LESOTHO NATIONAL DEVELOPMENT CORPORATION

Annual Report 2010/2011

LNDC
LESOTHO NATIONAL DEVELOPMENT CORPORATION
We Build Industry

With compliments of the Board of Directors, Management and Staff

LNDC

LESOTHO NATIONAL DEVELOPMENT CORPORATION

We Build Industry

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CORPORATE PROFILE

LNDC Act

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

LNDC mandate

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

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

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

Capital Structure

In 2009/10 the Corporation's authorised share capital was M250 million. Fully paid-up share capital was M128 million, comprising M128 million ordinary shares of M1 each.

Organizational Structure

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

Reporting

Section 19 (1) of the LNDC Order requires the Corporation to submit a report on the status of its affairs at the end of every financial year. It is in accordance with these statutory requirements that the LNDC presents this edition of its Annual Report for the financial year April 1, 2010 to March 31, 2011. 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.

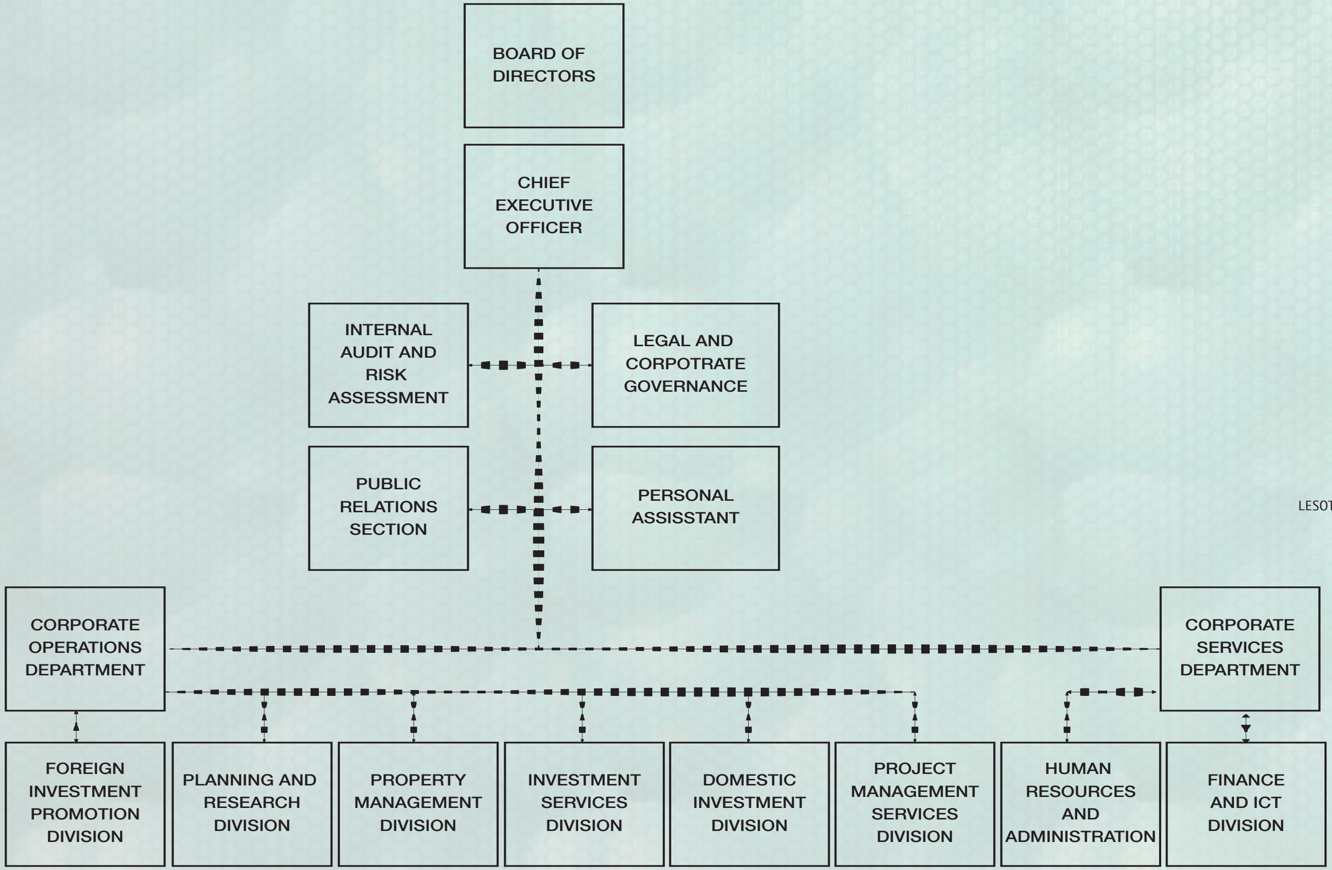
Mission

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



LNDC BOARD OF DIRECTORS
End of the financial year 2010/11

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

CHIEF EXECUTIVE OFFICER a.i
Mr. Motebang Mokoaleli
Lesotho National Development Corporation

MEMBERS

1. **Mr. J. Elias**
   Ministry of Finance
   Development Planning

2 **Mr R Theko**
   Private Sector

3. **Mr Mohale Sekoto**
   Ministry of Agriculture and Food Security

4. **Mr Tseko Bohloa**
   Tabfin Financial Services

5. **Mr Khotso Khabele**
   Ministry of Natural Resources

6. **Ms Liengoane Lefosa**
   Bureau of Statistics, Ministry of Finance

7. **Mr Khotso Mapepesa**
   Lesotho Manufacturers Association

8. **Mr Ramatlali Nkhahle**
   Lesotho Tourism Development Corporation

9. **Mr Madhav Vasant Dalvi**
   CGM Group

Mr. C T Poopa
Corporate Secretary
Lesotho National Development Corporation
Private bag A96
Maseru

