Control

**Mrs T Sekoati**
Chartered Accountant & BCom Accounting
Deputy Director Financial Management

**Ms L Mataboe**
BA Admin & Sociology
Masters in Public Administration
Chief Admin & Personnel Executive a.i.

**Ms M Masupha**
BA Economics
MA Development & Economic Planning
Deputy Director Investment Promotion Centre a.i.

**MANAGEMENT TEAM**

**Mrs Felleng Makeka**
(Manager Investment Promotion)

**Mrs Lesa Makhoalibe**
(Manager Public Relations)

**Ms ‘Majane Lesala**
(Senior Internal Auditor)

**Mrs ‘Masebueng Makotoane**
(Administration Manager)

**Mrs ‘Mampho Mahase**
(Projects Manager)

**Ms Marina Maloi**
(Projects Manager)

**Ms Fumane Maema**
(Projects Manager)

**Mr Justice Sello Ts’ukulu**
(Industrial Relations Manager)

**Mr Litlhokoe Daniel Mohlomi**
(Information TechnologyManager)

**Mr Motebang Mokoaleli**
(Research Manager)

**Mr Clark Taelo Poopa**
(Senior Legal Officer)

**Mrs ‘Mathabo Klass**
(Projects Manager)

**Mr Lebohang Mofammere**
(Senior Buildings Engineer)

**Mrs ‘Masekake Molapo**
(Senior Accountant)

**Mrs ‘Matikoe Makakole**
(Senior Accountant)

**Mr Thabang Nts’eli**
(Senior Accountant)

**Mr Motsamai Sootho**
(Senior Real Estate Officer)

**Mr Khotso Matloebe**
(Senior Accountant a.i.)

# THE CHAIRMAN'S STATEMENT

*Honourable Mpho 'Meli Malie*

It is once again, with great pleasure that I, on behalf of the LNDC Board of Directors and indeed on my own behalf, have the honour as Chairman of the said Board, to present this annual report covering the Corporation's activities for the financial year ended March 2001. The year under review marked my 3rd term of office as Chairman of the Board and the Minister responsible for the Ministry of Industry, Trade and Marketing.

The year under review ushered in the LNDC (Amendment) Act No. 7 of 2000. The new amendment led to changes on, inter alia, two main issues; the LNDC organisational approach to mandated activities; and the composition of the Board of Directors. The Act mandates LNDC to apply commercially oriented principles in carrying out its purpose, and to prepare a programme to show how it proposes to act in that regard. The Act has also introduced changes to the composition of the Board of Directors. The envisaged changes in the composition of the Board of Directors are to be implemented in the ensuing financial year.

The mandate of the LNDC Board of Directors basically centres around provision of guidance in the operational and policy framework surrounding the Corporation's day to day activities. Judging by the overall performance of the Corporation for the period under review, it can be argued that this mandate has been successfully implemented and executed. It is therefore only proper to recognise and acknowledge the individual and collective contributions of all the Board Members without which the results presented in this report would not have been easily possible.

The LNDC restructuring process, initiated in 1998 is approaching finalisation and paving the way for the implementation of a new LNDC organisation. Contrary to expectations, this process could not be completed in the preceding year, and as such the process spilled over into the current year. In an effort to minimise job losses as a consequence of the process, LNDC Management adopted a ring-fencing approach, whereby all affected functions would be placed under one company, to continue performing these functions on behalf of the Corporation. Pursuant to the ring fencing approach, the Board of Directors considered establishment of a company that would absorb the "non-core" staff to be affected by the restructuring process. For a variety of reasons, however, the establishment of the company did not materialise. This has been an unfortunate development which is highly regretted. As a result of this development, 53 employees were laid off on the 31st of January 2001. The staff audit exercise which was also part of the restructuring process, was subsequently completed and presented to the Board of Directors in February 2001. It is perhaps important to stress that organisational restructuring is a painful exercise, especially from the perspective of employees likely to be affected by this process. The implementation of this process should therefore translate into minimal job losses, where possible. Notwithstanding the pain that comes with the process, one may emphasise, in this regard, that the restructuring process at LNDC was well in tandem with contemporary practice, viz: focusing on corporate core business. This route has already been taken by sister organisations in the sub-region, whose experience we had the privilege to tap-on. Consequently, I thank the management of these organisations for having shared their experiences in the restructuring process. Their cooperation in this exercise constituted a valuable input in shaping the best route for LNDC.

# THE CHAIRMAN'S STATEMENT

(continued)

The Corporation was established to spearhead the industrial development agenda for Lesotho. From a very humble start, propelling from a weak post-independence and zero base platform, the Corporation's portfolio has since grown both in size and quality such that by the end of the year under review, LNDC assisted companies had created over 28,400 jobs, a 49% increase from the previous year. The year under review was characterised by unprecedented exponential growth in both employment and foreign direct investment. Reasons for the unprecedented growth may not be quite clear at this point, a logical explanation, however, is the anticipation of Lesotho's certification under the United States – African Growth and Opportunity Act (AGOA). The sectoral classification ranged from clothing and garment making, accounting for the majority of the LNDC portfolio companies, followed by footwear, electronics, and other strategic sectors. The portfolio also includes a small equity component in which LNDC has a direct investment interest. One of the evolutional changes that took place in the nineties, is that the Corporation's operational strategy was revised to de-emphasise equity involvement, reserving it for strategic intervention while focussing on sharpening the "facilitative" role. This route attracted support from the donor agencies like the World Bank which made resources available for establishment of the Investment Promotion Centre at LNDC during the early 1990's. The centre's mandate revolves around marketing Lesotho as a desirable investment destination. Other cooperating partners like the African Development Bank (ADB), the former British Overseas Development Agency (ODA), (subsequently DFID) German KFW, DEG and European Investment Bank (EIB), have been highly instrumental to the successes achieved through the development programmes of assistance extended to the industrial sector, supporting the new facilitative approach adopted by the Corporation.

On the macro front, the Government of Lesotho is making concerted efforts in order to supplement the LNDC initiatives at facilitating investment attraction into Lesotho. The Government of Lesotho remains committed to driving a policy framework that creates an enabling environment for the development of industries in Lesotho. Commitment to deepening the market driven nature of the economy remains unshaken as demonstrated by, inter alia, vigorous implementation of the privatisation programme primarily aimed at state divestiture in business activities that could best be run by the private sector. Recognition of, and commitment to, good governance for creating political stability also maintained its paramount importance to an enabling environment for investment attraction. In addition the Government of Lesotho continues to pursue macroeconomic policies aimed at achieving financial and fiscal prudence under the Poverty Reduction and Growth Facility programme (PRGF). Realising that a corruption free environment is an absolute necessity for business, Government has also taken a bold step to combat corruption through enactment of an Anti-Corruption Legislation. All these policies are pursuant to Government's industrialisation strategy of promoting establishment of export oriented and labour intensive investments into Lesotho in order to tackle the economic challenges facing the country.

Areas that perhaps deserve an improvement towards a pro-business environment include – concretising the "one-stop" approach to facilitating business establishment; overall enhancement of the financial and non-financial incentives, especially reinstatement of the export finance facility; facilitation of infrastructural development and the promotion of foreign/local partnership to encourage local participation in the mainstream of economic activities.

The Government of Lesotho prudent trade regime has yielded trade and investment benefits for Lesotho. The regime supplemented and facilitated the LNDC efforts in attracting low cost, marketing seeking investors that rely on low technology and skills. The Government of Lesotho's trade policy is a conscious approach in direct response to the limitations and opportunities posed by the country's socio-economic landscape. To date market and low cost seeking

# THE CHAIRMAN'S STATEMENT

(continued)

constitute the bulk of foreign investment portfolio in Lesotho, attracted by Lesotho's membership to multilateral and regional trading regimes such as the WTO, ACP/EU, SADC and SACU. Considerable progress was also made by the U.S administration to bring to fruition, the long-awaited economic policy intervention of providing market access for Sub-Saharan African countries' products to enjoy duty and quantitative restriction-free entry into the U.S, through the African Growth and Opportunity Act (AGOA). The legislation was enacted in May 2000, and most eligible Sub-Saharan countries like Lesotho have submitted their proposals for certification, in line with the US set criteria. The criteria include, interalia, good governance based on multiparty system and the rule of law; free market economic system with respect for intellectual property rights; eradication of corruption in all its forms; and recognition of workers rights and the elimination of child labour where applicable. Given the current situation on the ground, it is my conviction that Lesotho is well poised to meet the stipulated criteria for certification.

As a lucrative inducement to foreign investment inflows into the country, AGOA needs to be complemented by appropriate response on the part of the beneficiary countries. The response should typically be in the form of, creation of an enabling investment environment for business, in order to induce investment inflows to take advantage of external markets; and capacity building and development of regional synergies in areas of comparative advantage. Lesotho faces the challenge of retaining competitiveness to survive expected changes in the international trading landscape. For example the coming into effect of the ACP/EU Article 30 obligations of reciprocity on the one hand and the imminent phasing out of the Multifibre Agreement in 2005. Speculation about China's WTO membership also posed a major challenge considering that the Far East constitutes our traditional quota-fleeing source of foreign investments into Lesotho. The last challenge is to survive the Post AGOA period of special preferences. Despite being time bound, AGOA will remain a strong capacity building and sleeve-rolling platform from which we expect to take off. The inclusion of garments and footwear in the AGOA GSP, coupled with single transformation processing tolerance for least developed countries, subject to a 35% local content prescription, renders AGOA one of the most attractive economic policy instruments by the U.S for uplifting poverty through trade and investment until at least initially, the year 2008. For the reporting period, AGOA may provide Sub-Saharan countries with effective protection from the turbulent investment environment under globalisation.

Quite clearly, the reporting period ended with bright prospects for trade and investment not only in Lesotho but the large part of the African continent. I therefore wish to conclude this statement with my earnest call for an effective private and public sector interface in exploiting the bright external opportunities already highlighted, and a collective internal response-shaping effort to bring to fruition the potential results that can be derived from these external opportunities. On a similar note, it is critical to recognise that the potential "economic miracle" in the pipeline for sub-Saharan countries can best be realised through a regional integration approach especially in the textiles and clothing sector.

