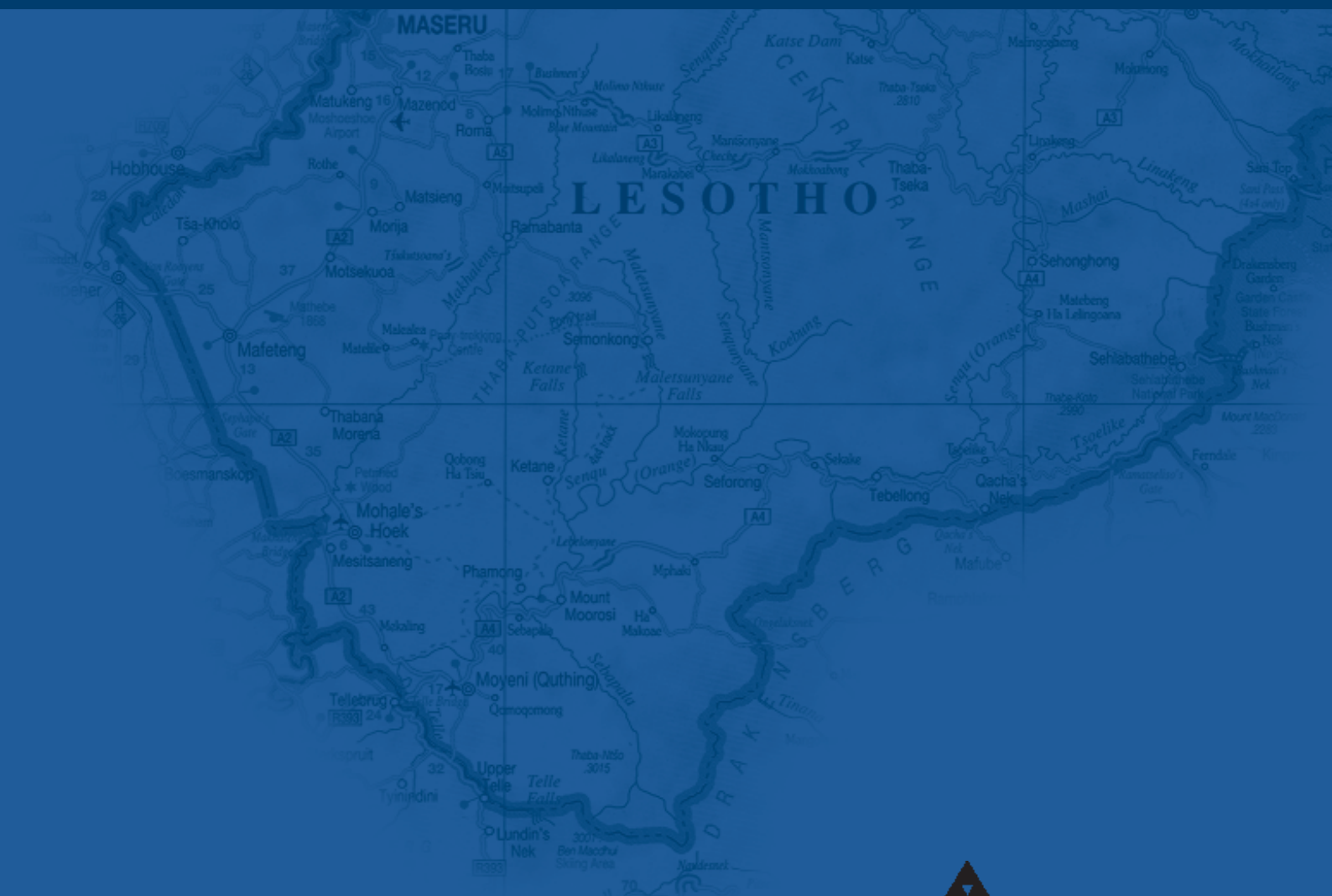


# LESOTHO NATIONAL DEVELOPMENT CORPORATION

## Annual Report 2007/2008



With compliments of the Board of Directors, Management and Staff

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**The 2008/2009 Annual Report will follow shortly before  
the end of the Financial Year 2009/2010.**

# 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 2007/08 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.

## Organisation 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; Planning and Research 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 in Figure. 1 below.

## Reporting

Section 19 (1) of the LNDC Act No. 13 of 1990 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, 2007 to March 31, 2008. 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 year 2020, LNDC shall be one of the leading development finance institutions in the SADC region and shall actively contribute to the attainment of 80% employment rate in Lesotho and graduation of Lesotho from the least developed country status.

## **Mission:**

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

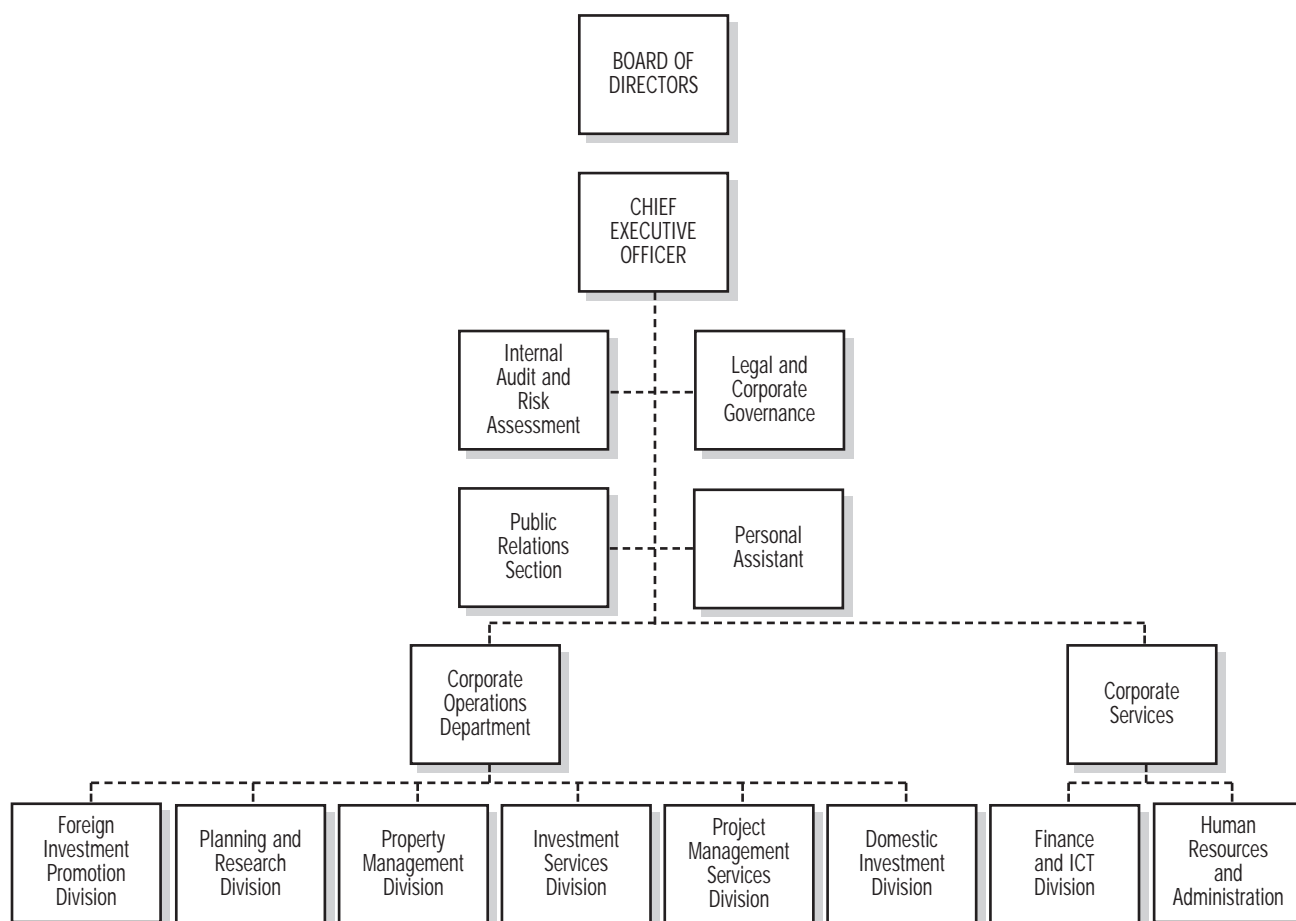
## **Corporate Goals**

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



# LNDC ORGANISATIONAL STRUCTURE

2007/2008



# LNDC BOARD OF DIRECTORS

end of financial year 2007/2008

## CHAIRMAN

### **Mr D M Rantekoa**

Principal Secretary; Ministry of Trade and Industry, Cooperatives and Marketing

## MEMBERS

### **Ms L Khechane**

Ministry of Finance and Development Planning

### **Mrs M Motselebane**

Ministry of Agriculture and Food Security

### **Mr. R Theko**

Private Sector

### **Mr P Mokhesi**

Private Sector

### **Mr T Mochekele**

Lesotho Consumer Organisation

### **Mr O S M Moosa**

Lesotho Chamber of Commerce and Industry

### **Mrs A S Mokorosi**

Lesotho Manufacturers Association

## CHIEF EXECUTIVE

### **Mr P Molapo**

Lesotho National Development Corporation

## CORPORATE SECRETARY

### **Mr C T Poopa**

## POSTAL ADDRESS

Lesotho National Development Corporation

Private Bag A96

Maseru 100

Lesotho

## HEAD OFFICE

Development House

Kingsway Road

Maseru 100

Telephone: 266-22 312012

Telefax: 266-22 310038

E-mail: [info@lndc.org.ls](mailto:info@lndc.org.ls)