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

AUDITORS
Moteane, Quashie & Associates
P O Box 1252
Maseru 100

BANKERS
Standard Lesotho Bank
Private bag A169
Maseru 100
Tel: 266 - 2231 6490

LNDC EXECUTIVE AND MANAGEMENT TEAM

End of Financial Year 2010/2011

EXECUTIVE TEAM

Mr. Motebang Mokoaleli
Chief Executive Officer a.i

Mr. Thabang Khabo
Head, Finance and ICT

Mrs. Lesa Makhoalibe
Head, Foreign Investment a.i

Mr. Mokhethi Shelile
Head, Domestic Investment

Mrs. 'Mathabo Klass
Head, Investment Services

Mr. Lebohang Mofammere
Head, Property Management

Ms. Lucy Mataboe
Head, Human Resources & Administration

Mr. Clark Taelo Poopa
Head, Legal & Corporate Governance

Ms. Teboho Lekalakala
Head, Internal Audit & Risk Assessment

MANAGEMENT TEAM

Mrs. Marina Bizabani
Foreign Investment Promotion Manager

Ms. Fumane Maema
Projects Manager

Mr. Justice Sello Tsukulu
Industrial Relations Manager

Mrs. Nthabiseng Posholi
Senior Accountant

Ms. 'Majane Lesala
Senior Internal Auditor

Mr. Rasetla Mofoka
Senior Legal Officer

Mrs Lesa Makhoalibe
Public Relations Manager

LNDC
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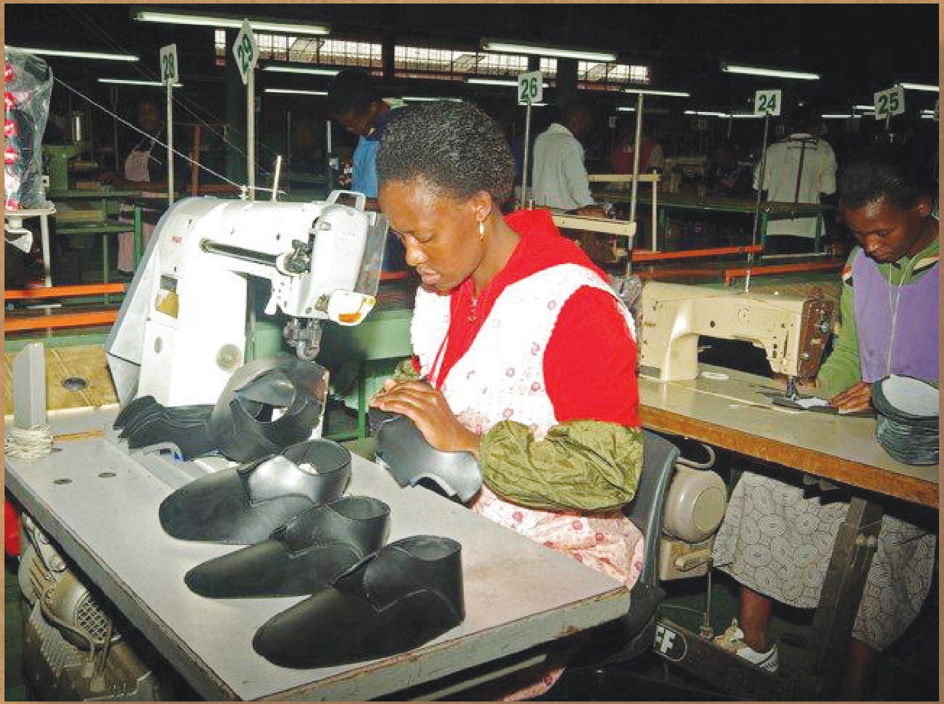


STATEMENT BY THE CHAIRMAN

T J Ramotšoari
Chairman

The year under review experienced a consolidation of the recovery of global and regional demand for Lesotho made products. This has led to stabilisation and retention of jobs and income for Basotho in line with LNDC mandate.

As international and regional economic conditions improved, 4 new companies commenced operations during the year leading to new jobs created. What was even more encouraging is that these new companies were not in traditional industries for job creation, but in new emerging areas like work wear and trims. Lesotho garment exports to the US market also improved in the reporting period compared to the previous period.

The Corporation continued to intensify its efforts in order to improve the investment climate to both new and existing investors. One new factory building measuring $4000m^2$ was completed during the year to house a new garment manufacturing project. Additional $9500m^2$ of factory space was also created during the year to facilitate the expansion of 4 existing garment factories. All these efforts will go a long way in creating new additional jobs and income for Basotho. In addition, extensive maintenance work was undertaken on LNDC properties as a strategy to retain existing investors and to attract new ones.

Local private sector empowerment is central to LNDC strategy for economic growth and development. Access to finance by this vital economic player has always been a challenge. Against this background the Corporation has during the year initiated negotiations with local commercial banks to devise a risk sharing financing strategy that will lead to the provision of funding to the local private sector. Negotiations in this regard were promising and will be concluded in the next reporting year.

LNDC projects pipeline remained buoyant. This pipeline was made up of 20 projects, worth over M200 million at the end of the reporting period. Most of these projects were diversified from the garment sector. This is a demonstration that LNDC is intensifying its efforts to diversify economic growth in the country. It is estimated that these projects will generate around 4,500 additional jobs following implementation.

The Corporation attaches a great deal of importance to its human resources. Human resource is considered the most single asset that LNDC possesses. Training and personal development of this asset is therefore central to LNDC. As such around 50% of staff members were exposed to relevant training and personal development during the year in order to improve work related skills and operational efficiency.

The Corporation's overall activities undertaken during the year translated into a commendable financial performance. The group's turnover increased by 10% to M55.6 million compared to the previous reporting period. The Corporation recorded after tax profit of M36.8 million during the year.

On the basis of the foregoing, it is therefore my pleasure to present on behalf of LNDC Board of Directors, LNDC annual report for the year ended the 31st March 2011. This report covers major activities of the Corporation and its financial statements for the reporting period.

I draw this statement to a close by acknowledging contributions of the LNDC Board of Directors, Management and Staff for their efforts in pursuit of the Corporation's mandate. I also acknowledge the support of the Government of Lesotho as well as contributions by our development partners, including other key stakeholders who have been instrumental in assisting LNDC to contribute to Lesotho's economic progress during the review year.

Teleko Ramotšoari
Board Chairman


TAJIMA
TAJIMA

CHIEF EXECUTIVE'S REPORT

GENERAL

In 2010/11 the Corporation continued its uphill efforts to ensure survival of the garment industry, with expiry of the Third Country Sourcing Provision in the horizon of just one year. Integration of the garment industry and diversification of markets and products were prioritized.

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

Even though the Corporation managed to generate a healthy pipeline of diversified projects, project implementation rate was low because of financial constraints for construction of factory shells.

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

1. FOREIGN INVESTMENT DIVISION

Investment promotion activities for the year were geared mainly towards addressing the challenges facing LNDC to promote FDI in Lesotho. These included: inadequate physical infrastructure to support industrial development; unattractive investment climate and uncompetitive incentive regime; lack of sector specific promotion materials to effectively attract diversified projects as well as garment sector integration projects. Promotion efforts were therefore targeted at attracting projects that will integrate the garment industry as well as those that would diversify the products and the markets. Investment interest was generated in television assembly, footwear, energy saving lamps and waste recycling.

Investment promotion activities covered presentations to potential investors during the AGOA Forum in USA, the EXPO 2010 Lesotho investment forum in Beijing, Shanghai and Zhejiang China.

Investment promotion efforts successfully led to establishment of 4 new companies with initial investment worth M10.9 Million. These companies are in garments and plastic products and they generated 607 jobs.