I draw this statement to a close by once again acknowledging contributions of the LNDC Board, Management and staff to the positive results of the year, and look forward to even better performance in the future. It would be highly remiss of me not to appreciate the cooperation from other stakeholders – which has been highly instrumental to the above achievements. Together, we shall contribute to the industrialisation effort aimed at; inter alia, creating more jobs and prosperity for the nation.

**Mpho Malie**
Minister
Ministry of Industry, Trade and Marketing

# THE CHIEF EXECUTIVE'S REPORT

*Sophia Mohapi*
*(Chief Executive) - LNDC*

The Corporation's portfolio of equity companies consisted of two subsidiaries and eight associate companies during the financial year ending 31st March 2001. Subsidiary companies included: Lesotho Brewing and Loti Brick while the associates included: Cash Build Lesotho, Lesotho Food Industries, OK Bazaars Lesotho, Maluti Marketing, Sun International (Lesotho), Lesotho Pharmaceutical Corporation and Smart Centre (Maluti) 1988 Ltd.

The size of equity portfolio decreased compared to the previous year, due to the exclusion of Maseru Private Hospital, which is currently under provisional liquidation. The aggregate sales and profits of the equity portfolio were registered at M590,134 million and M48,942 million respectively. While sales increased by 1,8%, profitability declined by 9% compared to the previous year.

The outgoing year has been marked by an increased tempo in investment enquiries; this is despite the fact that fewer presentations were made during the year. Altogether 95 presentations were made. South Africa has been the focal point for investment promotion activities. The result of this effort has been 31 site visits.

The year under review was further characterized by unprecedented exponential growth in foreign direct investment and employment. Over 9 000 jobs were created during the year, thus bringing the total employment on all LNDC assisted companies to approximately 30 000. This translated into 49% increase in jobs created in one year. Contribution to current trend can be broken down as follows: 5 new projects were established during the year, these projects generated between them, 3 271 jobs. In addition 3 well-established companies embarked on ambitious expansion programs, generating in the process 4 500 additional jobs. The projects comprise: C & Y, CGM and Precious Garments. Other existing projects which were operating below capacity increased production with over 1 200 new jobs created. All these developments generated an estimated M28 million in foreign direct investment. LNDC projects pipeline also demonstrates a healthy position. The pipeline stands at 18 projects with an estimated M140,5 million investment in capital outlay and over 13 000-job creation potential. Conversion of the significant portion of the pipeline is dependent on LNDC's ability to provide serviced land and factory shells.

LNDC's success in investment attraction generally continues to centre around market-seeking investors, who, for various reasons including origin countries' exclusion from preferential trading regime, are continuously seeking low cost production base. In addition the current upsurge in investment and employment, especially in the apparel sector, appears to be closely linked with the highly likely possibility of the certification of Lesotho under the United States – Africa Growth and Opportunity Act (AGOA). This is an initiative by the United States, aimed at uplifting the economies of eligible sub-Saharan states. Under the initiative, qualifying products from sub-Saharan states will be allowed to enter the United States market, duty free and quota free for 8 years subject to certain provisions, that are still to be stipulated.

# THE CHIEF EXECUTIVE'S REPORT

(continued)

Supply side constraints continue to hamper the industrialization growth prospects and appear to restrain the country in taking full advantage of the market opportunities presented by the international markets. A congested projects pipeline bears testimony to this. Needless to reiterate, LNDC's ability to remove and/or influence the removal of bottlenecks to projects implementation will translate into a handsome dividend in expanding the industrial sector in order to create more domestic jobs and prosperity for the nation. In anticipation of accelerated demand for industrial land, LNDC acquired 26 hectares of land at Thetsane for the Nien Hsing Denim plant. In addition LNDC solicited the Government of Lesotho's support in acquiring 80 hectares of land at Ha Tikoe for the establishment of a new industrial estate.

On the positive note, however, the existing LNDC property portfolio continues to be the Corporation's "golden goose" in terms of the portfolio contribution to the corporate asset base and income stream. The LNDC property portfolio comprises, factory buildings, office blocks and residential units.

Perhaps the immediate challenge facing LNDC is to maintain and retain the current portfolio of business, while on the other hand expanding productive capacity for pipeline projects. Aggregate LNDC projects portfolio comprise 54 companies in total. The sectoral distribution comprises clothing and textile, shoe and leather, agro, commerce, electronics and tourism activities, all accounting for 28 000 jobs created to-date. Approximately 88% of the portfolio comprises projects in the apparel sector.

Solid testimony to LNDC's successful investment attraction lies with the apparel sector. This situation spells danger to the LNDC portfolio of business in the event of unfavourable eventuality occurring to the sector. As such diversification of products and markets remain on the Corporation's planning boards. There is increasing awareness of the need to consolidate gains in the garment sector, while on the other hand exploring other business opportunities with a strong success potential.

To conclude, LNDC continues to leave up to its mandate, its activities continue to be in tandem with its objectives, and the LNDC portfolio of business continues to grow from strength to strength. All these could not have been possible without commitment and support from both Management and Staff. Their individual and collective effort is recognized and highly appreciated.

Mohapi

**Sophia Mohapi**
Chief Executive – LNDC

# REPORTS FROM THE DIRECTORATES

## 1. HUMAN RESOURCES DIVISION

### (i) TRANSFORMATION OF LNDC

In the previous issues it was reported that after making a decision to outsource non-core functions, LNDC decided to create a company for staff members who were performing these functions. For a variety of reasons, establishment of the contemplated company did not materialise.

The LNDC Board of Directors consequently directed Management to proceed with the outsourcing of non-core functions and also to carry out a staff audit. The purpose of the staff audit exercise was to right size the organisation to perform the functions that remained after outsourcing.

In October 2000, the LNDC commissioned P-E Corporate Services to carry out the outsourcing and staff audit exercises and also to facilitate the process of appointing the Real Estate Manager. A total number of 53 employees were laid off on the 31st January 2001. These were the people who were carrying out the outsourced functions. The staff audit exercise was successfully completed and the final report was presented to the Board in February 2001.

Arrangements to identify the Real Estate Manager were also in progress. An expression of interest was published in the press during November 2000. Tender briefings took place in January 2001. By year end the process was still on-going.

### (ii) STAFF DEVELOPMENT AND TRAINING

In the area of staff training, a total of thirteen (13) training opportunities were offered to staff members. These opportunities were in the form of short and long-term training. Themes for short-term training included Labour Law, Fixed Assets Modules, Skills for the New Auditor-in-Charge, Leadership Skills for Auditors, Advanced Negotiation Skills and Mastering Website Fundamentals. Long term training covered MBA programmes, Post Graduate Diploma in Management, Certificate in Project Management and MSc in Information Systems.

## 2. OPERATIONS DIVISION

### (i) MONITORING SECTION

The equity portfolio stood at 10 companies at the end of March 2001 with employment totalling 2 782. The Portfolio consisted of two subsidiaries and eight associates. The size of equity portfolio decreased compared to the previous year due to the exclusion of Maseru Private Hospital, an LNDC subsidiary company in the Essential Services Group. The company went into provisional liquidation and it is currently under judicial management which is monitored by the Lesotho Government through the Ministry of Finance.

The table below summarizes the structure of the portfolio in terms of destination of product/output.

**Structure of the Equity Portfolio**
**As at 31st March 2001**

| Subsidiaries | LNDC Shares | Jobs | Activity | Market |
|---|---|---|---|---|
| Lesotho Brewing | 51% | 390 | Brewing | Domestic |
| Loti Brick | 73% | 124 | Brick manufacturing | Domestic/Export |

| Associates | LNDC Shares | Jobs | Activity | Market |
|---|---|---|---|---|
| Lesotho Pharmaceutical Corporation | 20% | 120 | Pharmaceuticals | Domestic/Export |
| Cashbuild | 20% | 92 | Wholesale | Domestic |
| Lesotho Milling | 20% | 328 | Milling | Domestic |
| Lesotho Housing | 15% | 70 | Housing | Domestic |
| Maseru Sun | 20% | 200 | Hotel | Domestic |
| OK Bazaars | 50% | 148 | Retail | Domestic |
| Smart Centre | 50% | 10 | Retail | Domestic |
| Frasers | 3% | 1 300 | Retail | Domestic |
| **Total** | | **2 782** | | |

**Summary of performance of the equity portfolio**

The aggregate sales and profits of the equity portfolio were M590,134 million and M48,942 million respectively.

The sectoral performance shows Agro Industries being the best performer with 54% and 101% achieved in terms of sales and profits respectively. The rest of the sectors' sales and profits/losses were 11% and (29%) for buildings and construction, 4% and 10% for essential services, 32% and 17% for wholesale and retail.

**(ii) APPRAISAL AND IMPLEMENTATION SECTION**

During the period under review, there were leasehold companies with employment totalling 27 552. Included in the list below is a leasehold and loan company, namely, Carca Footwear. The list of companies is classified under the following sub-sectors:

# REPORTS FROM THE DIRECTORATES

(continued)

| | | |
|---|---|---|
| **(a)** | **Apparel** | **No. of Jobs** |
| | Lesotho Haps | 879 |
| | Maseru Clothing | 477 |
| | Lesotho Umbrella | 106 |
| | Dicon Clothing | 68 |
| | Vogue Landmark | 1 152 |
| | Lee Manufacturing | 400 |
| | Lee Rider | 105 |
| | Easy Rider | 390 |
| | BA Tex | 298 |
| | Sun Textiles | 1 000 |
| | Lesotho Evergreen Textiles | 963 |
| | Lekim Textiles | 728 |
| | Poltex Garments | 150 |
| | CGM Industrial | 1 900 |
| | United Clothing | 1 700 |
| | Maluti Textiles | 400 |
| | Presitex | 2 000 |
| | Tai-Yuan | 820 |
| | C & Y Garments | 1 920 |
| | Lesotho Hinebo | 800 |
| | Super Knitting | 670 |
| | Precious Garments | 3 500 |
| | Lesotho Hawk | 1 100 |
| | Teboho Textiles | 672 |
| | Hippo Knitting | 380 |
| | Chainex | 48 |
| | TZICC | 395 |
| | J & S Fashions | 535 |
| | Nien Hsing | 1 300 |
| | **Total** | **24 856** |
| **(b)** | **Shoes** | |
| | Carca Footwear | 523 |
| | Springfield Footwear | 1 727 |
| | Reflex Footwear | 196 |
| | **Total** | **2 446** |
| **(c)** | **Plastics** | |
| | Lee Plastics | 12 |
| | **Total** | **12** |
| **(d)** | **Electronics** | |
| | Kiota Electronics | 220 |
| | **Total** | **220** |
| **(e)** | **Building Material** | |
| | Lekokoaneng Sandstone | 4 |
| | **Total** | **4** |
| **(f)** | **Agro** | |
| | National Chick Farm | 14 |
| | **Total** | **14** |
| | **GRAND TOTAL** | **27 552** |