Website: [www.lndc.org.ls](http://www.lndc.org.ls)

## AUDITORS

### **Moores Rowland Chartered Accountants**

PO Box 1252

Maseru 100

Lesotho

## BANKERS

Standard Lesotho Bank

PO Box 1053

Maseru 100

Lesotho

Telephone: 266-22 315737

# LNDC EXECUTIVE & MANAGEMENT TEAM

end of financial year 2007/2008

## EXECUTIVE TEAM

### **Mr Peete Molapo**

Chief Executive Officer

### **Mr Sam Mphaka**

Chief Corporate Services

### **Mr Motebang Mokoaleli**

Head, Foreign Investment

### **Mr Mokhethi Shelile**

Head, Domestic Investment

### **Mrs 'Mathabo Klass**

Head, Investment Services

### **Mr Lebohang Mofammere**

Head, Property Management

### **Ms Lucy Mataboe**

Head, Human Resources and Administration

### **Mr Clark Taelo Poopa**

Head, Legal and Corporate Governance

### **Ms Teboho Lekalakala**

Head, Internal Audit and Risk Management

## MANAGEMENT TEAM

### **Mrs Lesa Makhoalibe**

Public Relations Manager

### **Mrs Tšepang Sekhesa**

Manager, Investment Promotion

### **Mrs 'Mampho Mahase**

Senior Projects Manager

### **Ms Marina Maloi**

Projects Manager

### **Ms Fumane Maema**

Projects Manager

### **Mr Molupe Mohale**

Projects Manager

### **Mr Justice Sello Ts'ukulu**

Industrial Relations Manager

### **Mrs Nthabiseng Posholi**

Senior Accountant

### **Mr Litlhokoe Daniel Mohlomi**

Information and Communications

Technology Manager

### **Ms 'Majane Lesala**

Senior Internal Auditor



## STATEMENT BY THE CHAIRMAN

It is my pleasure and honour to present on behalf of the LNDC Board of Directors, this Annual Report covering key activities of the Corporation for the financial year ended 31st March, 2008.

During the review year, Lesotho reached another milestone towards accessing more markets. This time it was the enhanced EU market with its improved rules of origin for clothing and textiles. Under SADC EPA, Lesotho together with Botswana, Mozambique, and Swaziland initialled the Interim Economic Partnership Agreement with the EU. Access to the EU market for the SADC EPA States that initialled the IEPA is granted under an EU Council Market Access Regulation which was adopted on 20 December 2007. This regulation allows the preferences to continue as an interim measure pending the coming into force of the comprehensive EPA. After initialling the Interim EPA in 2007, SADC EPA States have been faced with a number of critical challenges regarding moving to the next stage of signing and implementing the Interim Agreement. In particular, it became necessary for Botswana, Lesotho, Namibia and Swaziland (BLNS) as Southern African Customs Union (SACU) members to explore options on how to implement the Interim EPA without South Africa, the remaining member of the SACU, in a manner that does not undermine the integrity of the Customs Union. Initialling of this agreement meant that BLNS too would have to gradually open their markets for EU while still taking full account of the differences in levels of development between them and the EU. Under this agreement, Lesotho and other countries decided to liberalise industrial and fisheries products but excluded goods in agriculture, textile and processed agricultural sectors from being liberalized. These exclusions ensured that Lesotho's sensitive sectors are protected.

The Government of Lesotho (GoL) established the One-Stop-Shop in September, 2007 which improved the provision of permits and licences to exporters and reduced the time from application to getting the permit significantly.



**D M Rantekoa**  
*Chairman*

The GoL with assistance from World Bank established Private Sector Competitiveness and Economic Diversification Project towards improving the business environment and supporting economic diversification by strengthening linkages with the regional economy, especially South Africa; strengthening institutional support for employable skills and business management as well as improving productivity at firm level. Closely related to diversification of products and markets GoL, is currently reviewing the Water Resources Bill that will be of great benefit for water bottling business.

Despite the positive developments in the business environment, the closure of 3 firms led to a loss of 2 453 jobs during the review year. Fortunately though, the number of jobs created through expansions offset the number of those lost. At the end of the year the total number of jobs created by LNDC assisted companies was 45 650 against 44 318 in 2006/07 which represents a marginal 3% improvement on jobs created compared to aggregate 44 318 jobs created in the previous year. LNDC leasehold portfolio companies monitored during the period were 72, which was the same number as in 2006/07. While 3 firms closed 3 new companies started operations and generated 147 jobs compared to 7 new ones last year which generated 3 870 new jobs.

LNDC had at least 19 investors in the pipeline which needed factory shells to start operations. The demand for new factory shells stood at 33 850 m<sup>2</sup> at an estimated implementation cost of M118.5 million. Regrettably, construction could not commence due to lack of financial resources. However, request for funding was submitted to GoL and other international donors.

During the review year, the Corporation expanded its property portfolio by two buildings. It constructed 1 100 m<sup>2</sup> canteen for CBI at Nyenye and a 250 m<sup>2</sup> canteen for Lolita at Nyenye. It also reconstructed a 1 000 m<sup>2</sup> Reflex Footwear factory at Nyenye that had been destroyed by fire. Approximately M5.9 million was spent on the reconstruction and enhancement of these properties.

The Group's financial position as at 31st March 2008



## STATEMENT BY THE CHAIRMAN

(continued)

was good when compared with previous year. Profit after tax (PAT) increased from M36.9million in 2006/07 to M55.6 million this year representing a growth of 50.8%. As a result of the increase in profit, retained earnings also improved though at a lower rate of 20.8% to M131.0 Million. The Group's total assets grew by M34.3 million or 5.3% from M642.2 million in 2006/07 to M676.5 million in 2007/08. The increase in asset base underpins our strategy to attract investors through development of industrial estates.

The shareholders' equity increased by M14.9 million or 3.5% from M430.8 million in 2006/07 to M445.7 million in 2007/08 to support our future investment activities.

I draw this statement to a close by once again acknowledging contributions of the LNDC Board,

Management and Staff for their efforts in pursuit of the LNDC mandate. I also acknowledge contributions by our partners in development and other key stakeholders who have been instrumental in assisting LNDC to make all this progress during the review year. Special thanks are due to the Government of Lesotho, especially the parent Ministry of Trade and Industry, Cooperatives and Marketing (MTICM) who have closely guided and worked with us during these trying times .



**D M Rantekoa**

*Chairman*



# CHIEF EXECUTIVE'S REPORT

## General

This year the Corporation aimed at integrating the garment industry, diversifying markets and products, promoting the local private sector and growing its business portfolio.

In recent years LNDC attracted interest from investors who wanted to open large operations in Lesotho like knit fabric mills. These investors were however discouraged by lack of critical support services like solid and waste water management facilities, as well as dyeing and washing facilities. In light of these needs, the Corporation undertook investment promotion missions targeted at attracting investors in these critical services needed by the garment industry. Interest was generated in waste water treatment projects. Interest was further generated in other diversified projects which are outside the garment industry in areas of electricity and electrical appliances as well as pharmaceuticals.

During the year LNDC further developed a business case document outlining investment opportunities in waste management and sold it to private sector operators in Lesotho and South Africa. No concrete commitments to invest were made by the fall of the year.

The Corporation's investment promotion endeavours prove to generate the desired results and have potential to achieve diversification objectives. The only challenge is the unavailability of factory shells and other supporting services.

In working towards local private sector capacity building, LNDC facilitated 75% travel subsidy for six (6) companies in order to enable these companies to attend the EU-SADC Investment Promotion Programme's (ESIPP's) in Tanzania, in May 2008.