Operating environment

Effects of the global down turn continued to be felt during the period under review despite extensive effort from the LNDC in partnership with key industry stakeholders to keep the industry in general afloat. Changes in the US market and uncertainty created by lack of commitment on the extension of trade provisions such as 3rd country sourcing put a lot of pressure on the garment industry. The industry was also affected by changes in the region with specific mention of the expiry of the SACU Duty Credit Certificate Scheme, and the strengthening of the Loti against the US Dollar.

On the positive side a land bill which was passed by the National Assembly on the 10th March 2010 was also passed by the Senate on the 12th May 2010. One of the major changes brought by the 2010 land Act is to reduce the 51% local ownership requirement to 20%.

2. DOMESTIC INVESTMENT

Improving Access to Finance

Access to finance has been cited by many studies as one of the key impediments faced by local business. The Corporation commissioned a study to come up with a long term and broad strategy towards improving access to finance by local businesses. Enterprises Development Facility was therefore developed and it suggested four interventions; The Partial Credit Guarantee Scheme (PCG), Equity Participation, Wholesale Financing and Technical Support for Local Business. The Corporation decided to implement the recommended interventions in stages, starting with the Partial Credit Guarantee Scheme.

Negotiations were initiated with local banks to sign the PCG Risk Sharing Agreement. The PCG is a risk sharing mechanism designed to improve access to finance by the private sector. Under the scheme the Corporation will guarantee 50% of the loans disbursed to the private sector. Loans are expected to be within the following limits; Minimum of M500,000.00 and Maximum of M5 million. Loans may be utilized for the purchase of plant and machinery and/or for operating costs / working capital, as well as the purchase of equity stakes in other companies.

Promotion Activities

Promotion of indigenous business activities focused on getting the Partial Credit Guarantee Scheme known to the business community. Priority sectors supported by the scheme and the policy guidelines of the scheme were marketed through district business forums, and through local Churches. After the proposed scheme was marketed locally the division handled an average of 15 enquiries per week. Two projects worth M800,000 were submitted to one local bank which had already committed to support the local private sector during the year.

The division hosted a company legally registered in Malta and interested in Water Bottling. This company, Your Health Holding, intents to establish a M100 million worth of a water bottling plant in partnership with a local partner to export water to international markets.

3. INVESTMENT SERVICES DIVISION

The total number of companies monitored by the LNDC stood at 74 in the current year as against 75 in the previous year. 69 of these companies were leasehold portfolio while 7 were equity portfolio. The majority of these companies, 42 were in textile and garment manufacturing, 5 were in agro, 4 were in building material, 4 were in electronics and engineering, 3 were in footwear, 3 were in health care and household care, 2 were in hospitality, 2 were in commercial operations and 2 were in other operations.

One company, San Ti Kon Manufacturing, closed during the year and 756 jobs were lost. New jobs created during the same period were not enough to offset the loss. 607 jobs were created by 4 new companies established during the review year. Other existing companies increased their employment levels and offset the decline in the employment generated by LNDC assisted companies. These developments brought the total number of jobs created during the year to 41,070 compared to 44,098 in 2009/10. This translates to an overall decline of 7.3% compared to 0.3% in the previous year.

Table 1: Companies established in 2010/11

New Company Name	Product	Initial Employment	Employment as at March 11
Bull Clothing (Lesotho) Pty Ltd	Workwear	100	140
Mauri Garments (Pty) Ltd	Knitwear	200	300
Middle Sky Trading (Pty) Ltd	T-shirt and Underwears	72	120
R & E Plastics	Plastic Hangers	14	47
TOTAL		386	607

Table 2: Closed companies in 2010/11

Closed Company Name	Product	Number of Jobs Lost
San Ti Kon Manufacturing	T-shirts	756

CHIEF EXECUTIVE'S REPORT

LNDC leasehold companies are spread across various sectors. The textile and manufacturing sector accounted for 57% of employment from the companies. commercial sector accounted for 3%, footwear accounted for 4%, packaging and printing accounted for 10%, agro accounted for 7%, electronics and engineering accounted for 5%, and the rest of the other categories accounted for 14% of the total employment.

In 2010/11 LNDC's equity portfolio consisted of 7 companies; 4 associate companies and 3 subsidiaries. Both subsidiaries and associates employed 1,210 people which constituted 2.9% of the total employment.

4. PROPERTY MANAGEMENT

The Division plays a pivotal role in providing pertinent infrastructure to support the promotion of Lesotho as a destination of choice to foreign direct investment (FDI) as well as support infrastructure for indigenous investments. The division also provides oversight on the outsourced management of the Corporation's property portfolio through an independent private Real Estate Manager (Morai Maseela and Co (Pty) Ltd).
The Division continually strives to improve its performance and the quality of service that it delivers.

New Property Developments

The demand for new factory shells stood at 13,500m2 at an estimated implementation cost of M82,380,000 million. However, due to lack of financial resources which continues to be a major constraint in the expansion of the property portfolio and creation of new jobs for Basotho, the required demand was partially addressed. The following new factory shells were deferred to the following financial year:

Construction of a 4,000m2 factory for Humin Jeans at Nyenye

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

- Construction of a 4,000m2 factory for Maseru E Textiles at Tikoe Industrial
- Construction of a 2,000m2 factory for Spilla Jeans at Tikoe Industrial
- Construction of a 3,000m2 factory for Peter Blond expansion at Nyenye Industrial
- Construction of a 500m2 factory for GEE Clothing expansion at Nyenye Industrial

Property Management

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

Property Maintenance (Performance)

Maintenance of the Corporation's buildings is one area that requires strategic interventions such as Life-Cycle costing and proper planning with regards to holistic refurbishment of buildings as opposed to repairs to one building trade at a time. In the year under review, a total of 157 repair works were implemented with a total cost of M3,575,643.12. The works undertaken by the Corporation's Real Estate Manager are shown in two categories in the table below:

Maintenance works undertaken by Morai Maseela and Co

Category	No of jobs	Total Value (M)	Budgeted Amount
Planned Maintenance	8	743,540.04	3,000,000.00
Unplanned Maintenance	149	2,832,103.08	1,500,000.00
TOTAL	157	3,575,643.12	4,500,000.00

CHIEF EXECUTIVE'S REPORT

5. HUMAN RESOURCES AND ADMINISTRATION

Recruitment and Dismissal

The Corporation recruited 3 officers during the year. Two Projects Officers and a Domestic Investment Promotion Officer. One officer from Finance & ICT was dismissed from duty.

Staff Training

The Corporation sent 23 of its employees for short training courses in order for the Corporation to remain competitive and be able to deal with the ever changing global demands.