**Summary of performance report by sector as at 31 March 2001**

| SECTOR | LNDC SHARE HOLDING % | YR END | JOBS | SALES | | | | PRE-TAX PROFITS | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | YEAR TO DATE | | PRIOR YEAR | | YEAR TO DATE | | PRIOR YEAR | | |
| | | | | BUDGET | ACTUAL | VARIANCE | ACTUAL | BUDGET | ACTUAL | VARIANCE | ACTUAL | NET PROFIT % |
| AGRO | 20 | 30/9 | 328 | 78 160 | 54 368 | (23 792) | 65 002 | 5 277 | 5 930 | 653 | 5 680 | 10,91% |
| | 5 | 31/12 | 390 | 285 921 | 246 551 | (39 370) | 253 859 | 57 393 | 44 026 | (13 367) | 50 201 | 17,86% |
| | 20 | 31/3 | 120 | 15 030 | 14 993 | (37) | 12 596 | 773 | (346) | (1 119) | (266) | -2,31% |
| | | | 838 | 379 111 | 315 912 | (63 199) | 331 457 | 63 443 | 49 610 | (13 833) | 55 615 | |
| BUILDING/ CONSTRUCTION | | | | | | | | | | | | |
| | 73 | 31/3 | 124 | | 13 739 | | 12 549 | | (16 222) | | (13 161) | -118,07% |
| | 20 | 30/6 | 92 | | 51 657 | | 51 316 | | 2 050 | | 2 343 | 3,97% |
| | | | 216 | | 65 396 | | 63 865 | | (14 172) | | (10 818) | |
| ESSENTIAL SERVICES | | | | | | | | | | | | |
| | 20 | 30/6 | 200 | 22 943 | 21 733 | (1 210) | 21 327 | 5 420 | 5 012 | (408) | 5 067 | 23,06% |
| | | | 200 | 22 943 | 21 733 | (1 210) | 21 327 | 5 420 | 5 012 | (408) | 5 067 | |
| WHOLESALE/RETAIL | | | | | | | | | | | | |
| | 50 | 30/6 | 10 | 5 256 | 5 025 | (231) | 5 614 | 556 | 456 | (100) | 187 | 9,07% |
| | 50 | 31/3 | 148 | | 55 171 | | 47 081 | | 11 167 | | 4 488 | 20,24% |
| | 3 | 31/04 | 1 300 | | 126 897 | | 110 581 | | (3 131) | | (1 420) | -2,47% |
| | | | 1 458 | 5 256 | 187 093 | (231) | 163 276 | 556 | 8 492 | (100) | 3 255 | |
| | | | 2 712 | 407 310 | 590 134 | (84 840) | 579 925 | 69 419 | 48 942 | (14 341) | 53 119 | |

## 3. INVESTMENT PROMOTION CENTRE

### (i) INVESTMENT PROGRAMME ACTIVITIES

The outgoing year has been marked by an increased tempo in investment enquiries, an indication of recovery from the dampening 1998 effects. Despite a number of fundamental constraints including funding and uncertainties surrounding restructuring, the IPC has made 95 presentations, hosted 31 site visits and 7 new projects including expansions have been approved with an estimated 7 700 employment generation potential. In terms of employment generation this demonstrated a marked improvement over last year's performance of 100 presentations which only yielded 22 site visits, 6 new project approvals with a potential to create a modest 4 000 additional jobs.

The projects pipeline has been re-modeled to fully reflect the extent to which new or expansion projects require factory buildings from LNDC. The previous pipeline picture that included projects willing to construct buildings and those for which allocations had actually been made, has substantially changed face. By the close of the year under review 15 new and expanding projects required 60 000 m$^2$ in factory space at an estimated building construction cost of M119 million and the LNDC is expected to meet the demand. This pipeline has an over 10 000-job potential.

### (ii) NEW AND EXPANSION PROJECTS IMPLEMENTED DURING THE YEAR.

For the period under review 5 new projects were implemented. In addition 4 expansion projects were also implemented. All these projects created additional 9 000 jobs bringing total employment on LNDC assisted companies to approximately 30 000. This represents a 39% growth in employment in one year and the growth trend is expected to continue with the anticipated certification of Lesotho under Africa Growth and Opportunity Act.

Table below illustrates movement in actual jobs created during the year:

**Implemented new projects 2000/01**

| Project | Location | Employment |
|---|---|---|
| Presitex | Thetsane | 2 000 |
| Hippo Knitting | Maseru | 380 |
| TZICC | Maseru | 395 |
| Maseru Textiles | Maseru | 300 |
| Reflex Shoes | Nyenye | 196 |
| Sub Total | | **3 271** |

**Implemented expansion projects 2000/01**

| Project | Location | Employment |
|---|---|---|
| Precious Garments | Maseru | 2 000 |
| Evergreen Textiles | Thetsane | 500 |
| Tai Yuan | Thetsane | 500 |
| Nien Hsing (C & Y) | Thetsane | 1 500 |
| Sub Total | | **4 500** |
| **Additional jobs created by existing companies** | | **1 229** |
| **Grand Total** | | **9 000** |

The good performance during 2001 can in large part be attributed to the anticipated improved US market access opportunities for the Lesotho garment making industry as a consequence of the AGOA legislation. It is expected that the Cotonou Agreement that was signed in 2000, will also add another premium to the investment portfolio and diversification initiative, by attracting renewed interest to produce for the EU market. It has also been encouraging to note that as investors expand investments and production, market diversification is also continuing, as demonstrated by the increased interest in the Canadian market that had hitherto, been penetrated by one or two companies only. Regrettably maximum exploitation of the market is suffocated by the quantitative restrictions which Lesotho products are being subjected to in that market.

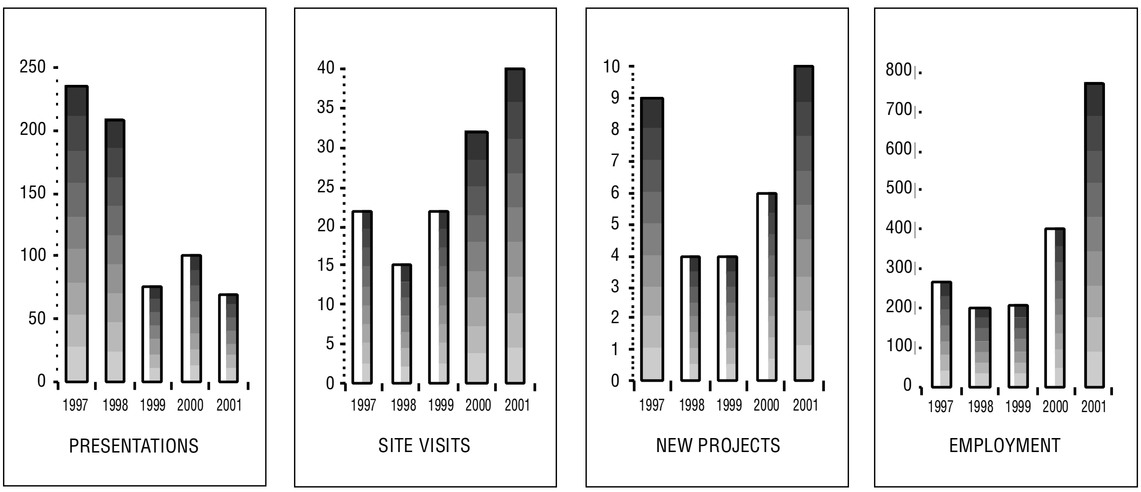
From the image building perspective, Lesotho has overall enjoyed positive coverage in the media during the year, save for the inaccurate and potentially damaging reports on Lesotho's designation for AGOA. This was adequately dealt with through concerted damage control. All promotional material was updated during the outgoing year to make it more effective and relevant marketing tools.

Promotional programmes were, due to funding constraints, concentrated in RSA and no international marketing was undertaken. As one of the strategies to attain maximum impact from the promotional campaign, a ministerial investment promotion was undertaken to Kwazulu/Natal Province targeting labour intensive companies in Isithebe and the Durban metropolis. The campaign was led by the Honourable Mpho Malie, Minister of Industry, Trade and Marketing who made a presentation to an audience of thirty (30) investors in the province. It remains of paramount importance that Lesotho's profile in the international market is consciously raised to maintain the product (Lesotho's) presence in that viciously competitive market. Activities for the last quarter of the year included a direct marketing campaign to RSA, and eight (8) site visits were hosted.

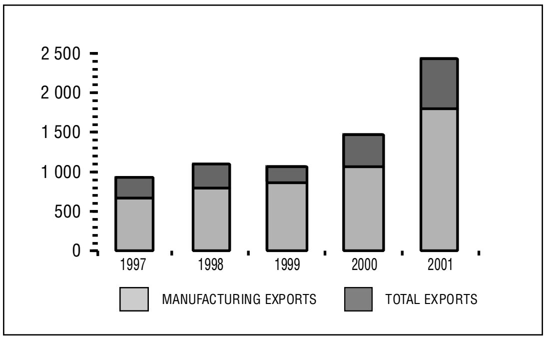
The infrastructural development-financing gap remains huge, dictating the need to step up efforts to mobilize resources. In the meantime, GOL appears to be in a "lender of last resort" situation in view of the difficulties thus far encountered in attracting concessionary external capital flows for developing infrastructure.