Access to finance by the local private sector is still a challenge to LNDC. During the year LNDC handed over four projects to NORSAD Agency in Zambia, two (2) to Industrial Development Corporation (IDC) in South Africa for possible funding. Both NORSAD and IDC were assessing these projects by the end of the reporting period. In the meantime, the Corporation is developing its own financing package to improve access to finance by the private sector.

The number of leasehold portfolio companies monitored during the period was 72, same number as in 2006/07. Three (3) new companies started operations and generated 147 jobs while three (3) other companies' closed shop resulting in 2 453 job losses. Fortunately though, the number of jobs created through expansions surpassed the number of those companies that shed jobs. At the end of the year the total number of jobs created by LNDC assisted companies were 45 650 as against 44 318 in 2006/07.

The Corporation added two (2) new buildings to its property portfolio as well as a reconstruction of one other building which was destroyed by fire. It constructed 1 100 m<sup>2</sup> canteen for Circuit Breaker Industries and a 250 m<sup>2</sup> canteen for Lolita Clothing, both located at Nyenye Industrial Estate. A 1 000 m<sup>2</sup> Reflex Footwear factory which was destroyed by fire at Nyenye Industrial Estate was also reconstructed. Over M5 871 340.85 was spent on the acquisition of the above-listed properties.

The demand for new factory shells stood at 33 850 m<sup>2</sup> at an estimated implementation cost of M118.5 million. Projects attributed to this demand were not implemented due lack of financial resources. This state of affairs continues to be a major constraint on the expansion of the property portfolio and creation of new jobs for the Basotho.

The Group's financial position as at 31st March 2008 was good when compared with the previous period as it registered a growth of M22.6 million or 20.8% in retained earnings and M34.3 or 5.3% in total assets.

## A. OPERATIONAL ACTIVITIES

### Foreign Investment Promotion

LNDC set out to attract foreign investment in order to contribute towards integrating the garment industry. Critical services targeted were a knit fabric mill, solid and waste water management facilities as well as dyeing and washing facilities. Investment promotion efforts were also tailored to attract investors that will diversify Lesotho products and export markets in priority sectors. These include agro processing, water bottling, consumer electronics and electrical assembly as well as leather and footwear.

## CHIEF EXECUTIVE'S REPORT

(continued)

Significant strides were made towards achieving diversification of products and markets during the reporting period. Three (3) new foreign investment projects worth M8.1 million were attracted. Two (2) of these new projects were in the footwear and the other in electrical assembly. All of these projects serve the South African and local market. These projects created 147 new jobs compared to seven (7) projects worth M60.9 million that started in 2006/07 and generated 3 870 jobs. The number of new jobs created by new companies is lower than last year because of the nature of the new projects established both footwear and electronics are not as labour intensive as garments. In addition, the number of projects attracted in the reporting period is lower in number as compared to the previous period. At the end of the reporting year all LNDC assisted companies had generated aggregate employment of 45 650. This figure represents a marginal 3% improvement on new jobs created compared to aggregate 44 318 jobs created in the previous year.

One major investment promotion mission was undertaken to the U.S. during the year. The major objective of this visit was to promote Lesotho as a brand, especially in garment manufacturing. A visit was made to the West Coast where LNDC presented to 15 different

companies and entities. The other visit was to New York where presentations were made to 118 potential investors. The investment promotion trip to the U.S. generated some interest but was not followed by investment enquiries in the year as expected. During the year, 27 potential investors visited Lesotho with a view to doing business in the country. Most of the hosted investors were from South Africa. Prospects interests were mainly in garments, water treatment, electronics and electrical appliances as well as pharmaceuticals.

The number of foreign direct investment projects in the pipeline fell from 40 last year to 19. Most of the investors' interest waned due to shortage of serviced sites and factory buildings. As a result, the projected investment fell from M745 million from last year to M410 million. Of the 19 pipeline projects, 58% were definite commitments, mostly originating from South Africa and planning to manufacture high value garments, electrical and electronic appliances as well as packaging materials for the U.S. and SACU markets. The garment sector accounted for 47% of the pipeline. Projects that are currently in the pipeline have a potential to create 4 243 jobs against 13 340 potential jobs that could have been produced in the previous year.



# CHIEF EXECUTIVE'S REPORT

(continued)

## Domestic Investment Promotion

Development of a powerful indigenous private sector in Lesotho is one of the primary objectives of LNDC. This is in line with the government policy of broad based economic growth driven by the private sector. The Corporation promotes the local private sector through facilitation of joint ventures, vertical integration of the garment industry, mobilisation of financial resources and technical assistance.

The Division hosted 125 enquiries during the reporting period compared with 114 from the previous period. About 30 of the enquiries were generated following the EU-SADC Investment Promotion Programme's (ESIPP's) promotion efforts carried out in November 2007 in preparation for business to business meetings scheduled for May 2008 in Tanzania.

The Division received eight (8) proposals from the 30 enquiries received from ESIPP event. This increased pipeline projects to 18 during the reporting period. The pipeline for the previous period was 24. The eight (8) projects were submitted to ESIPP to form part of the projects for consideration for joint ventures and financial assistance with European counterparts. ESIPP approved six (6) projects for participation and consideration. The six (6) projects were under negotiations at the end of the reporting period.

Additional six (6) projects from the pipeline projects with total project cost in excess of M45 million were handed over to external funding agencies to be considered for funding. Four (4) projects were handed over to NORSAD Agency based in Zambia for consideration. For the first time, ever, two (2) projects were handed over to the Industrial Development Corporation (IDC) of South Africa. Both NORSAD and IDC were assessing the projects by the end of the reporting period. In the meantime the Corporation is developing its own financing package to improve access to finance by the private sector.

One pipeline project was on securing parking management company for the LNDC Centre Shopping Centre. The management of the parking was awarded to a local company for a period of three years in June 2007. The remaining pipeline projects were still being developed further by the promoters at the end of the reporting period.

During the reporting period the LNDC was requested by the Private Sector Competitiveness and Economic Diversification Project (PSC) of the World Bank to provide Financial Management, Monitoring and Evaluation and Procurement services to the project. The LNDC and the Ministry of Trade and Industry, Cooperatives and Marketing (MTICM) being the custodians of the project in Lesotho, signed a five year service agreement to the tune of M5.8 million in September 2007. The signing of the contract paved way for the provision of the said services and the declaration of effectiveness of the project on October 5th, 2007. The project was developed amongst others to:

- (i) improve the business climate by reducing legal and administrative impediments to growth;
- (ii) strengthen logistics, infrastructure, trade and investment facilitation and institutions to support areas with the highest potential for growth in exports;
- (iii) Strengthen domestic competitiveness through improving skills levels and strengthening linkages between training and industrial needs.

## INVESTMENT SERVICES

LNDC offers investors an array of services through its Investment Services Division. The Division monitors the LNDC leasehold portfolio and offers, among others, industrial relations services and customer care services.

### Monitoring the Leasehold Portfolio

The total number of leasehold portfolio companies monitored during the period was 72; same number as in 2006/07. There were three (3) new projects that set-up during the year. These are: Crabtree, an electrical accessories manufacturer for the South African market, Maluti Mountain Leather Works and Way Yare Footwear. These companies created 147 new jobs. Three (3) other companies: C River, United Clothing and Lesotho Pharmaceutical Corporation closed shop and 2 453 jobs were lost as a result of their closure. Sectoral distribution of leasehold portfolio is shown below in figure 1. The total number of jobs created by this portfolio in 2007/08 was 45 650 against 44 318 in 2006/07.

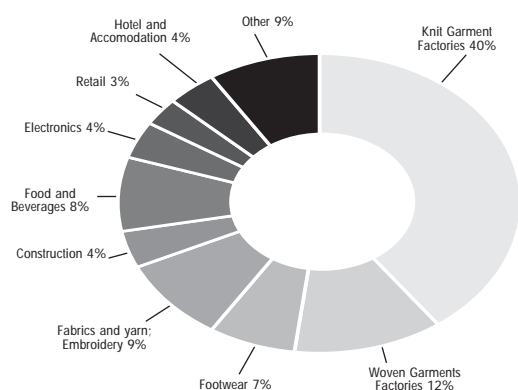


# CHIEF EXECUTIVE'S REPORT

(continued)

Although the number of jobs created by new companies was far less than those lost, aggregate employment increased due to expansion of some garment companies that were established in the previous year and were still growing. Notable expansions took place in companies that include the following: Ace Apparel, Circuit Breaker Industries, C & Y Garments, Global Garments and Sun Textiles.