6. PUBLIC RELATIONS

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

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

7. FINANCIAL PERFORMANCE

7.1 Overview

The Corporation has 3 subsidiaries and 2 associates companies forming the group. The International Financial Reporting Standards (IFRS) requires that the group accounts be prepared on an annual basis in order to show the performance of a group as a whole in addition to LNDC individual performance.

The Corporation has the following Subsidiaries and Associates companies:

Subsidiary	Associates
Lesotho Brewing Company	O. K. Bazaars
Loti Brick	Cashbuild
Basotho Fruit and Vegetable Canners	

It is of paramount importance for the LNDC as a holding company to assess the overall performance of the group. This task will be achieved or fulfilled by the preparation of the group / consolidated financial statements. It should be noted however that consolidated accounts show the group's performance rather than LNDC individual performance.

It is on the basis of the above introduction that the performance and financial status of LNDC group accounts, herewith attached, should be viewed.

7.2 *Performance And Financial Status Analysis*

The Group Financial Statements, from which the data provided in Table 1 below was drawn, indicate the Group's financial performance and the Corporation's financial performance for the year ended March 31, 2011.

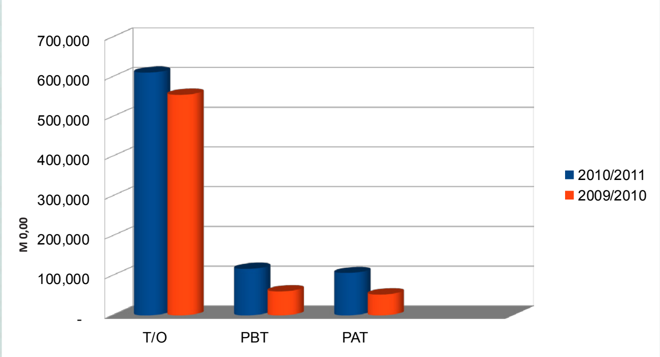
7.3 *Turnover/Operating Income*

a) *Group*

The Group's turnover (T/O) increased from M555.2 million in 2009/2010 to M4610.8 million in 2010/2011. The increase was M55.6million or 10.0%. The increase was attributable to good performance by some of the members of the group. Profit before tax (PBT), increased from M60.4 million in 2009/2010 to M116.9 million in 2010/2011. This represented an increase of M56.4 million or 93.4%. Profit after tax (PAT) also increased from M52.7 million to M106.5 million in 2009/2010 and 2010/2011 respectively. This represented an increase of M53.8 million or 102.2%.

Table 1 below summarizes the above Group's performance for the year 2010/2011 and status at the end of the year.

Figure 1



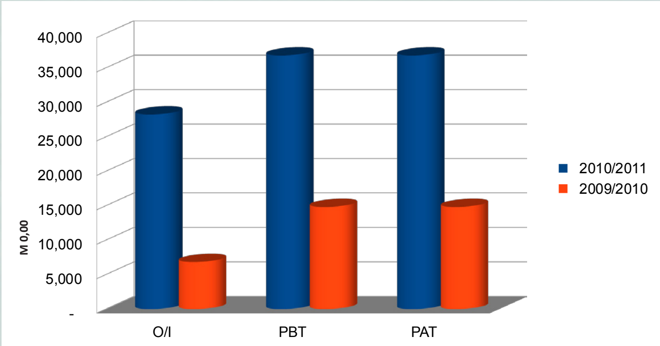
b) *Corporation*

The Corporation's profit for the year was M36.8 million when compared to a profit of M14.8 million in 2010/2011. This resulted in an increase of M22.0 million or 148.4%.

The good performance in 2010/11 was attributable to a significant increase in dividend income.

Table 2 below depicts the above highlighted Corporation's performance for the year 2008/09.

Figure 2



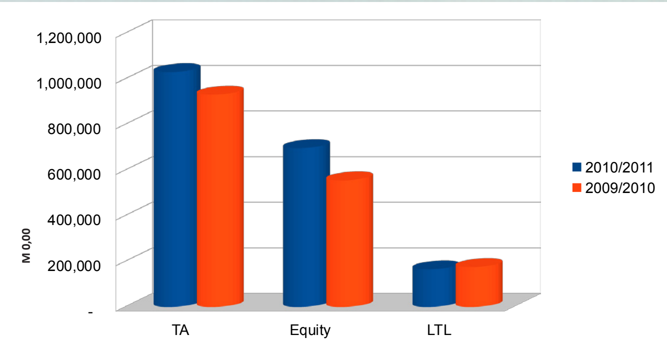
7.4 Total Assets, Equity And Long Term Loans

a) Group

The Group's total assets grew by M98.7 million or 10.6% from M930.3 million in 2009/2010 to M1,029.0 million in 2010/2011. The shareholders' equity also increased by M86.7 million or 14.2% from M609.0 million in 2009/2010 to M695.7 million in 2010/2011. The increase was mainly attributable to the profit generated during the year that resulted in an increase of M63.0 million in Retained Income. Long term liabilities (LTL) decreased by M9.6 million or 5.5% from M174.6 million in 2009/2010 to M165.0 million in 2010/2011. The decrease was attributable to repayments of long term loans made during the year.

Figure 3 below shows the status in a pictorial form.

Figure 3

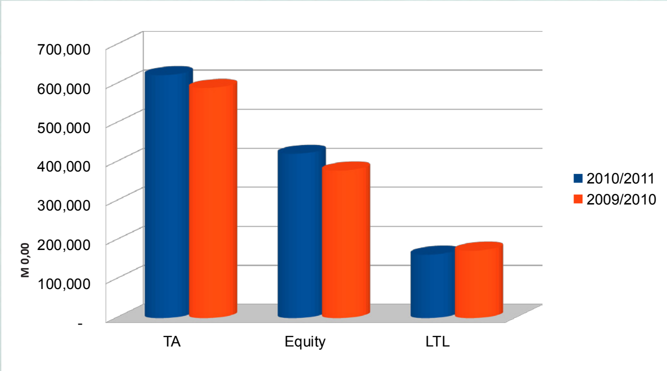


b) Corporation

The Corporation made a profit after tax of M36.8 million during the year 2010/2011 which resulted in an increase in the overall growth in the Corporation's total assets. The shareholders' equity increased by M42.9 million or 11.3%. Long term loans declined by M10.9 million as a result of repayments made during the year.

A pictorial presentation of the above status is hereunder shown.