The following charts highlight the trend in investment promotion activities and the associated export performance and destination:

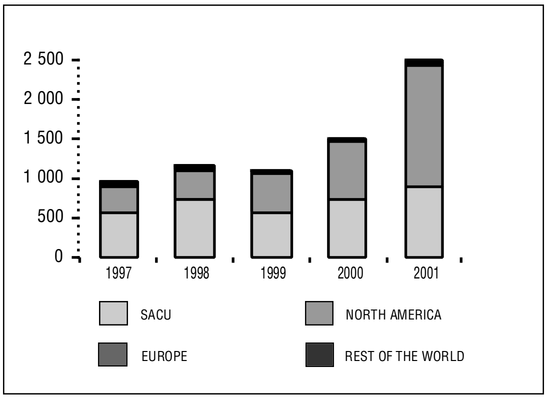
**Investment Promotion Performance 1997 - 2001**



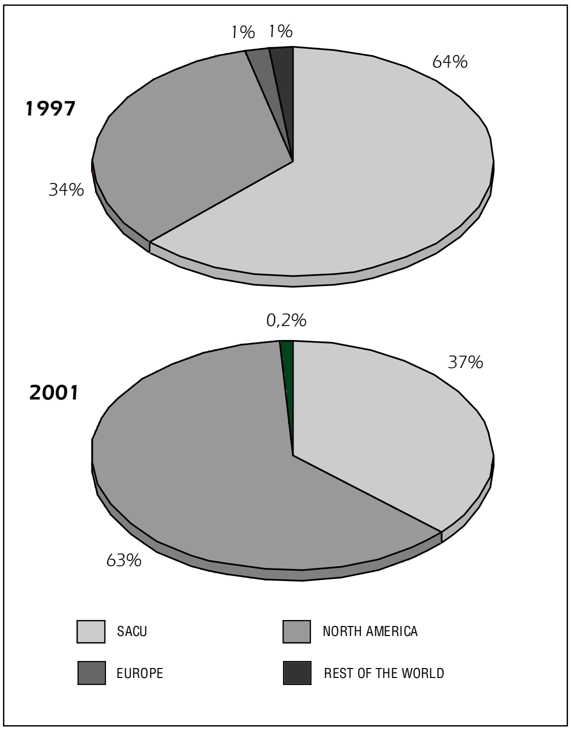
**Export trend (million maloti)**




**Destination of exports (million maloti)**




**Destination of exports (in %)**




## 4. ASSETS MANAGEMENT

### (i) REAL ESTATE

The property portfolio, which comprises factory buildings, office blocks and residential units continued to be the Corporation's "golden goose" in terms of the portfolio contribution to the corporate asset base and income stream.

The Financial Year 2000/2001 witnessed a progressive quarterly improvement in the industrial occupancy rate from the 96,6% to 100% by year end, implying 3,4% points gain over the year, with the bottom line exceeding the 95% planning target rate.

The year under review has seen an influx of new investors into Lesotho. All these new entrants into the local market are constructing their own factory buildings. This kind of approach demonstrates great confidence in Lesotho as an investment location. The Corporation entertained expansion requests from sitting tenants, which expansions were successfully executed and resulted in additional factory floor space.

The commercial portfolio, especially the office blocks' performance was poor as over 3 000 $m^2$ of idle capacity existed at year end due to the market saturation. On the retail and residential portfolios, the demand conditions were favourable and the sectors enjoyed full occupancy throughout the year.

In anticipation of an accelerated usage of industrial land, 26 hectares of land were acquired at Thetsane for a new project of Nien Hsing International Lesotho (Pty) Ltd and another 80 hectares were acquired at Ha Tikoe for the establishment of a new industrial estate in Maseru.

**RENTAL RATES 2000/2001**

| 1. INDUSTRIAL BUILDINGS | Rate/$m^2$ (in Maloti) |
|---|---|
| • Older buildings | 7,30 |
| • New buildings | 10,00 |
| • Commercial use | 12,00 |

| 2. COMMERCIAL PORTFOLIO | Rate/$m^2$ (in Maloti) |
|---|---|
| • LNDC Centre (offices) | 45,00 |
| • Kingsway Mall (offices) | 48,00 |
| • Kingsway Mall (shops) | 65,00 |
| • LNDC Centre (retail) | 54,00 |

| 3. RESIDENTIAL PORTFOLIO | Rate/month (in Maloti) |
|---|---|
| • One bedroom flat | 1 200,00 |
| • Two bedroom flat | 1 650,00 |
| • Two bedroom townhouse | 1 500,00 |

### (ii) TECHNICAL SERVICES

In discharging the mandated responsibility of ensuring availability of industrial infrastructure to meet investors' needs, the Technical Services Unit's construction pipeline included the development of 80 hectares of land at Ha Tikoe into a serviced industrial estate. No advance factory space was provided during the year under review due to financial constraints. The year under review was characterised by a "lull" in factory construction.

The table No.4 summarises the closing status of the major works handled by the Unit over the ensuing year..

**TABLE 1** **Size of Property Portfolio 2000/2001**

| | Year Open | | 1st Quarter | | 2nd Quarter | | 3rd Quarter | | 4th Quarter | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Units | Area ($m^2$) | Units | Area ($m^2$) | Units | Area ($m^2$) | Units | Area ($m^2$) | Units | Area ($m^2$) |
| **Commercial Portfolio** | 9 | 29 000 | 9 | 29 000 | 9 | 29 000 | 9 | 29 000 | 9 | 29 000 |
| **Shopping Centres** | 2 | 5 014 | 2 | 5 014 | 2 | 5 014 | 2 | 5 014 | 2 | 5 014 |
| **Residential Portfolio** | 8 | 5 000 | 8 | 5 000 | 8 | 5 000 | 8 | 5 000 | 8 | 5 000 |
| **Industrial Portfolio** | 116 | 137 000 | 116 | 137 000 | 116 | 137 000 | 119 | 139 400 | 119 | 139 400 |
| **Office Blocks** | 5 | 16 350 | 5 | 16 350 | 5 | 16 350 | 5 | 16 350 | 5 | 16 350 |
| | **140** | **192 364** | **140** | **192 364** | **140** | **192 364** | **143** | **194 764** | **143** | **194 764** |

**TABLE 2** **Sectoral Distribution ($M^2$)**

| | Start of Year | Year End |
|---|---|---|
| **Industrial Portfolio** | 137 000 (71,2%) | 139 400 (71,6%) |
| **Commercial Portfolio** | 29 000 (15,1%) | 29 000 (14,9%) |
| **Residential Portfolio** | 5 000 (2,6%) | 5 000 (2,5%) |
| **Office Blocks** | 16 350 (8,5%) | 16 350 (8,4%) |
| **Shopping Centres** | 5 014 (2,6%) | 5 014 (2,6%) |

**TABLE 3** **Trends in Occupancy Level (%) 2000/2001**
**Industrial Portfolio**

| Estate | Quarter 1 | Quarter 2 | Quarter 3 | Quarter 4 |
|---|---|---|---|---|
| **Maseru** | 91,06 | 98,60 | 100,00 | 100,00 |
| **Thetsane** | 97,80 | 100,00 | 100,00 | 100,00 |
| **Maputsoe** | 97,50 | 97,50 | 100,00 | 100,00 |
| **Ha Nyenye** | 100,00 | 100,00 | 100,00 | 100,00 |
| **Average Quarterly Rate** | 96,60 | 99,03 | 100,00 | 100,00 |

**TABLE 4** **Completed, Ongoing & New Projects as at March 2001**

| Project Name Size ($m^2$) | Building Lead Consultant | Location/ | Developer Contractor | Main | Status | Financier | Value |
|---|---|---|---|---|---|---|---|
| 1. Effluent Treatment Plant | N/A | Thetsane | Unknown | N/A | Ongoing | EIB | |
| 2. LNDC Mall Redevelopment | N/A | Maseru CBD | Legacy Group | N/A | Negotiations Stage | N/A | |
| 3. LNDC Centre Phase II (Office Tower) | N/A | Maseru | Unknown | Unknown | New Proposals Requested | NedBank | Unknown |
| 4. Maseru Industrial Area Roads Rehabilitation | N/A | Maseru | SM Consulting Engineers | Matekane Plant Hire | Completion | Road Fund/ MCC | M3,5m |
| 5. Carca Footwear Exp Phase III a | 1000 | Nyenye | MTA | Lesotho Steel | Completion | LNDC | M1,2m |
| 6. Kiota Electronics Extension | 840 | Thetsane | Paul Croce | Lesotho Steel | Completion | LNDC | M1,1m |
| 7. Lee Manufacturing Extension | 1000 | Nyenye | TSU | China State | Completion | LNDC | M1,2m |
| 8. Nien Hsing Projects | 20 000 | Thetsane Ext | Nien Hsing | China State | Construction | GoI/ Nien Hsing | M80,6m |
| 9. Tikoe Industrial Estate | N/A | Ha Tikoe | Africon | Unknown | Design Stage | GoL | M96,0m |

### 5. ENTREPRENEURIAL DEVELOPMENT DIVISION

The Financial Year 2000/2001 marked the second anniversary of the Entrepreneurial Development Division (EDD). This was a period of consolidation, positioning and sharpening of the division's overall mandate and specific activities. In parallel, the division continued to market and encourage Basotho entrepreneurs to form clusters and approach the LNDC for assistance as such. The division focus was mainly on encouragement of agro processing clusters.

Agro processing industries utilise locally available raw materials and the net effects of the industry can be felt even in the rural areas. These will reduce rural urban migration, and generate and redistribute wealth for the rural poor. Therefore the division's focus is in line with government pro poor policies, which are intended to reduce poverty.

### (i) ACHIEVEMENTS FOR THE YEAR

As a result of the previous year's market assessment, the division positioned itself to assist Basotho entrepreneurs through the following interventions:

- Preparation of Business Plans
- Studies (pre feasibility and feasibility)
- Entrepreneurship Training
- Market studies
- Search for technology
- Technical Assistance
- Search for partners
- Project finance
- Identifying alternative sources of finance

The interventions are for the entrepreneurs within the commercial sector, mining, manufacturing, processing, and the provision of tourism infrastructure such as chalets and lodges.

The division targets individuals companies, and registered societies, associations, and co-operatives. Pipeline projects at the end of the financial year were in excess of seven (7). These were from the mining, quarrying, processing, tourism and manufacturing sectors. Some of the projects are expected to go into implementation within the next financial year.