Sectoral distribution of LNDC Leasehold Portfolio in 2007/2008



## LNDC Equity Portfolio

The equity portfolio was made up of seven (7) companies – three (3) subsidiary and four (4) associate companies. The total employment was 1 027 a bit lower compared to 1 250 in the previous year. Aggregate performance of the equity portfolio in terms of turnover and profits was M956.8 million and M106.5 million respectively. This is compared to turnover and profits of M699.6 million and M85.9 million during the previous year. The equity portfolio consisted of agro, building and construction, essential services and wholesale and retail sections. The agro sector was the best performer during the period as it was in the previous year.

## Industrial Relations

The Division facilitated and provided advisory services on compliance and adherence to industrial relations policies within the LNDC as well as within the portfolio companies.

### *Prevention and Resolution of Illegal Strikes*

Nine (9) companies were assisted to resolve illegal strikes affecting them during the year 2007/08 compared to six (6) the previous year. All strikes were

resolved within a day. The textile industry did not have any major strikes compared with previous years, an indication that employer-employee relations have improved.

### *Handling of Disciplinary and Grievance Matters*

LNDC assisted four (4) companies against eight (8), last year to hold disciplinary hearings during the year. The Corporation further intervened in the handling of grievances lodged by employees in 18 companies this year while 19 cases of grievances were handled last year. It also assisted in the resolution of disputes affecting JHI and commercial tenants.

Managers in some of LNDC leasehold portfolio companies were coached and guided to properly handle disciplinary matters to avoid cases that will necessitate DDPR's intervention.

### *Inductions for Newly Established Companies and New Managers in Old Companies*

LNDC facilitated Induction courses for 11 companies' new management in order to familiarize them with the provisions of the Labour laws currently in force. The same number of courses was carried out for different companies.

### *Factory Inspections*

The Corporation carried out quarterly industrial inspections to assess the needs of the investors. During these inspections individual companies' order books are checked to see whether the exporting companies have orders. Companies' employment levels and productive capacities are assessed. Eleven (11) companies were also inspected in order to assess their compliance with the Labour laws and to assist them to create harmonious relations between workers and management.

### *Customer Service Activities*

The Division developed an investment guide for investors establishing in Lesotho. It also facilitated provision of the following customer services to the Corporation's leasehold portfolio of companies: visas, work permits, residence permits, registration of companies, manufacturing licences, border passes, pending permits, registration with Lesotho Revenue

# CHIEF EXECUTIVE'S REPORT

(continued)

Authority (LRA) and value added tax (VAT) credit facility applications. Table 1 below gives a summary of the customer service activities offered.

**Table 1: Customer Services provided**

TYPE OF ACTIVITIES	NUMBER
Visas	385
Work Permits	100
Temporary Work Permits	28
Registration of Companies	4
Manufacturing Licences	2
Border Pass Permits	6
Pending Permits	19
Registration with LRA	2

## PROPERTY MANAGEMENT

The Division implements strategic property development activities of the Corporation which are aimed at ensuring that the Corporation retains an optimal mix of property. The Division is also responsible for overseeing the outsourced technical management of the Corporation's property portfolio through an independent private Real Estate Manager (JHI).

The report highlights success and achievements and also identifies areas where improvements to the service are required. The Division continually strives to improve its performance and the quality of service that it delivers.

### New Property Developments

The demand for new factory shells stood at 33,850 m<sup>2</sup> at an estimated implementation cost of M118.5 million. New developments were not implemented due lack of financial resources which continues to be a major constraint in the expansion of the property portfolio and creation of new jobs for the Basotho. In the previous year the demand for factory space was 45 400m<sup>2</sup> at an implementation cost of M136.2 million.

The following properties were added to the property portfolio during the reporting period.

1. Construction of 1 100 m<sup>2</sup> canteen for Circuit Breaker Industries (CBI) at Nyenye

2. Construction of a 250 m<sup>2</sup> canteen for Lolita at Nyenye

3. Reconstruction of 1000 m<sup>2</sup> fire destructed Reflex Footwear at Nyenye

Over M5 871 340.85 was spent on the acquisition of the above listed properties during the period under review.

### Property Enhancement Projects

The Corporation also installed sprinkler system at CBI Ha Nyenye to enhance the value and safety of the property portfolio.

### Property Management

The Division manages over 170 properties as against 168 the previous year, 144 are factory buildings, six (6) office blocks, eight (8) residential units and 12 units in retail and commercial outlets located in various districts in 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.

The Financial Year 2007/08 witnessed a progressive quarterly improvement in the industrial occupancy rate from the 83.58% to 87.88% by year-end. The Mohale's Hoek industrial estate remained unoccupied throughout the year.

The retail and commercial property portfolio occupancy level stood at 79.44%, the main culprit being the relocation/departure of Kentucky Fried Chicken outlet at Kingsway Mall. The residential portfolio on the contrary enjoyed 100% occupancy level throughout the year.

The following business enhancement projects were implemented during the reporting period:

1. Property portfolio valuation for market and insurance purposes
2. Consultancy on the establishment of fire stations at Maseru, Nyenye and Mohale's Hoek.
3. Consultancy on fire prevention, management and control
4. Consultancy on the LNDC property management strategy.

# CHIEF EXECUTIVE'S REPORT

(continued)

The Corporation is currently enhancing the existing inventory of its property portfolio to ensure that it comprehensively reflects all LNDC buildings. It is envisaged that the mentioned inventory or property will be linked to a geographical mapping system that will be acquired in the future. This will detail LNDC ownership, information on the condition, usage suitability and running costs of individual properties. This information continues to be collated and will aid the Corporation in assessing the operational efficiency of its existing assets, targeting its financial resources effectively and supporting its mandate of creating wealth and employment for Basotho.

## Property Maintenance Performance

The maintenance of the Corporation's buildings continued to be a major activity during the year and a

total of 230 small jobs were authorised with a total cost of M2 172 637.00. This is compared to M2 393 460.58 the previous year. The works undertaken by the Corporation's Real Estate Manager (JHI) are shown in two categories in the table below:

Table 2: Maintenance works undertaken by JHI

Category	No of jobs	Total value (M)	Budgeted amount
Planned maintenance	200	1 865 712	3 886 650
Unplanned maintenance	30	794 841	345 840
<b>TOTAL</b>	<b>230</b>	<b>2 660 553</b>	<b>4 232 490</b>

There have been inefficiencies noticed in the implementation of planned maintenance work by the real estate manager due to lack of relevant resources



# CHIEF EXECUTIVE'S REPORT

(continued)

and skills such as lack of a computerised maintenance system. The current year has been marked by high number of deferred maintenance work as indicated above by the budget performance. This is a challenge on the side of LNDC in ensuring tenants satisfaction and there is a need to correct these deficiencies in the provision of maintenance service by JHI Real Estate.

One of the major maintenance work carried out was the rehabilitation of LNDC car park and the introduction of the parking manager.

## HUMAN RESOURCES AND ADMINISTRATION

The Corporation strives to provide efficient administration and human resources services to its staff members and its clients. The Division's strategic thrust centred on enhancing the staff morale and productivity. It also coordinated and facilitated the development and review of corporate policies.

The Division spearheaded the review of the Corporation's salary structure, evaluation of the performance management system and coordinated review and formulation of all the Corporation's policies.

The Corporation has been able to afford courses, seminars and workshops to six (6) of its staff members during the year. Table 3 provides details of the training activities. With regard to staff movements, Manager Investment Services retired after having served the Corporation for 19 years. A Gardener in CEO's residence was also recruited during the year. Courses, seminars and workshops to six (6) of its staff members during the year. Table 3 provides details of the training activities. With regard to staff movements, Manager Investment Services retired after having served the Corporation for 19 years. A Gardener in CEO's residence was also recruited during the year.

**Table 3: Training provided to staff.**

No.	TRAINING PROGRAMMES	TRAINING INSTITUTE	PARTICIPANT
1	South African International Investment Promotion	GDP Development Programme	Global Investment Promotion Officer
2	Minor Works Seminar and Principal Building Agreement Seminar	Joint Building Contractors Committee (JBCC)	Property Development Officer
3	Effective Services Delivering in the Public Sector	Intelligent Africa	Customer Services Officer
4	Correspondence Course in Value-Added Tax	University of South Africa (UNISA)	Accounts Officer
5	Strategic Corporate Governance	Marcus Evans Conferences	Senior Legal Officer
6	Symantec and Point Protection II Training	Cyber Detectives	Systems Administrator



# CHIEF EXECUTIVE'S REPORT

(continued)

## PUBLIC RELATIONS

In 2007/08 the Corporation enhanced its image and promoted Lesotho by getting involved in public events aimed at maintaining a favourable national and international image of Lesotho in order to portray Lesotho as an investment destination of choice. Highlights of image building activities included:

### South Africa-Lesotho Business Forum

LNDC was part of Lesotho's delegation at the South Africa-Lesotho Business Forum during the official visit



of the Right Honourable the Prime Minister of Lesotho to Cape Town, South Africa in June 2007. The purpose of the Business Forum was to enhance economic relations between the two countries. The Lesotho business community was also represented and plans are underway to hold a similar forum in Lesotho in 2008.