Figure 4



RATIO ANALYSIS
Table 1

	GROUP			
	% Increase / (Decrease)	Increase / (Decrease)	31st March 2011	31st March 2010
		M'000	M'000	M'000
Turnover / Operating Income	10.01	55 553	610 767	555 214
Profit before tax	93.44	56 447	116 858	60 411
Profit after tax	102.17	53 804	106 463	52 411
Total Assets	10.61	98 70	1 029 044	930 343
Equity	25.38	140 803	695 685	554 882
Long-term liabilities	(5.48)	(9 571)	165 030	174 601
Return on Capital Employed	74.88	5	11.36	6.49
Earning per Share (Lisente)	102.17	42	83.17	41.14

Table 2

	GROUP			
	% Increase / (Decrease)	Increase / (Decrease)	31st March 2009	31st March 2008
		M'000	M'000	M'000
Turnover / Operating Income	313.38	21 407	28 238	6 831
Profit before tax	148.45	21 987	36 798	14 811
Profit after tax	148.45	21 987	36 798	14 811
Total Assets	5.53	32 651	622 561	589 910
Equity	11.34	42 924	421 354	378 430
Long-term liabilities	(5.96)	(10 315)	162 829	173 144
Return on Capital Employed	135.42	3.40	5.9	2.5
Earning per Share (Lisente)	148.45	17.18	28.75	11.57

LESOTHO NATIONAL DEVELOPMENT CORPORATION CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

CONTENTS

Office of The Auditor General
P.O. Box 502, Maseru 100
Lesotho

REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF LESOTHO NATIONAL DEVELOPMENT CORPORATION AND ITS SUBSIDIARY COMPANIES FOR THE YEAR ENDED 31 MARCH 2011

Moteane, Quashie and Associates, under Section 15(1) of the Audit Act 1973 have audited the accompanying consolidated financial statements of Lesotho National Development Corporation and its Subsidiary Companies, which comprise the consolidated balance sheet as at 31 March 2011, 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 10 to 38.

Director's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

4th Floor * Finance House * High Court Road * Maseru * Lesotho
Telephone (+266) 22323904/22314247 * Fax (+266) 22310366
E-mail: lessai@gov.ls

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

The introduction of a new computerized rent billing system has resulted in numerous errors in rent debtors. As of the date of my report, management was still in the process of rectifying the system deficiencies and correcting the errors. I was unable to confirm or verify by alternative means, the following items included in the financial position at 31 March 2011:

- Rent Debtors of M27.5 million (note 10)
- Rental Deposits of M6.7 million (note 11)

As a result of these matters, I was unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded debtors, payables and the elements making up the income statement, statement of changes in equity, tax and cash flow statement.

Qualified Opinion

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the group as at 31 March 2011, the results of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Lesotho National Development Corporation Order, 1990 as amended.

LUCY L. LIPHAFA (MRS)
AUDITOR GENERAL

18 September 2012

OFFICE OF THE AUDITOR-GENERAL
AUDITOR GENERAL
2012 -09- 18
P.O. BOX 502
MASERU 100 LESOTHO

STATEMENT OF DIRECTORS RESPONSIBILITY

For The Year Ended 31 March 2011

The directors are responsible for the preparation, integrity and fair presentation of the consolidated financial statements of Lesotho National Development Corporation. The consolidated financial statements presented on pages 5 to 36 have been prepared in accordance with Lesotho and International Financial Reporting Standards and include amounts based on judgements and estimates made by management. The directors also prepared the other information included in the consolidated financial statements and are responsible for both its accuracy and its consistency with the financial statements.

The directors are also responsible for the group's system of internal financial control. These are designed to provide reasonable, but not absolute assurance as to the reliability of the consolidated financial statements, and to adequately safeguard, verify and maintain accountability of the assets, and to prevent and detect misstatement and loss. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and system has occurred during the year under review.
The going concern basis has been adopted in preparing the consolidated financial statements. The directors have no reason to believe that the group and its subsidiaries will not be a going concern in the foreseeable future based on forecasts and available cash resources. These consolidated financial statements support the viability of the group.

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

The directors confirm that the annual financial statements set out on pages 10 to 38 were approved by the Board of Directors on 23rd August 2012 and are signed on its behalf by:-

....
Director

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Director

QUALIFIED REPORT OF THE INDEPENDENT AUDITORS TO THE AUDITOR GENERAL OF LESOTHO ON LESOTHO NATIONAL DEVELOPMENT CORPORATION

We have audited the consolidated financial statements of Lesotho National Development Corporation, which comprise the consolidated statement of financial position as at 31 March 2011, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 10 to 38.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The group's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Lesotho National Development Corporation Act Number 13 of 1990 (as amended). 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

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit qualified opinion.

BASIS OF QUALIFIED OPINION

The introduction of a new computerized rent billing system has resulted in numerous errors in rent debtors. As of the date of our audit report, management was still in the process of rectifying the system deficiencies and correcting the errors. We were unable to confirm or verify by alternative means the following items included in the financial position at 31 March 2011:

- Rent debtors of M27.5 million (note 10)
- Rental Deposits of M6.7million (note 11)

As a result of these matters, we were unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded debtors, payables and the elements making up the income statement, statement of changes in equity, tax and cash flow statement.

QUALIFIED OPINION

In our opinion, except for the effect on the financial statement of the matters referred to in the preceding paragraph, the financial statements fairly present, in all material respects, the financial position of the group at March 31, 2011 and the results of its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Lesotho National Development Corporation Act Number 13 of 1990 (as amended).

Moteane, Quashie & Associates
Partner: Kobla Quashie
Chartered Accountant (Lesotho)
Registered Auditor
Maseru,
May 2012

Lesotho National Development Corporation Directors' Report
For The Year Ended 31 March 2011

1. Review Of Economic Environment

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

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

2. Review Of Performance

The Group turnover increased slightly by 4% due challenges in the regional and global environment. Operating income increased by 111% due to a good performance by the two subsidiaries and profit after tax was also 102% above prior period
Total balance sheet grew by 11% due to increase in funding of projects during the year under review. The major contributor was in current assets with an increase of 26% and 7% in investment property.

3. Operations

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

3.1 Foreign Investment Division

Promotional activities are focussed towards development of markets and product diversification. A close monitoring of international protocols and forums, that may affect manufacturing companies exporting outside Lesotho is done to provide manufacturing industry information of the developments especially in the US and Europe as large markets for Lesotho products. International competition activities that may adversely impact on Lesotho competitiveness in the international markets are also given high priority to enable Lesotho advocate for incentive schemes that may counter the adverse effects of the opening up of international markets to large volume producers like; China and India.

Economic conditions forced 5 companies to close resulting in job losses of approximately 3700 jobs, while 5 direct foreign investment companies opened with a capital outlay of approximately M45 Million with creation of approximately 860 jobs.

3.2 Domestic Investment Division

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

Investment promotion initiatives focused on the China Expo, where the Division organised an investment promotion mission of local business to take part in the Lesotho –China Trade and Investment Forum during the Shanghai Expo. This event attracted participation from 32 local businesses. The Division further took a proactive approach to prepare a strategy that will ensure that optimum participation of local business in the Phase II of the Lesotho Highlands Water Project is achieved.