The table below provides a brief synopsis of the project pipeline as of the end of the financial year:

| **Activity** | **Products** | **Estimated employment** | **Estimated investment (million)** |
|---|---|---|---|
| Manufacturing | Pot scourers (Galvanized, brass, copper) and steel wool | 80 | M2,0 |
| Manufacturing | A range of paraffin products such as geysers and heaters | 30 | M1,5 |
| Processing | Paprika | 100 | M1,3 |
| Processing (Waste recycling) | Paper, food, glass and metal | 800 | M15,0 |
| Mining and quarrying | Sandstone blocks | 40 | M10,0 |
| Mineral water bottling | Bottled water | 10 | M1,0 |
| Hospitality industry | Lodge | 13 | M0,7 |
| Processing | Chicken and chicken portions | 40 | M2,9 |

### *(ii) CHALLENGES AND FUTURE OUTLOOK*

The division is faced with inter alia the following challenges.

- Perception that the division is an SMME window within the LNDC.
- Perceptions about LNDC assisting foreign investors only.
- Small entrepreneurial base in Lesotho.
- Declining financial assistance.
- Over reliance by the Corporation on the lines of credit from foreign financiers such as the African Development Bank for project finance.
- Marketing the division's activities.

For every challenge there is an opportunity to be explored. It is against this background that the future can be deemed to be bright for the division. The division will carry out client targeted publicity campaigns. The campaign should reverse some of the said perceptions, which are due in part to lack of information. Encouragement of Basotho Entrepreneurs to form themselves into clusters shall continue.

### 6. FINANCE DIVISION

The Corporation's consolidated accounts for the year ended March 2001 as approved by the LNDC Board of Directors reflect the following major financial indicators:

| | Group | % increase |
|---|---|---|
| Turnover | M230,861 million | (17,3) |
| Net Income | M8,929 million | 15,65 |
| Retained Income | M89,989 million | 10,69 |

| | Corporation | % increase/decrease |
|---|---|---|
| Operating Income | M52,08 million | 224,8 |
| Net Income | M10,703 million | 224,8 |
| Retained Income | M50,824 million | 25,9 |

The major contributing factors in operating income are as follows:

- The Corporations change in the treatment of grants. In the previous years grants were not being amortised.
- Rental review undertaken and an increase in the occupancy level as new projects were established during the period 2000/2001.

The improvement in net profit margin resulted from the above highlighted factors together with proper control of expenditure, including reduction in bad debts as a result of improved recovery efforts.

| | CORPORATION 2001 | GROUP 2001 |
|---|---|---|
| Earnings per share | 30 Lisente | 25 Lisente |
| Debt Equity Ratio | 48% | 69% |
| Current Ratio | 1,94 | 1,60 |
| Current Assets | M50,582million | M126,735million |

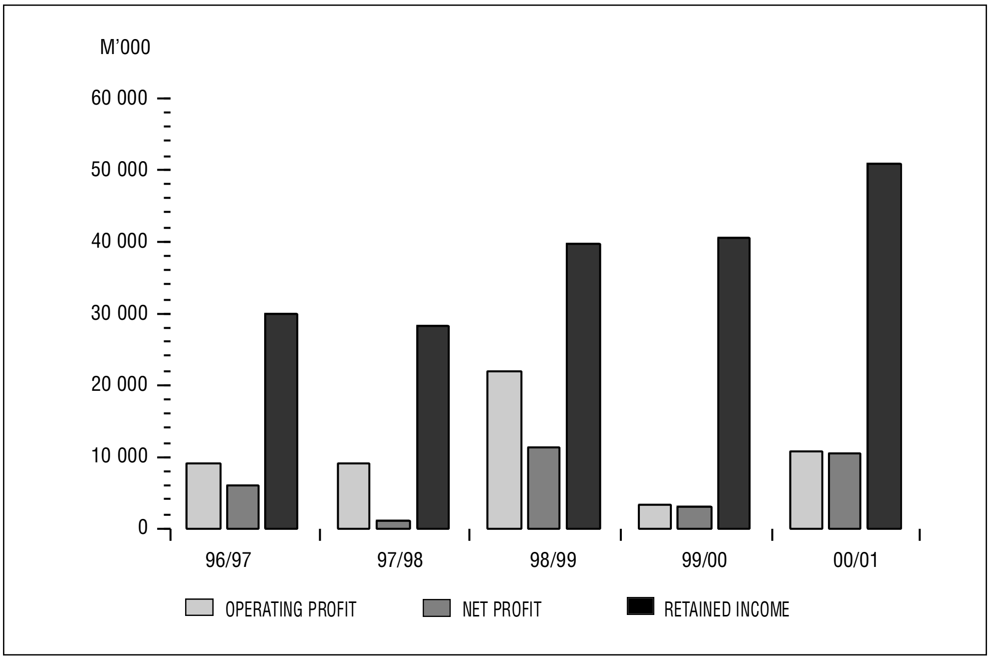
| | CORPORATION | |
|---|---|---|
| | 2001 | 2000 |
| Return on Total Assets | 6,8% | 5,6% |
| Return on Capital Employed Net Income Ratio | 12% | 6,7% |
| Assets turnover ratio | 1,2 times | 1,07 times |

The increase in net income resulting from the above increase in the Corporation's turnover, high efficiency in asset utilisation, have all contributed to the increase in the return on capital employed.

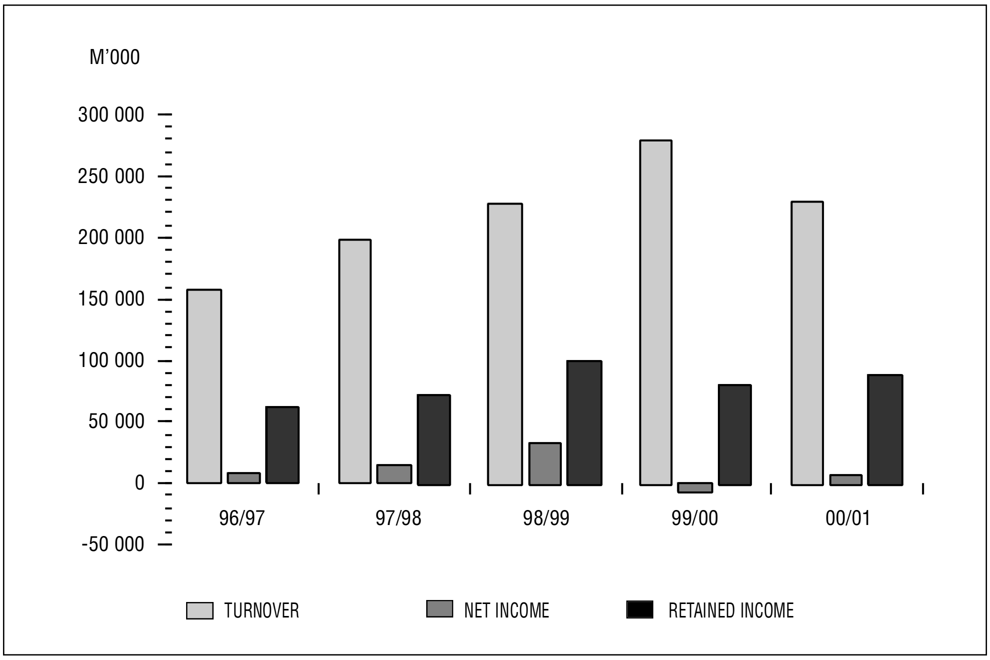
The balance sheet shows no movement in paid up and authorised share capital of M40 million and M55 million respectively. There has been a significant change in the Corporation's current assets, with an increase of 22,5%.

This has improved the Corporation's and the Group's liquidity position as evidenced by the above current ratio.

### CORPORATION FINANCIAL PERFORMANCE




### GROUP FINANCIAL PERFORMANCE



# FINANCIAL STATEMENTS

for the year ended 31 March 2001

## Contents



## Directors' Approval

The financial statements which appear on pages 27 to 44 were approved by the board of directors on 19 June 2003 and were signed on its behalf by:

**DIRECTOR**

**DIRECTOR**

## Report of the Auditor General on the Financial Statements of Lesotho National Development Corporation and its Subsidiary Companies for the year ended 31 March 2001

PMB Chartered Accountants (formerly KPMG),under section 15 (1) of the Audit Act 1973 have audited the Accounts and Group Financial Statements of Lesotho National Development Corporation for the Year ended 31 March 2001 in accordance with generally accepted auditing standards.

The directors of the Corporation are responsible for the Financial Statements. It is my responsibility to form an independent opinion on these Statements based on the audit.

The Corporation has not revalued its land and buildings in line with its Policy stated in note 4.2 of the Financial Statements.

**HOLDING CORPORATION**

Except as stated in the preceding paragraph, in my opinion, these Financial Statements fairly present the financial position of the Corporation at 31 March 2001 and the results of their operations for the year then ended, in conformity with generally accepted accounting practice and in the manner required by the Lesotho National Development Order 1990.

**GROUP**

Except as stated in the preceding paragraph, in my opinion, the Financial Statements on pages 27 to 44 fairly present the financial position of the Corporation and Group at 31 March 2001 and of the results for the year then ended, in conformity with generally accepted accounting practice and in the manner required by the Lesotho National Development Order 1990.

**Daisy C O Walters (Mrs)**
Acting Auditor General

# STATEMENT OF GROUP ACCOUNTING POLICIES

**1. PRINCIPAL ACTIVITIES**

The Corporation operates under the Lesotho National Development Corporation Order No. 13 of 1990 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.

**2. GROUP ACCOUNTING POLICIES**

These Financial Statements have been prepared on the historical cost basis, modified by the equity method of accounting for associated companies (Policy 2,3) and the revaluation of buildings (Note 4.2) and incorporate the following accounting policies:

**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. Subsidiary companies are those in which the Corporation holds more than 50% of the equity share capital.

**2.2 Subsidiary Companies**

Interest in subsidiary companies in the Corporation is stated at cost less provision where a material and permanent diminution in the attributable net asset value of the subsidiary has occurred. Additional provisions are effected, where considered appropriate, to cover shortfalls anticipated in consequence of guarantees issued by the Corporation on behalf of subsidiary companies.

**2.3 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.

Associated companies are dealt with in the Corporation under the cost method of accounting. Provisions against diminution in the value of the Corporation's interest in associated companies and against shortfalls anticipated in consequence of guarantees issued by the Corporation on behalf of associated companies are effected where considered appropriate.