### Official Launch of Crabtree Electrical Accessories

The Honourable Minister of Trade and Industry, Cooperatives and Marketing officiated at the launch of Crabtree Electrical Accessories in November, 2007.



The company is promoted by Crabtree South Africa with an initial investment of M5 million. LNDC allocated a factory building of 1806m<sup>2</sup> at the Maseru Industrial Estate where the company manufactures electrical accessories such as plugs, sockets and extension cords among others, for export to the SADC market.

### LNDC Interacts with Local Private Sector

LNDC held a half-day workshop for local businesses and manufacturing industries in November, 2007 to



# CHIEF EXECUTIVE'S REPORT

(continued)

provide feedback on issues which were discussed in the first workshop in August, 2006.

The LNDC Chief Executive Officer highlighted progress made on Promotion of the Local Private Sector, Access to Finance, the Private Sector Competitiveness Project and the implementation of the Joint Bilateral Commission Cooperation (JBCC) Agreement.

## A Shot in the Arm for ALAFA

Donations continued to pour in, in support of the Apparel Lesotho Alliance to Fight Aids (ALAFA), a



ground breaking industry-wide health intervention programme which was launched in 2006 to fight HIV/AIDS in the garment industry. The Honourable

Minister of Labour and Employment received a donation of US\$310 000 from EDUN, a manufacturer of the ONE T-shirts made in Lesotho using African cotton, towards fight against HIV/AIDS.

The One T-shirt is a partnership between clothing range EDUN, owned by U2 front man and activist Bono; his wife, Ali Hewson and ONE: The Campaign to Make Poverty History. The EDUN ONE T-shirt is sold to raise funds and awareness of the ONE campaign. For each T-shirt sold, EDUN donates US\$10 to ALAFA. This was the second donation from EDUN, the first cheque for US\$276 330 was handed over a year earlier in November, 2006.

In another ceremony, the Honourable Minister of Trade and Industry, Cooperatives and Marketing was also presented with a cheque for ?500,000 from the European Union Commissioner of Trade. The three-year grant forms part of the European Development Fund (EDF) and will help to fight HIV/AIDS in the Lesotho textile industry.



# CHIEF EXECUTIVE'S REPORT

(continued)

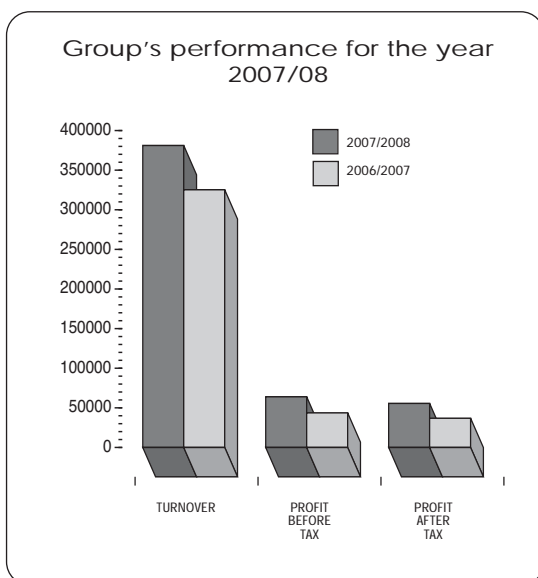
## C. FINANCIAL PERFORMANCE

The Group Financial Statements indicate the Group's financial performance and the Corporation's financial performance for the year ended March 31st, 2008

### Operating Income

#### Group

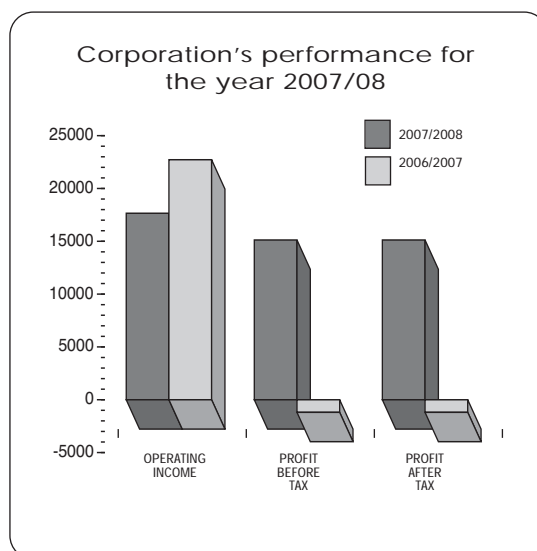
The Group's turnover (T/O) increased from M325.3 million in 2006/2007 to M381.2 million in 2007/08. The increase was M55.9 million or 17%. The increase was attributable to good performance by some of the members of the group. Profit before tax (PBT), increased from M43.7 million in 2006/07 to M64 million in 2007/08. It was an increase of M20.3 million or 46%. Profit after tax (PAT) also increased from M36.9 million in 2006/07 to M55.6 million in 2007/08. It represented an increase of M18.7 million or 50.75%. The increase in PBT for the year, resulted in an increase of return on capital employed (ROCE) from 6.8% in 2006/07 to 9.5% in 2007/08. The increase in the PAT also caused an increase in the earnings per share (EPS) from 29 lisente to 43 lisente. Figure 2 below summaries the Group's performance for the year 2007/08 and status at the end of the year.



#### Corporation

The Corporation's operating profit for the year was M17.7 million when compared to a loss of M5.2 million in 2006/07. There was an increase of M22 286 million or 441.6%.

The poor performance in 2006/07 was attributable to a provision for bad debts for non performing subsidiary companies namely, Basotho Cannery and Loti Brick This was however not required during the year 2007/08. Reported PBT for the year was M15.1 million when compared to a loss before tax of M1.2 million in 2006/07. It was an increase of M16.3 million or 1 369%. Reported PAT for the year was M15.1 million while 2006/07 registered a net loss of M1.2 million. ROCE increased from 0.2% to 3.2% whilst EPS also increased from 0 lisente to 11.82 lisente between 2006/07 and 2007/08. Figure 3 below depicts the above highlighted Corporation's performance for the year 2007/08.



## TOTAL ASSETS, EQUITY AND LONG TERM LOANS

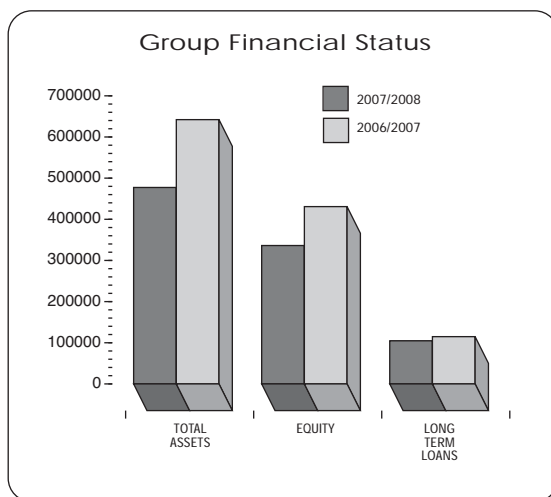
### Group

The Group's total assets grew by M34.3 million or 5.3% from M642.2 million in 2006/07 to M676.5 million in 2007/08.

# CHIEF EXECUTIVE'S REPORT

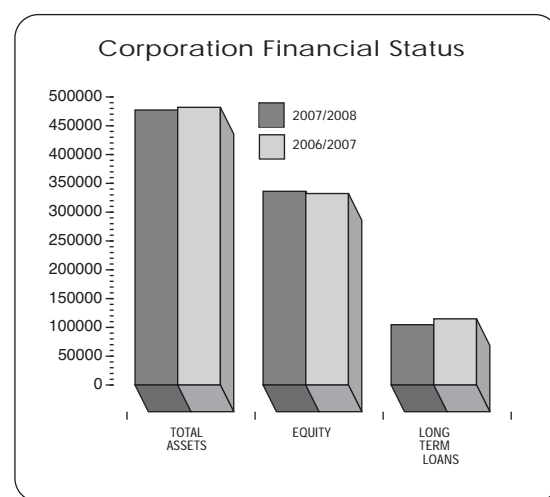
(continued)

The shareholders' equity also increased by M14.9 million or 3.5% from M430.8 million in 2006/07 to M445.7 million in 2007/08. The increase was mainly attributable to the profit generated during the year that resulted in an increase of M14.9 million in Retained Income. Long term loans (LTL) decreased by M13.9 million or 12.1% from M114.9 million in 2006/07 to M101.0 million in 2007/08. The decrease was attributable to repayments made during the year. Figure 4 below shows the status in a pictorial form.