3.3 Investment Services Division

The Division provides assistance to investors to set up manufacturing concerns in the country and also provides after care service to existing companies. The Division plays an oversight role in the equity and loan portfolio by representing the LNDC in the companies' Board meetings. Maintenance of industrial stability is also a function of the Investment Services Division.

3.4 Property Management Division

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

The Division supervised procurement of building contractors services for the construction of among others factory shells and fire stations. Approximately 5 property development initiatives were under way during the year under review. These are two factory shells measuring 4000m2 and 2000m2 at the newly developed Tikoe Industrial Estate and one factory shell measuring 3000m2 at Nyenye Industrial Estate as well as two fire stations at Mafeteng and Mohale's Hoek Industrial Estates.

3.5 Public Relations

The Public Relations Unit plans and conducts public relations programs aimed at enhancing the image of the Corporation.

A Communications Policy and Guidelines were developed and approved by the Board.
Speeches were prepared for the Minister of Trade and Industry, Cooperatives and Marketing for a Malaysian Business and Investment Forum held in Kuala Lumpur, a Lesotho-RSA Business Forum which took place during President Zuma's visit to Lesotho as well as closing remarks for the Minister at a Good Corporate Governance Workshop which was held for the LNDC Board and Management.

Corporate social responsibility activities included LNDC Student Awards to 3 best performing tertiary graduates from the National University of Lesotho, Lerotholi Polytechnic and the Centre for Accounting Studies. The awards were lap tops. In addition, LNDC distributed food hampers and essential goods to senior citizens belonging to the Maseru Women Senior Citizens Association. Donations of soccer balls, trophies, medals, transport and catering were made to the Youth Soccer Development Federation of Lesotho for their end of year soccer tournament.

Press releases were issued for all the major events including the signing of the Tikoe Industrial Estate Contract for construction of infrastructure and factory shells.

3.6 *Subsidiary performance*

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

4. *Share Capital*

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

5. *Dividend*

No dividend is paid or proposed.

6. *Future Corporate Strategy*

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

Vision

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

Mission

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

Corporate Goals

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

7. *Staff Training Development*

LNDC sent thirteen (13) of its employees to short term training courses in abid to empower its human resources to gain a competitive edge in the global market.

8. *Tribute To Staff*

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

9. *Events Since Balance Sheet Date*

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

Lesotho National Development Corporation Directors' Report
For The Year Ended 31 March 2011

10. Directors And Secretary

The directors during the year were:

BOARD OF DIRECTORS

Chairman	Mr Teleko J. Ramots'oari *(Up to 31 October 2011)*
Chairman	Mr Hlompho Mpeta *(From 8 November 2011)*
Members	Mr Madhav V. Dalvi Mr Ret'sepile J. Elias Mr Rets'elisitsoe Theko Mr. Khotso Mapepesa Mr. Ramatlali Nkhahle Mr. Mohale Sekoto *(Deceased)* Mr. Liteboho Mofubetsoana *(From 5 Dec 2011)* Mrs. Liengoane Lefosa Mr. Khotso Khabele Mr. Tseko Bohloa Mr. Motebang Mokoaleli *Chief Executive Officer* *(a.i up to 10 Jan 2012)* Mr. Joshua Setipa Chief Executive Officer *(From 10 Jan 2012)*
Secretary	Mr Clark T. Poopa

11. Auditors

The Corporation's auditors were Moteane, Quashie & Associates on behalf of the Auditor General of Lesotho.

12. Registered Office And Address

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

Physical Address: LNDC Kingsway Mall, Block A
Development House,
Kingsway Street, Maseru

Postal address: Private Bag A96, Maseru 100
Web site: www.lndc.org.ls
Email: info@lndc.org.ls

Consolidated Statement of Comprehensive Income

For The Year Ended 31 March 2011

		CORPORATION		GROUP	
		2011	2010	2011	2010
	Note	M'000	M'000	M'000	M'000
Turnover	14	43 983	43 653	610 767	555 214
Operating profit	15	28 238	6 831	100 107	47 541
Income from associates		8 560	7 980	16 751	12 870
Income before tax		36 798	14 811	116 858	60 411
Taxation	16	-	-	(10 395)	(7 752)
Income after taxation		36 798	14 811	106 463	52 659
Minority interests		-	-	(43 464)	(30 033)
Income from ordinary activities		36 798	14 811	62 999	22 626
Prior year adjustment	18	-	1 919	-	1 919
At beginning of year		76 065	59 335	208 717	184 172
At end of year		**112 863**	**76 065**	**271 716**	**208 717**

Lesotho National Development Corporation Consolidated Statement of Financial Position

For The Year Ended 31 March 2011

		CORPORATION		GROUP	
		2011	2010	2011	2010
ASSETS	**NOTES**	**M'000**	**M'000**	**M'000**	**M'000**
Non-Current Assets					
		516 106	**480 384**	**752 891**	**711 332**
Property, plant and equipment	4	1 839	2 301	180 473	184 356
Investment property	4	475 747	443 728	475 747	443 728
Intangible asset		-	-	3 950	2 883
Investment in subsidiaries	5	2 040	2 040	-	-
Investment in associates	6	1 194	564	57 435	48 614
Other investments	7	34 926	31 391	34 926	31 391
Loan debtors	8	360	360	360	360
CURRENT ASSETS					
		106 455	**109 526**	**276 153**	**219,011**
Inventories	9	-	-	50 597	59 829
Accounts receivable	10	15 372	11 789	99 777	36 844
Short term investments		86 522	86 254	97 361	93 964
Bank balances and cash		4 561	11 483	28 418	28 374
TOTAL ASSETS		**622 561**	**589 910**	**1 029 044**	**930 343**

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Lesotho National Development Corporation Consolidated Statement Of financial Position

AS AT 31 March 2011

		CORPORATION		GROUP	
		2011	2010	2011	2011
ASSETS	NOTES	M'000	M'000	M'000	M'000
EQUITY AND LIABILITIES					
EQUITY					
Share capital	1	128 000	128 000	128 000	128,000
Non-distributable reserves	2	180 491	174 365	224 290	218 165
Retained income		112 863	76 065	271 716	208 717
		421 354	**378 430**	**624 006**	**554 882**
Minority interest		-	-	71 679	54 129
TOTAL EQUITY		**421 354**	**378 430**	**695 685**	**609 011**
NON-CURRENT LIABILITIES					
Long-term borrowings	3.1	157 683	168 662	159 673	169 297
Long-term provisions	3.2	5 146	4 482	5 146	4 482
Deferred tax		-	-	211	822
Total non-current liabilities		**162 829**	**173 144**	**165 030**	**174 601**
CURRENT LIABILITES					
Bank overdrafts		-	-	630	822
Accounts payable	11	38 378	38 336	163 147	139,898
Taxation	16	-	-	4 552	6,011
TOTAL CURRENT LIABILITIES		**38 378**	**38 336**	**168 329**	**146,731**
TOTAL EQUITY AND LIABILITIES		**622 561**	**589 910**	**1 029 044**	**930,343**