Associated companies are dealt with in the Group under the equity method of accounting. Results are included in the income statement from the effective dates of acquisition.

The most recent available audited financial statements of the associated companies are used. 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.

**2.4 Investment**

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

**2.5 Method of Determining Stock Values**

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

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

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

# STATEMENT OF GROUP ACCOUNTING POLICIES

(continued)

**2.6 Depreciation of Fixed Assets 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.

**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% |

**2.7 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.

**2.8 Foreign Currencies**

All transactions denominated in foreign currencies are translated to Maloti at the approximate rate of exchange ruling at the transaction date.

All assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Maloti at the approximate rate of exchange ruling at that date except where they are covered by forward exchange contracts.

**2.9 Exchange Differences Corporation**

Exchange differences raising in the Corporation were charged to the Government of Lesotho who had agreed to provide protection against exchange rate changes on the Corporation's foreign currency borrowings up to 31 March 1990. Since that date realised exchange differences are dealt within the Income Statement. Unrealised exchange differences are held as suspense debtors or creditors until cleared.

**Subsidiary Companies**

Realised exchange differences are dealt with in the income statement.

Unrealised exchange losses are deferred and recognised in the income statement of current and future periods on a systematic basis over the repayment periods. Unrealised exchange surpluses are transferred to a non-distributable reserve pending realisation.

# STATEMENT OF GROUP ACCOUNTING POLICIES

(continued)

**2.10 Grants Received**

**2.10.1** 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.

**2.10.2** 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.

**2.11 Retirement and Terminal Benefits**

The policy of the Corporation is to provide for retirement and terminal benefit on all its employees. Current contributions to the pension fund operated for employees are charged against income as incurred. Provision for severance pay is in accordance with the Labour Code Order 1992 section 79.

# INCOME STATEMENT

for the year ended 31 March 2001

| | Notes | Corporation 2001 M'000 | Corporation 2000 M'000 | Group 2001 M'000 | Group 2000 M'000 |
|---|---|---|---|---|---|
| Turnover | 13 | **–** | – | **230 861** | 279 271 |
| Income before taxation | 14 | **7 899** | 771 | **29 583** | 23 720 |
| Taxation | 15 | **–** | – | **(6 613)** | (9 423) |
| | | **7 899** | 771 | **22 970** | 14 288 |
| Share of associated companies income | | **2 804** | 2 524 | **4 423** | 3 767 |
| Dividends received and accrued | | **2 804** | 2 524 | **2 804** | 2 524 |
| Retained income | | **–** | – | **1 619** | 1 243 |
| | | **10 703** | 3 295 | **27 393** | 18 055 |
| Outside shareholders interest | | **–** | – | **(18 464)** | (25 776) |
| Net income | | **10 703** | 3 295 | **8 929** | (7 721) |
| Preference shares dividend | | **(240)** | (240) | **(240)** | (240) |
| Retained income for the year | | **10 463** | 3 055 | **8 689** | (7 961) |
| At beginning of year | | **40 361** | 39 681 | **81 300** | 100 786 |
| Prior year adjustment | 16 | **–** | (2 375) | **–** | (11 525) |
| At end of year | | **50 824** | 40 361 | **89 989** | 81 300 |

# BALANCE SHEET

at 31 March 2001

| | Notes | Corporation 2001 M'000 | Corporation 2000 M'000 | Group 2001 M'000 | Group 2000 M'000 |
|---|---|---|---|---|---|
| **CAPITAL EMPLOYED** | | | | | |
| Share capital | 1 | **40 000** | 40 000 | **40 000** | 40 000 |
| Non-distributable reserves | 2 | **56 707** | 51 943 | **59 881** | 55 709 |
| Retained income | | **50 824** | 40 361 | **89 989** | 81 300 |
| Shareholders' funds | | **147 531** | 132 304 | **189 870** | 177 009 |
| Outside shareholders' interest | | **–** | – | **34 356** | 40 395 |
| Long-term loans | 3 | **130 133** | 134 526 | **130 133** | 134 526 |
| Deferred liabilities | | **–** | – | **530** | 485 |
| | | **277 664** | 266 830 | **354 889** | 352 415 |
| **EMPLOYMENT OF CAPITAL** | | | | | |
| Fixed assets | 4 | **203 496** | 209 564 | **266 558** | 274 328 |
| Interest in subsidiary companies | 5 | **33 085** | 27 831 | **–** | – |
| Interest in associated companies | 6 | **3 906** | 1 583 | **27 944** | 24 743 |
| Other investments | 7 | **9 161** | 8 177 | **9 161** | 8 419 |
| Loan debtors | 8 | **3 553** | 2 547 | **3 553** | 2 547 |
| | | **253 201** | 249 702 | **307 216** | 310 037 |
| **CURRENT ASSETS** | | | | | |
| Stocks | 9 | **–** | – | **26 635** | 23 491 |
| Accounts receivable | 10 | **12 073** | 18 697 | **32 944** | 38 581 |
| Treasury bills | | **22 876** | 12 520 | **24 696** | 13 491 |
| Bank balances and cash | | **15 633** | 10 073 | **42 460** | 35 138 |
| | | **50 582** | 41 290 | **126 735** | 110 701 |
| **CURRENT LIABILITIES** | | | | | |
| Bank overdrafts | | **–** | – | **174** | 441 |
| Accounts payable | | **25 879** | 23 922 | **70 011** | 62 333 |
| Taxation | | **–** | – | **8 637** | 5 309 |
| Preference dividend | | **240** | 240 | **240** | 240 |
| | | **26 119** | 24 162 | **79 062** | 68 323 |
| **NET CURRENT ASSETS** | | **24 463** | 17 128 | **47 673** | 42 378 |
| | | **277 664** | 266 830 | **354 889** | 352 415 |

# STATEMENT OF CHANGES IN FINANCIAL POSITION

for the year ended 31 March 2001

| | Corporation | | Group | |
|---|---|---|---|---|
| | **2001 M'000** | 2000 M'000 | **2001 M'000** | 2000 M'000 |
| **SOURCE OF FUNDS** | | | | |
| Income | **10 703** | 3 315 | **29 583** | 23 720 |
| Prior year item | **–** | (2 375) | **–** | (11 525) |
| Less taxation | **10 703** | 940 | **29 583** | 12 195 |
| Associated company – attributable after tax income | **–** | – | **4 423** | 3 767 |
| | **10 703** | 940 | **34 006** | 15 962 |
| Items not involving movement of funds: | | | | |
| Depreciation | **5 138** | 5 212 | **11 097** | 12 773 |
| Loss/(Profit) on sale of fixed assets | **1 946** | (88) | **2 190** | (221) |
| Amortisation/release of development grants | **–** | – | **1 507** | (4 075) |
| Amortisation of containers | **–** | – | **2 007** | 3 557 |
| Prior year provision | **–** | – | **–** | 11 628 |
| Share of associate company retained income | **–** | – | **(1 619)** | (1 243) |
| | **17 787** | 6 064 | **49 188** | 38 381 |
| Proceeds from sale of fixed assets | **9 858** | 6 684 | **10 077** | 30 827 |
| Decrease in loan debtor | **–** | 1 375 | **–** | 1 375 |
| Decrease in amounts owing by subsidiaries | **–** | 2 182 | **–** | – |
| Decrease in amounts owing by associates | **–** | 2 145 | **–** | 965 |
| Decrease in outside shareholders' interest | **–** | – | **–** | 664 |
| Decrease in amounts owing by subsidiaries | **580** | – | **–** | – |
| | **28 225** | 18 450 | **59 265** | 72 212 |
| **APPLICATION OF FUNDS** | | | | |
| Purchase of fixed assets | **9 013** | 13 914 | **14 936** | 22 987 |
| Taxation paid | **–** | – | **3 240** | 14 566 |
| Increase in outside shareholders' interest | **–** | – | **373** | – |
| Increase in working capital | **7 335** | 2 372 | **8 623** | 11 330 |
| Increase in other investments | **984** | 866 | **742** | 866 |
| Decrease in long term liabilities | **4 393** | 180 | **4 393** | 11 817 |
| Increase in amounts owing by subsidiaries | **5 254** | – | **–** | – |
| Increase in amounts owing by associates | **–** | – | **1 582** | – |
| Increase in loan debtor | **1 006** | – | **1 006** | – |
| Dividends to outside shareholders | **240** | 1 118 | **24 370** | 10 646 |
| | **28 255** | 18 450 | **59 265** | 72 212 |
| **INCREASE/(DECREASE) IN WORKING CAPITAL** | | | | |
| Stocks | **–** | – | **3 144** | 1 656 |
| Accounts receivable | **(6 624)** | 8 525 | **(5 637)** | 10 319 |
| Treasury bills | **–** | – | **11 205** | 5 139 |
| Bank balance and cash | **15 916** | (8 525) | **7 322** | (28 831) |
| Bank overdrafts | **–** | – | **267** | 10 774 |
| Accounts payable | **(1 957)** | 2 372 | **(7 678)** | 12 273 |
| | **7 335** | 2 372 | **8 623** | 11 330 |

# NOTES TO THE FINANCIAL STATEMENTS

| | Corporation 2001 M'000 | Corporation 2000 M'000 | Group 2001 M'000 | Group 2000 M'000 |
|---|---|---|---|---|
| **BALANCE SHEET** | | | | |
| **1. SHARE CAPITAL** | | | | |
| **Authorised** | | | | |
| 55 000 000 shares of M1 each | **55 000** | 55 000 | **55 000** | 55 000 |
| **Issued and fully paid** | | | | |
| 36 000 000 shares of M1 each | **36 000** | 36 000 | **36 000** | 36 000 |
| 4 000 000 6% cumulative non-voting preference shares of M1 each (refer note 16) | **4 000** | 4 000 | **4 000** | 4 000 |
| | **40 000** | 40 000 | **40 000** | 40 000 |
| **2. NON-DISTRIBUTABLE RESERVES** | | | | |
| **2.1 Development grants** | | | | |
| ***Grants from Lesotho Government:*** | | | | |
| At beginning of year | **5 523** | 9 523 | **5 523** | 9 523 |
| Received during the year | **4 000** | – | **4 000** | – |
| Transferred to income statement | **(2 323)** | (4 000) | **(2 323)** | (4 000) |
| At end of year | **7 200** | 5 523 | **7 200** | 5 523 |
| ***Capital grants*** | | | | |
| At beginning of year | **–** | – | **653** | 1 040 |
| Adjustment during the year | **–** | – | **(94)** | (387) |
| At end of year | **–** | – | **559** | 653 |
| Total Development grants | **7 200** | 5 523 | **7 759** | 6 176 |
| **2.2 Bonus shares** | | | | |
| Capitalisation of post acquisition profits earned by a subsidiary | | | | |
| At beginning of year | **858** | 858 | **858** | 858 |
| At end of year | **858** | 858 | **858** | 858 |