## Corporation

The Corporation made a profit after tax of M15.1 million during the year 2007/08 which resulted in an increase in the overall growth in the Corporation's total assets. The shareholders' equity increased by M3.9 million or 1.2%. Long term loans declined by M13.9 million as a result of repayments made during the year. A pictorial presentation of the above status is hereunder shown in Figure 5:



## Ratios analysis

Table 1	Group				Corporation			
	% Increase/ (decrease)	Increase/ decrease M'000	31 Mar 2007 M'000	31 Mar 2006 M'000	% Increase/ (decrease)	Increase/ decrease M'000	31 Mar 2007 M'000	31 Mar 2006 M'000
Turnover/ operating income	17.18	55 897	381 213	325 316	(441.6)	(22 826)	17 657	5 169
Profit before tax	46.44	20 295	63 999	43 704	(1 368.88)	16 317	15 125	(1 192)
Profit after tax	50.75	18 732	55 643	36 911	(1 368.88)	16 317	15 125	(1 192)
Total assets	5.34	34 320	676 477	642 157	(0.96)	(4 627)	477 322	481 949
Equity	3.45	14 855	445 664	430 809	1.17	3 893	336 244	332 351
Long-term liabilities	(12.09)	(13 884)	100 972	114 856	(12.09)	(13 884)	100 972	114 856
Return on capital employed	39.01	3	9.46	6 81	(1 381.18)	3.42	3.2	(0.2)
Earnings per share (Lisente)	50.75	15	43.47	28.84	(1 368.88)	12.75	11.82	(0.93)

## Conclusion

The Group's financial position as at 31 March 2008 was good when compared with previous period as it registered a growth of M22.6 million or 20.8% in retained earnings and M34.3 or 5.3% in total assets.



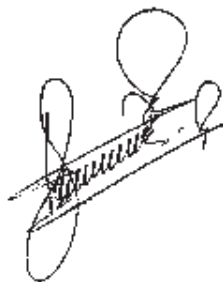
# FINANCIAL STATEMENTS

for the year ended 31 March 2008


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## Directors' Approval

The financial statements which appear on pages 21 to 40 were approved by the board of directors on 6 April 2009 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 2008

Moore's Rowland Chartered Accountants, 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 at 31 March 2008, 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 24 to 40.

## Management's responsibility for the financial statements

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

## 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 procedures to obtain 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

In accordance with the International Accounting Standards 17 – Leases, lease income from operating leases should be recognised on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which the benefit derived from the leased asset is diminished. Had this been reflected at different values. These include revenue, revaluation of investment properties, taxation, accumulated profits, deferred taxation and accounts receivable. The overall impact of this matter on the above balances has not been determined, therefore, I am not in a position to express a view as to whether this non-compliance would result in a material misstatement of the account balances referred to above. Also, the Corporation has not calculated deferred tax in accordance with International Accounting Standard 12 – Deferred Tax.

## Qualified opinion

Except for the effects on the financial statements of the matters referred to in the preceding paragraphs, 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 2008, the results of their financial performance and cash flows for the year then ended in accordance with generally accepted accounting practice and in the manner required by the Lesotho Nation Development Corporation Order, 1990 as amended

## Emphasis of matter

The financial statements depict amounts owed by the property management company JHI Real Estates Ltd as M5 428 034.00. As in the previous financial year cash-in-transit could not be confirmed by JHI Real Estate Ltd



**L L Liphafa (Mrs)**

AUDITOR GENERAL

# STATEMENT OF GROUP ACCOUNTING POLICIES

## 1. PRINCIPAL ACTIVITIES

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.

## 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 statement 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 Value

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 Foreign Exchange Differences

### Corporation

Exchange differences arising 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 March 31 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 acquisitions 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 1992 Section 79.



# INCOME STATEMENT

for the year ended 31 March 2008

		Corporation		Group	
	Notes	2008 M'000	2007 M'000	2008 M'000	2007 M'000
<b>Turnover</b>	<b>13</b>	–	–	<b>381 213</b>	325 316
<b>Operating income</b>	<b>14</b>	<b>11 892</b>	(5 169)	<b>55 606</b>	37 055
Income from associates		<b>3 234</b>	3 977	<b>8 393</b>	6 649
Income before tax		<b>15 126</b>	(1 192)	<b>63 999</b>	43 704
Taxation	<b>15</b>	–	–	<b>(8 356)</b>	(6 793)
Income after taxation		<b>15 126</b>	(1 192)	<b>55 643</b>	36 911
Minority interests		–	–	<b>(32 969)</b>	(29 013)
Income from ordinary activities		<b>15 126</b>	(1 192)	<b>22 674</b>	7 898
Prior year adjustment	<b>17</b>	<b>(95)</b>	13 582	<b>(95)</b>	13 582
At beginning of year		<b>44 684</b>	32 294	<b>108 328</b>	86 848
At end of year		<b>59 715</b>	44 684	<b>130 907</b>	108 328



# BALANCE SHEET

at 31 March 2008

		Corporation		Group	
	Notes	2008 M'000	2007 M'000	2008 M'000	2007 M'000
<b>ASSETS</b>					
<i>Non-current assets</i>					
Property, plant and equipment	4	404 597	417 673	487 615	489 252
Intangible asset		–	–	375	491
Investment in subsidiaries	5	2 040	2 040	–	–
Investment in associates	6	564	564	37 061	30 903
Other investments	7	25 545	18 635	25 545	18 635
Loan debtors	8	360	539	360	539
		433 106	439 451	550 956	539 820
<i>Current assets</i>					
Inventories	9	–	–	40 526	28 312
Accounts receivable	10	5 543	5 996	23 513	20 303
Short term investments		32 643	19 255	32 643	19 255
Bank balances and cash		6 030	17 247	28 839	34 467
		44 216	42 498	125 521	102 337
<i>Total assets</i>		477 322	481 949	676 477	642 157
<b>EQUITY AND LIABILITIES</b>					
<i>Equity</i>					
Share capital	1	128 000	128 000	128 000	128 000
Non-distributable reserves	2	148 529	159 667	151 304	160 992
Retained income		59 715	44 684	130 907	108 328
		336 244	332 351	410 211	397 320
Minority interest		–	–	35 453	33 489
<i>Total equity</i>		336 244	332 351	445 664	430 809
<i>Non-current liabilities</i>					
Long-term borrowings	3.1	100 972	114 856	100 972	114 856
Long-term provisions	3.2	3 748	3 366	3 748	3 366
Deferred tax		–	–	1 106	198
<i>Total non-current liabilities</i>		104 720	118 222	105 826	118 420
<i>Current liabilities</i>					
Bank overdrafts		–	–	–	544
Accounts payable		36 358	31 376	122 443	90 822
Taxation		–	–	2 544	1 562
<i>Total current liabilities</i>		36 358	31 376	124 987	92 928
<i>Total liabilities</i>		141 078	149 598	230 813	211 348
<i>Total equity and liabilities</i>		477 322	481 949	676 477	642 157

# STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2008

	Share capital	Non- distributable reserves	Retained income	Total
GROUP				
Balance March 31 2006	128 000	168 899	86 848	383 747
Retained income for the year			7 989	7 898
Prior year adjustment			13 582	13 582
Movement on non-distributable reserves (refer note 2)		(7 907)		(7 907)
Balance March 31 2007	128 000	160 992	108 328	397 320
Retained income for the year			22 674	22 674
Prior year adjustment			(95)	(95)
Movement on non-distributable reserves (refer note 2)			(9 688)	(9 688)
Balance March 31 2008	128 000	151 304	130 907	410 211
CORPORATION				
Balance March 31 2006	128 000	167 505	32 294	327 799
Retained income for the year			(1 192)	(1 192)
Prior year adjustment			13 582	13 582
Movement on non-distributable reserves (refer note 2)			(7 838)	(7 838)
Balance March 31 2007	128 000	159 667	44 684	332 351
Retained income for the year			15 126	15 126
Prior year adjustment			(95)	(95)
Movement on non-distributable reserves (refer note 2)			(11 138)	(11 138)
Balance March 31 2008	128 000	148 529	59 715	336 244