Lesotho National Development Corporation Consolidated Statement Of Changes In Equity

For the year ended 31 March 2011

GROUP	SHARE CAPITAL	NON-DISTRIBUTABLE RESERVES	RETAINED INCOME	TOTAL
Balance March 31 2009	**128 000**	**197 737**	**184 172**	**509 909**
Retained income for the year	-	-	22 626	22 626
Prior year adjustment	-	-	1 919	1 919
Movement on non-distributable reserves (refer note 2)	-	20 427	-	20 427
Balance March 31 2010	**128 000**	**218 164**	**208 717**	**554 881**
Retained income for the year	-	-	62 999	62 999
Prior year adjustment	-	-	-	-
Movement on non-distributable reserves (refer note 2)	-	6 126	-	6 126
Balance March 31, 2011	**128 000**	**224 290**	**271 716**	**624 006**
CORPORATION				
Balance March 31 2009	**128,000**	**153 865**	**59 335**	**341 200**
Retained income for the year	-	-	14 811	14 811
Prior year adjustment	-	-	1 919	1 919
Movement on non-distributable reserves (refer note 2)	-	20 500	-	20 500
Balance March 31, 2010	**128 000**	**174 365**	**76 065**	**378 430**
Retained income for the year	-	-	36 798	36 798
Prior year adjustment	-	126	-	126
Movement on non-distributable reserves (refer note 2)	-	-	-	-
Development Grant	-	6 000	-	6 000
Balance March 31, 2011	**128 000**	**180 491**	**112 863**	**421 354**

Lesotho National Development Corporation Consolidated Statement Of Cashflow

For the year ended March 31, 2011

		CORPORATION		GROUP	
		2011	2010	2011	2010
	NOTE	M’000	M’000	M’000	M’000
Net cash flow from operations	**17.1**	8 899	27 701	63 983	87 647
Returns on investments	**17.2**	39 827	23 839	40 038	20 549
Capital expenditure	**17.3**	(40 908)	(33 531)	(63 964)	(57 589)
Dividends paid		-	-	(32 446)	(14 064)
Taxation paid/Received		-	-	8 325	2 292
Management of liquid resources	**17.4**	(4 157)	(3110)	(3 344)	3 110
Financing	**17.5**	(10 315)	45 114	(8 960)	45 114
Increase in cash in year		(6 654)	60 013	3 632	87 059
Cash at beginning of year		97 737	37 724	121 517	34 458
CASH AT END OF YEAR	**17.6**	**91 083**	**97 737**	**125 149**	**121 517**

Summary Of Significant Accounting Policies (Continued)

1.0 Principal Activities and basis of preparation

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

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

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

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

2.0 Group Accounting

2.1 Group Financial Statements

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

2.2 Subsidiary Companies

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

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

Subsidiaries are excluded from consolidation when:-

Control is intended to be temporary because the subsidiary is acquired and held exclusively with the view to its subsequent disposal in the near future.

It operates under severe long-term restrictions that significantly impair its ability to transfer funds to the parent.

2.3 Transaction And Minority Interest

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

2.4 Associated Companies

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

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

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

2.5 *Joint Venture*

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

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

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

2.6 *Investment*

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

2.7 *Method of Determining Stock Values*

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

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

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

2.8 *Land and Buildings:*

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

- not less than 10 years;
- in the case of land held for residential purposes, not more than 90 years;
- in the case of land held for commercial, industrial or hotel purposes, not more than 60 years;
- in the case of land held for purposes of petroleum

and oil sales and storage, not more than 30 years.

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

2.9 Other Fixed Assets

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

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

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

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

2.10 Capitalisation of Borrowing Costs

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

2.11 Foreign Currency translation

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

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

2.12 Grants Received

2.12.1 By Subsidiaries:

1. 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.

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

2.12.2 By the Corporation:

1. 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.

2. 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.

2.13 Share Capital

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

2.14 Retirement and Terminal Benefits

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

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

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

2.15 Revenue Recognition

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

Income

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

Interest income

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

impaired loans is recognised either as cash is collected or on a cost-recovery basis as conditions warrant.

2.16 Leases

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

2.17 FINANCIAL ASSETS

Classification

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

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

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

(b) Loans and receivables

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

(c) Held-to-maturity investments

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

(d) Available-for-sale financial assets

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

(e) Recognition and measurement

Regular purchases and sales of financial assets are recognised on trade-date – the date on which the group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership. Available–for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

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

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

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

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

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

2.18 Cash And Cash Equivalents

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

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

2.19 Trade And Other Receivables

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

2.20 Trade And Other Payable

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

2.21 Provisions

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

2.22 Borrowings

Borrowings are recognised initially at fair value of proceeds received, net of transaction costs incurred, when they become party to the contractual provisions.

Borrowings are subsequently stated at amortised cost using the effective interest rate method; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings.

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

2.23 Tax

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

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

2.24 Financial Risk Management

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

Financial risk factors

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

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

Market risk

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

foreign currencies; consequently, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

Interest rate risk management

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

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Group's short-, medium-

and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by
continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

Credit risk

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

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

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

Fair value estimation

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

2.25 Comparative Figures

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

2.26 Intangible Assets

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

Intangible assets are initially recognised at cost.

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

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

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

		CORPORATION		GROUP	
		2011	2010	2011	2010
2.0	***Non-Distributable reserves (continued)***	**M'000**	**M'000**	**M'000**	**M'000**
2.4	***Attributable Share In Associated Companies***		-	400	400
	Share premium				
	Capitalisation of accumulated profits	330	330	330	330
	Capital redemption fund	-	-	400	400
	At end of year	**330**	**330**	**1 130**	**1 130**
2.5	***Capital Redemption***				
	Capitalised revenue reserve to finance redemption of preference				
	Shares	4 000	4 000	4 000	4 000
		180 365	174 365	224 290	218 164

Lesotho National Development Corporation Notes to the Consolidated Financial Statements

For The Year Ended March 31 2011 (Continued)

		CORPORATION		GROUP	
		2011	2010	2011	2010
1.0	***Share Capital***	M'000	M'000	M'000	M'000
	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**

		CORPORATION		GROUP	
		2011	2010	2011	2010
2.0	***Non-Distributable Reserve***	M'000	M'000	M'000	M'000
2.1	***Development Grants***				
	GRANTS FROM LESOTHO GOVERNMENT:				
	At beginning of year	39 288	18 788	39 288	18 788
	Received during the year	6 000	20 500	6 000	20 500
	Transferred to income statement		-		-
	At end of year	**45 288**	**39 288**	**45 288**	**39 288**