# NOTES TO THE FINANCIAL STATEMENTS

(continued)

| | | Corporation 2001 M'000 | Corporation 2000 M'000 | Group 2001 M'000 | Group 2000 M'000 |
|---|---|---|---|---|---|
| **2.** | **NON-DISTRIBUTABLE RESERVES (continued)** | | | | |
| **2.3** | **Share premium** | | | | |
| | Arising on issue of shares in subsidiary | | | | |
| | At beginning of year | **–** | – | **373** | 373 |
| | Movement during the year | **–** | – | **–** | – |
| | At end of year | **–** | – | **373** | 373 |
| **2.4** | **Unrealised surplus** | | | | |
| | Surplus on revaluation of land and buildings | | | | |
| | At beginning of year | **45 562** | 45 475 | **45 562** | 45 888 |
| | Movement during the year | **–** | – | **–** | (413) |
| | Additions | **3 087** | 87 | **3 087** | 87 |
| | At end of year | **48 649** | 45 562 | **48 649** | 45 562 |
| | Arising on the acquisition of subsidiaries | | | | |
| | At beginning of year | **–** | – | **1 004** | 120 |
| | Movement during year | **–** | – | **422** | 884 |
| | At end of year | **–** | – | **582** | 1 004 |
| | Unrealised profit on sale of building | | | | |
| | At beginning of year | **–** | – | **–** | – |
| | At end of year | **–** | – | **–** | – |
| | Surplus on sale of investment in associate to subsidiary | | | | |
| | At beginning of year | **–** | – | **–** | – |
| | At end of year | **–** | – | **–** | – |
| **2.5** | **Attributable share in Associated Companies** | | | | |
| | Capital grant | **–** | – | **532** | 602 |
| | Share premium | **–** | – | **400** | 400 |
| | Capitalisation of accumulated profits | **–** | – | **328** | 328 |
| | Surplus on revaluation of land and buildings | **–** | – | **–** | – |
| | Surplus on revaluation of equipment | **–** | – | **–** | 6 |
| | Capital redemption fund | **–** | – | **400** | 400 |
| | | **–** | – | **1 600** | 1 736 |
| | Total non-distributable reserves | **56 707** | 51 943 | **59 881** | 55 709 |

# NOTES TO THE FINANCIAL STATEMENTS

(continued)

| | | Corporation 2001 M'000 | Corporation 2000 M'000 | Group 2001 M'000 | Group 2000 M'000 |
|---|---|---|---|---|---|
| **3.** | **LONG-TERM LOANS** | | | | |
| | Loans outstanding as detailed below: | **136 505** | 141 341 | **136 505** | 141 341 |
| | Less: Current maturities included in accounts payable | **(6 372)** | (6 815) | **(6 372)** | (6 815) |
| | | **130 133** | 134 526 | **130 133** | 134 526 |
| **3.1** | **Corporation** | | | | |
| | ***Lesotho Bank:*** 5% loan repayable by annual instalments on an annuity basis over twenty years commencing 10 November 1979 guaranteed by Government of Lesotho | | | **(5)** | (3) |
| | ***European Investment Bank Global Loan 1*** 4% and 8% loans repayable in eight years commencing 1 March 1991 | | | **609** | 2 575 |
| **a)** | **European Investment Bank (Industrial Estate)** 5% loan of ECU 3,0 million repayment schedule not yet agreed | | | **10 136** | 9 009 |
| | **Frasers Limited:** Interest free loan with no fixed date of repayment | | | **6** | 6 |
| | **DEG** 6% income notes | | | **3 248** | 3 248 |
| | **Government of Lesotho:** | | | | |
| | **IDA** 7% loan repayable in twenty yearly instalments commencing 1 July 2000 | | | **15 963** | 16 803 |
| | **IDA 985** 7% loan repayable in thirty half yearly instalments starting 30 June 1986 | | | **711** | 1 228 |
| | **KFW (OLD)** 3/4% loan repayable over fifteen years after a five year grace period from a date to be determined | | | **883** | 883 |
| | **ODA 1** 8% loan repayable in fifty half yearly instalments commencing 1 June 1988 | | | **196** | 219 |
| | Carried forward | | | **31 747** | 33 968 |

# NOTES TO THE FINANCIAL STATEMENTS

(continued)

| | Corporation | | Group | |
|---|---|---|---|---|
| | **2001** | 2000 | **2001** | 2000 |
| | **M'000** | M'000 | **M'000** | M'000 |
| **3. LONG-TERM LOANS (continued)** | | | | |
| **3.1 Corporation (continued)** | | | | |
| Brought for ward | | | **31 747** | 33 9683 |
| 4% loan repayable in twenty yearly instalments commencing 1 July 2000 | | | **8 650** | 9 105 |
| **ODA II** | | | | |
| 8% loan. Repayment terms still to be determined | | | **256** | 271 |
| **ODA III** | | | | |
| 8% loan. Repayment terms yet to be determined | | | **370** | 399 |
| **ODA 1st line of credit** | | | | |
| 7% loan ODA line of credit. Repayment terms still to be determined | | | **2 826** | 2 993 |
| **KFW (HA NYENYE)** | | | | |
| 5% loan from KFW for Ha Nyenye repayable in ten annual instalments commencing 22 September 2000 | | | **8 987** | 9 985 |
| **ODA 2nd line of credit** | | | | |
| 7% loan, ODA line of credit. Repayment terms still to be determined | | | **4 523** | 4 523 |
| **Public Investment Commissioners** | | | | |
| 13,9% loan repayable after twenty year period | | | **52 878** | 52 878 |
| **European Investment Bank B** | | | | |
| 5% loan from EIB to GOL lent to LNDC Repayable in ten equal instalments commencing 31 October 1999 | | | **7 777** | 7 721 |
| **Development Bank of Southern Africa** | | | | |
| 12% loan repayable in twenty-six half yearly instalments starting 30 September 1993 | | | **3 369** | 3 850 |
| **GOL – Palmer** | | | | |
| 5% loan repayable in 20 half yearly instalments after a five year grace period, commencing 23 March 1999 | | | **13 300** | 14 000 |
| Total Corporation loans | | | **134 683** | 139 693 |
| Severance pay provision | | | **1 822** | 1 648 |
| | | | **136 505** | 141 341 |

# NOTES TO THE FINANCIAL STATEMENTS

(continued)

| | Corporation 2001 M'000 | Corporation 2000 M'000 | Group 2001 M'000 | Group 2000 M'000 |
|---|---|---|---|---|
| **4. FIXED ASSETS** | | | | |
| **4.1 Cost or valuation** | | | | |
| Land and buildings | **222 745** | 226 058 | **255 293** | 258 236 |
| Plant, vehicles, furniture and equipment | **6 729** | 6 715 | **119 342** | 113 902 |
| | **229 474** | 232 773 | **374 635** | 372 138 |
| **Accumulated depreciation** | | | | |
| Land and buildings | **21 805** | 19 315 | **36 127** | 32 154 |
| Plant, vehicles, furniture and equipment | **4 173** | 3 894 | **71 950** | 65 656 |
| | **25 978** | 23 209 | **108 077** | 97 810 |
| Net Book Value | **203 496** | 209 564 | **266 558** | 274 328 |

**4.2 Valuation of land and buildings**

**Corporation**

The directors' policy is to review the valuation of land and buildings every five years. The last valuation which is incorporated in these Financial Statements was done in March 1996.

# NOTES TO THE FINANCIAL STATEMENTS

(continued)

| Name | Principal activity | Equity held 2001 % | Cost of equity held directly M'000 | Amounts owing M'000 | Provision attributable net losses M'000 | Net interest 2001 M'000 | Net interest 2000 M'000 |
|---|---|---|---|---|---|---|---|
| **5. INTEREST IN SUBSIDIARIES** | | | | | | | |
| **5.1 Active Subsidiaries** | | | | | | | |
| Basotho Fruit and Vegetable Canners (Pty) Ltd | Cannery | 100 | 100 | 2 541 | (539) | 2 102 | 2 090 |
| Lesotho Brewing Company (Pty) Ltd | Brewery | 51 | 2 040 | 12 899 | – | 14 939 | 14 355 |
| Loti Brick (Pty) Ltd | Brick Making Plant | 76 | 8 032 | 8 474 | (9 681) | 6 825 | 6 835 |
| Maluti Marketing | Investment company | 100 | 250 | 1 | – | 251 | 250 |
| Maseru Private Hospital | Hospital | 67 (note 5.5) | 2 992 | – | (2 992) | – | 2 |
| | | | 13 414 | 23 915 | (13 212) | 24 117 | 23 544 |
| **5.2 Investment in companies in liquidation and dormant companies** | | | | | | | |
| Lesotho Investment Holdings Limited | Investment company | 44,6 (Note 5.4) | – | 190 | – | 190 | (465) |
| General Ceramic Industries | Tile manufacture | 100 (Note 5.5) | 8 000 | – | – | 8 000 | 4 000 |
| Lesotho Wool and Mohair Company | Wool processing | 52 | 2 160 | (1 867) | (281) | 12 | – |
| Maluti Oil and Cake Mills | Oil manufacture | 100 | 1 000 | 468 | (702) | 766 | 752 |
| | | | 11 160 | (1 209) | (983) | 8 968 | 4 287 |
| | | | 24 574 | 22 706 | (14 195) | 33 085 | 27 831 |

# NOTES TO THE FINANCIAL STATEMENTS

(continued)

| | Corporation 2001 M'000 | Corporation 2000 M'000 | Group 2001 M'000 | Group 2000 M'000 |
|---|---|---|---|---|
| **5. INTEREST IN SUBSIDIARY COMPANIES (continued)** | | | | |
| **5.3 Provision for losses in subsidiaries:** | | | | |
| Balance at beginning of year | | | **18 195** | 19 954 |
| Write-off during the year | | | **–** | (4 487) |
| Increase/(Decrease) in provision | | | **–** | (1 272) |
| Provision against grants | | | **(4 000)** | 4 000 |
| | | | **14 195** | 18 195 |

**5.4 Lesotho Investment Holding Ltd (LIH)**

***(Shareholding 44,6%)***

LIH is shown as a subsidiary as LNDC continues to have effective control of the company's operations.