# CASH FLOW STATEMENT

for the year ended 31 March 2008

		Corporation		Group	
	Note	2008 M'000	2007 M'000	2008 M'000	2007 M'000
Net cash flow from operations	16.1	7 561	(3 202)	73 486	63 339
Returns on investments	16.2	17 308	29 740	18 043	30 835
Capital expenditure	16.3	(2 465)	(22 460)	(25 521)	(25 124)
Dividends paid		–	–	(31 005)	(29 298)
Taxation paid		–	–	(6 466)	(8 076)
Management of liquid resources	16.4	(6 731)	8 163	(6 731)	(1 521)
Financing	16.5	(13 502)	(1 953)	(13 502)	(1 953)
Increase in cash in year		2 171	10 288	8 304	28 202
Cash at beginning of year		36 502	26 214	53 178	24 976
<b><i>Cash at end of year</i></b>	16.6	38 673	36 502	61 482	53 178



# NOTES TO THE FINANCIAL STATEMENTS

	Corporation		Group	
	2008 M'000	2007 M'000	2008 M'000	2007 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. NON-DISTRIBUTABLE RESERVES				
2.1 Development grants				
<i>Grants from Lesotho Government:</i>				
At beginning of year	12 288	20 126	12 288	20 126
Received during the year	—	—	—	—
Transferred to income statement	—	(7 838)	—	(7 838)
At end of year	12 288	12 288	12 288	12 288
<i>Capital grants</i>				
At beginning of year	—	—	112	185
Adjustment during the year	—	—	1 450	(73)
At end of year	—	—	1 562	112
Total development grants	12 288	12 288	13 850	12 400



# NOTES TO THE FINANCIAL STATEMENTS

(continued)

	Corporation		Group	
	2008 M'000	2007 M'000	2008 M'000	2007 M'000
2. NON-DISTRIBUTABLE RESERVES (continued)				
2.2 Unrealised surplus				
Surplus on revaluation of land and buildings				
At beginning of year	143 049	143 047	143 049	143 047
Movement during the year	(11 138)	2	(11 138)	2
At end of year	131 911	143 049	131 911	143 049
2.3 Unrealised surplus				
Arising on the acquisition of subsidiaries				
At beginning of year	—	—	413	—
Movement during the year	—	—	—	413
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
	330	330	1 130	1 130
2.5 Capital Redemption				
Capitalised revenue reserve to finance redemption of preference shares	4 000	4 000	4 000	4 000
	148 529	159 667	151 304	160 992
3. LONG-TERM LOANS				
Loans outstanding as detailed below:	114 782	124 274	114 782	124 274
Less: Current maturities included in accounts payable	(13 810)	(9 418)	(13 810)	(9 418)
	100 972	114 856	100 972	114 856

# NOTES TO THE FINANCIAL STATEMENTS

(continued)

	<b>Group</b>	
	<b>2008</b>	2007
	<b>M'000</b>	M'000
3. LONG-TERM LOANS (continued)		
3.1 Corporation		
<b><i>Government of Lesotho:</i></b>		
2% loan repayable in twenty yearly instalments commencing 2006	<b>1 040</b>	1 170
<b><i>European Investment Bank Global Loan I</i></b>		
4% and 8% loans repayable in eight years commencing 1 March 1991	<b>198</b>	222
<b><i>European Investment Bank (Industrial Estate)</i></b>		
5% loan of ECU 1.4 million repayment schedule Not yet agreed	<b>7 353</b>	8 315
<b><i>Frasers Limited</i></b>		
Interest free loan with no fixed date of repayment	<b>6</b>	6
<b><i>Government of Lesotho:</i></b>		
<b><i>IDA</i></b>		
7% loan repayable in twenty yearly instalments commencing 1 July 2000	<b>10 502</b>	11 342
<b><i>KFW (OLD)</i></b>		
3/4% loan repayable over fifteen years after a five year grace period from a date to be determined	<b>574</b>	707
<b><i>ODA 1</i></b>		
8% loan repayable in fifty half yearly instalments commencing 1 June 1988	<b>23</b>	60
<b><i>ADB</i></b>		
4% loan repayable in twenty yearly instalments commencing 1 July 2000	<b>19 133</b>	21 778
<b><i>ODA II</i></b>		
8% loan. Repayable over 25 years commencing 1 July 1991	<b>165</b>	183
Carried forward	<b>38 994</b>	43 783



# NOTES TO THE FINANCIAL STATEMENTS

(continued)

	2008 M'000	Group 2009 M'000
3. LONG-TERM LOANS AND PROVISIONS (continued)		
3.1 Corporation (continued)		
Brought forward	38 994	43 783
<b>ODA III</b>		
8% loan. Repayable over 25 years commencing 1 July 1991	206	242
<b>ODA 1st line of credit</b>		
7% loan ODA line of credit. Repayable over 25 years commencing 31 July 1995	1 155	1 487
<b>KFW (HA NYENYE)</b>		
5% loan from KFW for Ha Nyenye repayable in ten annual instalments commencing 22 September 2000	1 997	2 996
<b>ODA 2nd line of credit</b>		
7% loan, ODA line of credit. Repayable over 25 years commencing 26 September 1996	3 114	3 476
<b>Public Investment Commissioners</b>		
13,9% loan repayable after twenty year period	52 878	52 878
<b>European Investment Bank B</b>		
5% loan from EIB to GOL lent to LNDC Repayable in ten equal instalments commencing 31 October 1999	3 295	3 295
<b>European Investment Bank C</b>		
1% loan from EIB to GOL On-lent to LNDC repayable in ten equal annual instalments	610	613
<b>Development Bank of Southern Africa</b>		
12% loan repayable in twenty-six half yearly instalments starting 30 September 1993	—	—
<b>GOL – LNDC Centre</b>		
5% loan repayable in 20 half yearly instalments after a five year grace period, commencing 23 March 1999	3 500	5 600
<b>Nedbank Lesotho</b>		
Interest is charged at prime minus 4% repayable in 10 years starting from 11 November, 2003 after 12 months moratorium	6 092	6 963
<b>GOL - Basotho Cannery</b>	2 941	2 941
Total Corporation loans	114 782	124 274
Less: Current maturities	13 810	9 148
	100 972	114 856
3.2 Long Term Provisions		
Severance pay made in accordance with Section 79 of the Labour Code Order 1992	3 748	3 366

# NOTES TO THE FINANCIAL STATEMENTS

(continued)

	<b>Corporation</b>		<b>Group</b>	
	<b>2008</b>	2007	<b>2008</b>	2007
	<b>M'000</b>	M'000	<b>M'000</b>	M'000
4. PROPERTY, PLANT AND EQUIPMENT				
4.1 Cost or valuation				
Land and buildings	<b>409 024</b>	448 389	<b>439 317</b>	478 682
Plant, vehicles, furniture and equipment	<b>9 750</b>	9 179	<b>177 156</b>	154 952
	<b>418 774</b>	457 568	<b>616 473</b>	633 634
<b>Accumulated depreciation</b>				
Land and buildings	<b>7 021</b>	32 908	<b>30 708</b>	55 169
Plant, vehicles, furniture and equipment	<b>7 156</b>	6 987	<b>98 150</b>	89 213
	<b>14 177</b>	39 895	<b>128 858</b>	144 382
Net book value	<b>404 597</b>	417 673	<b>487 615</b>	489 252

## 4.2 Valuation of land and buildings

### Corporation

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



# NOTES TO THE FINANCIAL STATEMENTS

(continued)

Name	Principal activity	Equity held 2008 %	Cost of equity held directly M'000	Amounts owing M'000	Provision attributable net losses M'000	Net interest 2008 M'000	Net interest 2007 M'000
5. INTEREST IN SUBSIDIARIES							
5.1 Active subsidiaries							
Basotho Fruit and Vegetable Canners (Pty) Ltd	Cannery	100	100	11 106	(11 206)	–	–
Lesotho Brewing Company (Pty) Ltd	Brewery	51	2 040	–	–	2 040	2 040
Loti Brick (Pty) Ltd	Brick making plant	73.6	8 032	23 716	(31 748)	–	–
			10 172	34 822	(42 954)	2 040	2 040
						2008 M'000	2007 M'000
5.2 Provision for losses in subsidiaries:							
Balance at beginning of year						40 422	16 506
Increase in provision						2 532	23 916
						42 954	40 422
				Corporation	Group		
				2008 M'000	2007 M'000	2008 M'000	2007 M'000
6. INTEREST IN ASSOCIATED COMPANIES							
6.1 Summary							
Shares at cost				564	564	564	564
Share of non-distributable reserves				–	–	800	800
Share of retained income				–	–	35 697	29 539
				564	564	37 061	30 903
Directors' valuation						37 061	30 903