**5.5 Financial Statements of subsidiary companies**

The financial statements of the following subsidiary companies were not available.

| | |
|---|---|
| Basotho Farm Produce (Pty) Ltd | (Not consolidated) |
| Pal Products (Pty) Ltd (Dormant) | (1996 accounts consolidated) |
| Maluti Oil and Cake Mills (Pty) Ltd | (Not consolidated) |
| General Ceramics Industries (Pty) Ltd (Dormant) | (Not consolidated) |
| Lesotho Wool & Mohair Processing Co (Pty) Ltd | (Not consolidated) |

| | Corporation 2001 M'000 | Corporation 2000 M'000 | Group 2001 M'000 | Group 2000 M'000 |
|---|---|---|---|---|
| **6. INTEREST IN ASSOCIATED COMPANIES** | | | | |
| Shares at cost | **763** | 763 | **827** | 827 |
| Share of non-distributable reserves | **–** | – | **1 661** | 1 736 |
| Share of retained income | **–** | – | **6 794** | 5 172 |
| Amounts owing | **18 662** | 17 008 | **18 662** | 17 008 |
| Provision for losses | **(15 519)** | (16 188) | **–** | – |
| | **3 906** | 1 583 | **27 944** | 24 743 |
| Directors' valuation | | | **27 944** | 24 743 |

# NOTES TO THE FINANCIAL STATEMENTS

(continued)

## 6. INTEREST IN ASSOCIATED COMPANIES (continued)

| Name | Principal activity | Number of shares held Note 1 | Proportion held % | Accounting period used Note 2 |
|---|---|---|---|---|
| **CORPORATION** | | | | |
| Cash Build Lesotho (Pty) Ltd | Wholesalers | 20 000 | 50 | 30.06.01 |
| Lesotho Food Industries (Pty) Ltd | Investment in LM Co | 66 167 | 39,7 | 30.06.01 |
| 0K Bazaars Lesotho (Pty) Ltd | Retailers | 150 000 | 50 | 30.06.01 |
| Lesotho Holdings and Hotel Development (Pty) Ltd | Hotel business | 1 200 | 30 | 30.06.98 |
| Sun International Lesotho (Pty) Ltd | Hotel and casino | A 20/B 328 291 | 20 | 30.06.01 |
| Lesotho Pharmaceutical Corporation | Drug manufacturer | 526 000 | 21 | 31.03.01 |
| Highland Ceramics (Pty) Ltd | Ceramics tiles | 490 | 49 | 31.12.97 |
| Smart Centre (Maluti) (1988) Ltd | Retailer | 62 | 50 | 30.06.01 |

* = Less than M500

Notes to this schedule continued overleaf

**6. INTEREST IN ASSOCIATED COMPANIES (continued)**

| Cost of equity M'000 | Non-distributable reserves M'000 | Distributable reserves 31.03.98 M'000 | Amounts owing M'000 | Total interest M'000 | Note | Total interest 31.03.00 M'000 |
|---|---|---|---|---|---|---|
| 20 | 400 | 1 688 | 1 | 2 109 | 3 | 2 061 |
| 67 | – | 11 591 | 88 | 11 746 | 3 | 10 855 |
| 150 | 400 | 6 057 | 706 | 7 313 | 3 | 4 238 |
| 1 | – | – | – | 1 | 4 | 1 |
| – | 328 | 2 510 | – | 2 838 | 3 | 3 139 |
| 526 | 533 | (606) | – | 453 | 3 | 503 |
| – | – | (14 658) | 17 867 | 3 209 | | 2 500 |
| 63 | – | 212 | – | 275 | 3 | 1 446 |
| 827 | 1 661 | 6 794 | 18 662 | 27 944 | | 24 743 |

| | Corporation 2001 M'000 | Corporation 2000 M'000 | Group 2001 M'000 | Group 2000 M'000 |
|---|---|---|---|---|
| **6. INTEREST IN ASSOCIATED COMPANIES (continued)** | | | | |
| **Notes** | | | | |
| 1. All shares of M1 each, fully paid | | | | |
| 2. Year ended unless stated otherwise | | | | |
| 3. Based on audited financial statements | | | | |
| 4. Companies which have not started operations, investment shown at cost | | | | |
| **CORPORATION** | | | | |
| **Provision for losses** | | | | |
| At beginning of year | | | **16 188** | 14 896 |
| Increase in provision | | | **–** | 1 292 |
| Write-off during year | | | **(669)** | – |
| At end of year | | | **15 519** | 16 188 |
| **7. OTHER INVESTMENTS** | | **% Holding** | | |
| Unlisted equity shares: | | | | |
| Lesotho Housing and Land Development Corporation | | – | **958** | 958 |
| Zero coupon loan stock (RSA Govt. Bond) Corporation | | | **8 203** | 7 219 |
| | | | **9 161** | 8 177 |
| Frasers Lesotho Ltd Group | | 3 | **–** | 242 |
| | | | **9 161** | 8 419 |
| **8. LONG-TERM DEBTORS** | | | | |
| **Corporation and Group** | | | | |
| Loan debtors at varying rates of interest and repayment terms | | | **774** | (147) |
| Unrealised foreign exchange losses (per policy 2.9) | | | **2 779** | 2 694 |
| | | | **3 553** | 2 547 |
| **9. STOCKS** | | | | |
| **Group** | | | | |
| Raw materials | | | **6 638** | 4 869 |
| Finished goods and merchandise | | | **10 938** | 11 722 |
| Consumable stores | | | **5 484** | 5 156 |
| Work in progress | | | **3 575** | 1 744 |
| Total stocks | | | **26 635** | 23 491 |

# NOTES TO THE FINANCIAL STATEMENTS

(continued)

| | Corporation | | Group | |
|---|---|---|---|---|
| | **2001 M'000** | 2000 M'000 | **2001 M'000** | 2000 M'000 |
| **10. DEBTORS** | | | | |
| Realised foreign exchange losses due from Government of Lesotho | **2 555** | 1 106 | **2 555** | 1 106 |
| Building rental | **8 600** | 10 754 | **8 600** | 10 754 |
| Others | **918** | 6 837 | **21 789** | 26 721 |
| | **12 073** | 18 697 | **32 944** | 38 581 |

**11. CONTINGENT LIABILITIES**

**11.1** Guarantees in respect of the repayment of loans and overdrafts advanced to subsidiaries and other parties and not otherwise provided for are as follows:

| | Limit of Guarantees | | | |
|---|---|---|---|---|
| | **2001 M'000** | 2000 M'000 | **2001 M'000** | 2000 M'000 |
| **(a) Corporation** | | | | |
| Subsidiaries | **–** | – | **–** | – |
| Associates | **–** | 610 | **–** | – |
| Third parties | **–** | 800 | **–** | 800 |
| | **–** | 1 410 | **–** | 800 |
| **(b) Group** | | | | |
| Associates | **–** | 610 | **–** | – |
| Third parties | **–** | 800 | **–** | 800 |
| | **–** | 1 410 | **–** | 800 |

| | | | | |
|---|---|---|---|---|
| **12. COMMITMENTS** | | | | |
| Capital commitments contracted for: | | | | |
| – Buildings and equipment | **–** | 23 642 | **–** | 23 642 |
| Authorised but not committed: | | | | |
| – Buildings and equipment | **–** | – | **13 878** | 12 479 |
| – Investment in loan and equity | **–** | 900 | **–** | 900 |
| | **–** | 900 | **13 878** | 13 379 |
| Total capital commitments | **–** | 24 542 | **13 878** | 37 021 |

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

| | | Corporation 2001 M'000 | Corporation 2000 M'000 | Group 2001 M'000 | Group 2000 M'000 |
|---|---|---|---|---|---|
| **13.** | **TURNOVER** | | | | |
| | Turnover is the amount receivable by the Group in the ordinary course of business for goods supplied and services rendered. | | | | |
| **14.** | **OPERATING PROFIT FOR THE YEAR** | | | | |
| | Stated after crediting or charging the following: | | | | |
| | **Income** | | | | |
| | Profit/(Loss) on disposal of fixed assets | **(1 946)** | 88 | **(2 190)** | 221 |
| | Interest | **–** | 4 292 | **2 563** | 7 176 |
| | Rents | **26 271** | 22 590 | **26 271** | 22 590 |
| | Income from subsidiaries | **19 222** | 18 360 | **–** | – |
| | Dividends | **19 172** | 18 360 | **–** | – |
| | Interest and guarantee commission | **50** | – | **–** | – |
| | **Expenses** | | | | |
| | Depreciation and amortisation of fixed assets | **5 138** | 5 212 | **11 097** | 12 773 |
| | Increase/(Decrease) in provision for doubtful debts | **–** | 3 897 | **–** | 3 897 |
| | Auditors remuneration: Audit fees | **106** | 90 | **251** | 237 |
| | Interest | **12 826** | 12 949 | **14 301** | 15 242 |
| **15.** | **TAXATION** | | | | |
| **15.1** | Normal tax on current profits | | | **6 613** | 9 423 |

**15.2** According to the Statutory Bodies Laws (Amendment) Order No.16 of 1989, LNDC, with effect from 1 August 1989, became liable for tax. At 31 March 2001 no provision was made as the Company had tax losses which have yet to be assessed.

**15.3** 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.

| | | 2001 M'000 | 2000 M'000 |
|---|---|---|---|
| **16.** | **PRIOR YEAR ADJUSTMENT** | | |
| | Irrecoverable expenses relating to the Investment Promotion Centre | **–** | 2 375 |
| | **Corporation** | **–** | 2 375 |
| | Increase in provision against associates | **–** | 9 150 |
| | **Group** | **–** | 11 525 |