# NOTES TO THE FINANCIAL STATEMENTS

(continued)

## 6. INTEREST IN ASSOCIATED COMPANIES (continued)

### 6.2 Analysis

Name	Principal activity	Number of shares held Note 1	Proportion held %	Accounting period used Note 2
CORPORATION				
Cash Build Lesotho (Pty) Ltd	Wholesalers		20	
Lesotho Food Industries (Pty) Ltd	Investment in LM Co		39.7	
OK Bazaars Lesotho (Pty) Ltd	Retailers		50	
Sun International Lesotho (Pty) Ltd	Hotel and casino		20	

### NOTES

1. All shares of M1 each, fully paid
2. Year ended 31 March unless otherwise stated
3. Based on audited financial statements





# NOTES TO THE FINANCIAL STATEMENTS

(continued)

## 6. INTEREST IN ASSOCIATED COMPANIES (continued)

Cost of equity M'000	Non-distributable reserves M'000	Distributable reserves 31.03.08 M'000	Total interest M'000	Note	Total interest 31.03.07 M'000
20	400	3 897	4 299	3	3 625
66	—	11 517	11 583	3	10 763
150	400	12 932	13 482	3	10 399
328	—	7 369	7 697	3	6 116
564	800	35 697	37 061		30 903



# NOTES TO THE FINANCIAL STATEMENTS

(continued)

	2008 M'000	2007 M'000		
7. OTHER INVESTMENTS				
Unlisted equity shares:				
Lesotho Housing and Land Development Corporation	958	958		
Frasers	14	14		
Lesotho Milling (Pty) Ltd	4 500	–		
Zero coupon loan stock (RSA Govt. Bond) Corporation	20 073	17 663		
	25 545	18 635		
8. LONG-TERM DEBTORS				
CORPORATION AND GROUP				
Loan debtors at varying rates of interest and repayment terms	360	539		
	360	539		
9. INVENTORIES				
GROUP				
Raw materials	12 530	6 162		
Finished goods and merchandise	23 113	17 464		
Consumable stores	3 753	3 330		
Work in progress	1 130	1 356		
Total stocks	40 526	28 312		
	Corporation	Group		
	2008 M'000	2007 M'000	2008 M'000	2007 M'000
10. ACCOUNTS RECEIVABLE				
VAT	–	2 271	–	2 271
Realised foreign exchange losses due from Government of Lesotho	190	190	190	190
Building rental	9 930	8 764	9 930	8 764
Other debtors	1 000	872	22 250	15 392
Provision and other debtors	(5 577)	(6 101)	(8 857)	(6 314)
	5 543	5 996	23 513	20 303

# NOTES TO THE FINANCIAL STATEMENTS

(continued)

## 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		Exposure	
	2008 M'000	2007 M'000	2008 M'000	2007 M'000
<b>(a) Corporation</b>				
Subsidiaries	–	800	–	800
Associates	610	610	–	–
Third parties	–	–	–	–
	610	1 410	–	800
<b>(b) Group</b>				
Subsidiaries	–	800	–	–
Associates	610	610	–	–
Third parties	–	–	–	–
	610	1 410	–	–
	Corporation		Group	
	2008 M'000	2007 M'000	2008 M'000	2007 M'000
12. COMMITMENTS				
Capital commitments contracted for:				
– Buildings and equipment	10 316	25 395	10 316	25 395
Authorised but not committed:				
– Buildings and equipment	–	–	23 267	24 553
	–	–	23 267	24 553
Total capital commitments	10 316	25 395	33 583	49 948

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

## 13. TURNOVER

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

# NOTES TO THE FINANCIAL STATEMENTS

(continued)

		<b>Corporation</b>		<b>Group</b>	
		<b>2008</b>	2007	<b>2008</b>	2007
		<b>M'000</b>	M'000	<b>M'000</b>	M'000
14.	OPERATING PROFIT FOR THE YEAR				
	Stated after crediting or charging the following:				
	<b>Income</b>				
	Profit on disposal of fixed assets	<b>3 452</b>	152	<b>3 452</b>	152
	Interest	<b>6 993</b>	6 999	<b>6 993</b>	8 094
	Rents	<b>37 892</b>	32 201	<b>37 892</b>	32 201
	Income from subsidiaries – dividends	<b>18 909</b>	30 652	–	–
	<b>Expenses</b>				
	Depreciation and amortisation of fixed assets	<b>7 855</b>	8 200	<b>19 472</b>	18 695
	Auditors remuneration: Audit fees	<b>146</b>	141	<b>300</b>	301
	Interest	<b>11 830</b>	11 888	<b>12 326</b>	11 888
15.	TAXATION				
<b>15.1</b>	Normal tax on current profits	–	–	<b>7 448</b>	7 867
	Deferred tax	–	–	<b>908</b>	(1 074)
		–	–	<b>8 356</b>	6 793

**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.

**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.

# NOTES TO THE FINANCIAL STATEMENTS

(continued)

	Corporation		Group	
	2008 M'000	2007 M'000	2008 M'000	2007 M'000
16. NOTES TO THE CASH FLOW STATEMENT				
16.1 Reconciliation of operating profit to net cash inflow from operating activities				
Profit before tax	15 126	(1 192)	55 606	37 055
Return on investment	(17 308)	29 740	(18 043)	(30 835)
Depreciation	7 855	8 200	19 588	18 695
Profit on sale of fixed assets	(3 452)	(152)	(3 452)	(152)
Amortisation of grants	–	–	–	(69)
Associates income	–	–	2 235	4 136
Prior year adjustment	(95)	13 582	(95)	13 582
Grants received	–	(7 838)	1 450	(7 838)
(Decrease)/Increase in stock	–	–	(12 214)	1 340
Decrease/(Increase) in debtors	454	16 291	(3 210)	9 720
Increase/(Decrease) in creditors	4 981	(2 353)	31 621	17 705
<b>Net cash inflow from operating activities</b>	<b>7 561</b>	<b>(3 202)</b>	<b>73 486</b>	<b>63 339</b>
16.2 Returns on investments				
Dividends received	22 144	34 629	22 144	34 629
Interest received	6 994	6 999	8 225	8 094
Interest paid	(11 830)	(11 888)	(12 326)	(11 888)
	<b>17 308</b>	<b>29 740</b>	<b>18 043</b>	<b>30 835</b>





# NOTES TO THE FINANCIAL STATEMENTS

(continued)

		Corporation		Group	
		2008 M'000	2007 M'000	2008 M'000	2007 M'000
16.	NOTES TO THE CASH FLOW STATEMENT (continued)				
<b>16.3</b>	<b>Capital expenditure</b>				
	Payments to acquire fixed assets	<b>(8 636)</b>	(22 651)	<b>(32 461)</b>	(25 318)
	Receipts from sale of fixed assets	<b>6 171</b>	191	<b>6 940</b>	194
		<b>(2 465)</b>	(22 460)	<b>(25 251)</b>	(25 124)
<b>16.4</b>	<b>Management of liquid resources</b>				
	Decrease in amounts owing by subsidiaries	—	9 685	—	—
	Decrease/(Increase) in loan debtors	<b>179</b>	102	<b>179</b>	102
	Increase in other investments	<b>(6 910)</b>	(1 624)	<b>(6 910)</b>	(1 623)
		<b>(6 731)</b>	8 163	<b>(6 731)</b>	(1 521)
<b>16.5</b>	<b>Financing</b>				
	Increase/(Decrease) in long term borrowings	<b>(13 502)</b>	(1 953)	<b>(13 502)</b>	(1 821)
	Increase/(Decrease) in long term provisions	—	—	—	(132)
		<b>(13 502)</b>	(1 953)	<b>(13 502)</b>	(1 953)
<b>16.6</b>	<b>Analysis of cash at end of year</b>				
	Bank balances and cash	<b>6 030</b>	17 247	<b>28 839</b>	34 467
	Bank overdraft	—	—	—	(544)
	Short term investments	<b>32 643</b>	19 255	<b>32 643</b>	19 255
		<b>38 673</b>	36 502	<b>61 482</b>	53 178
17.	PRIOR YEAR ADJUSTMENT				
	Loti Brick loan interest	—	12 162	—	12 162
	Rental debtors	—	1 828	—	1 828
	Corporate tax	—	1 495	—	1 495
	JHI cash in transit	—	(1 903)	—	(1 903)
	Non refundable tax	<b>(95)</b>	—	<b>(95)</b>	—
		<b>(95)</b>	13 582	<b>(95)</b>	13 582