	CORPORATION		GROUP	
	2011	2010	2011	2010
	M'000	M'000	M'000	M'000
CAPITAL GRANTS				
At beginning of year		-	1 415	1 489
Adjustment during the year		-	-	(74)
At end of year		-	1 415	1 415
Total Development grants	**45 288**	**39 288**	**46 703**	**40 703**

2.2	***Unrealised surplus(Revaluation)***				
	Surplus on revaluation of land and buildings				
	At beginning of year	130 747	1 30 747	171 918	130 747
	Movement during the year		-	126	41 171
	At end of year	**130 747**	**130 747**	**172 044**	**171 918**

2.3	***Unrealised Surplus (Acquisition)***				
	Arising on the acquisition of Subsidiaries				
	At beginning of year	-	-	413	413
	Movement during year	-	-	-	-
	At end of year	**-**	**-**	**413**	**413**

Lesotho National Development Corporation Notes to the Consolidated Financial Statements

For The Year Ended March 31 2011 (Continued)

		2011	2010	2011	2010
3.	***Long Term Loans***	**M'000**	**M'000**	**M'000**	**M'000**
	Loans outstanding as detailed below:	171 475	176 584	174 803	177 711
Less:	Current maturities included accounts payable	(13 792)	(7 922)	(15 130)	(8 414)
		157 683	**168 662**	**159 673**	**169 297**

		2011	2010
3.1	CORPORATION AND GROUP	**M'000**	**M'000**
	Government of Lesotho:		
	2% loan repayable in twenty yearly instalments Commencing 2006	650	780
	European Investment Bank Global Loan I		
	4% and 8% loans repayable in eight years commencing March 1 1991		-
	Carried forward	**650**	**780**

		2011	2010
3.	***Long Term Loans (Continued)***	**M'000**	**M'000**
3.1	***Corporation***		
	Brought forward	**650**	**780**
	EUROPEAN INVESTMENT BANK (INDUSTRIAL ESTATE)		
	5% loan of ECU 1.4 million repayment schedule	-	-
	FRASERS LIMITED		
	Interest free loan with no fixed date of repayment	6	6
	Government of Lesotho		
	IDA		
	7% loan repayable in twenty yearly instalments commencing 01 July 2000	7 981	8 822
	KFW (OLD)		
	3/4% loan repayable over fifteen years after a five year grace period from a date to be determined	398	486
	ODA 1		
	8% loan repayable in fifty half yearly instalments commencing 01 June 1988	-	-
	Carried forward	**9 035**	**10 094**

Lesotho National Development Corporation Notes to the Consolidated Financial Statements

For The Year Ended March 31 2011 (Continued)

		2011	2010
3.	*Long Term Loans (Continued)*	M'000	M'000
3.1	*Corporation (continued)*		
	Brought forward	**9 035**	**10 094**
	ADB		
	4% loan repayable in twenty yearly instalments Commencing 01 July 2000	17 810	17 810
	ODA II		
	8% loan. Repayable over 25 years commencing July 01 1991	128	143
	ODA III		
	8% loan. Repayable over 25 years commencing July01 1991	135	164
	ODA 1st line of credit		
	7% loan ODA line of credit. Repayable over 25 years commencing July 31 1995	822	989
	KFW (HA NYENYE)		
	5% loan from KFW for Ha Nyenye repayable in ten annual instalments commencing September 22 2000	-	-
	ODA 2nd line of credit		
	7% loan, ODA line of credit. Repayable over 25 years commencing September 26 1996	2 752	2 933
	PUBLIC INVESTMENT COMMISSIONERS		
	13.9% loan repayable after twenty year period	52 878	52 878
	Carried forward	**83 560**	**85 011**

		2011	2010
3.	***Long Term Loans (Continued)***	M'000	M'000
3.1	***Corporation (continued)***		
	Brought forward	**83 560**	**85 011**
	EUROPEAN INVESTMENT BANK B		
	5% loan from EIB to GOL on lent to LNDC		
	Repayable in ten equal instalments commencing October 31 1999	1 464	2 074
	European Investment Bank C 1% loan from EIB to GOL		
	On-lent to LNDC repayable in ten equal annual instalments	-	214
	GOL - LNDC CENTRE		
	5% loan repayable in 20 half yearly instalments after a five year grace period, commencing 23 March 1999	700	2 100
	NEDBANK LESOTHO		
	Interest is charged at prime minus 4% repayable in 10 years starting from November 11 2003 after 12 months moratorium	2 488	3 472
	GOL - Basotho Cannery	2 263	2 715
	GOL LNDC 2009	30 000	30 000
	Interest free loan repayable in five		
	Years starting from December 2011		

Lesotho National Development Corporation Notes to the Consolidated Financial Statements
For The Year Ended March 31 2011 (Continued)

		2011	2010
3.1	***Corporation (continued)***	**M'000**	**M'000**
	STANDARD LESOTHO BANK		
	GOL LNDC 2010		
	2%loan repayable over fifteen years after five years moratorium	51,000	51,000
	Total Corporation loans	174 803	177 713
	Less: Current maturities	(15 130)	(8 416)
		159 673	**169 297**

		2011	2010
3.2	***Long Term Provisions***	**M'000**	**M'000**
	Opening balance	4 482	3 487
	Additions during the year	952	1 086
	Payments during the year	(288)	(91)
	Closing balance	**5 146**	**4 482**

Severance pay made in accordance with Section 79 of the Labour Code Order 1992

Lesotho National Development Corporation Notes to the Consolidated Financial Statements
For The Year Ended March 31 2011 (Continued)

		CORPORATION		GROUP	
		2011	2010	2011	2010
4.	***Non-current assets***	M'000	M'000	M'000	M'000
4.1	***Property, vehicles, furniture and Equipment***				
	Cost or valuation	8 803	8 719	385 606	360 456
	Accumulated depreciation	(6 964)	(6 418)	(205 133)	(176 098)
		1 839	**2 301**	**180 473**	**184 358**
4.2	***Investment property***				
	Cost or valuation	506 450	466 164	506 450	466 164
	Accumulated depreciation	(30 703)	(22 435)	(30 703)	(22 435)
		475 747	**443 729**	**475 747**	**443 729**
	Net Book Value	**477 586**	**446 030**	**656 220**	**628 084**

		Corporation		Group	
		2010	2009	2010	2009
4.	***Non-current assets***	M'000	M'000	M'000	M'000
4.1	***Property, vehicles, furniture and Equipment***				
	Cost or valuation	8 719	9 826	360 456	332 033
	Accumulated depreciation	6 418	7 589	176 098	169 895
		2 301	**2 237**	**184 358**	**162 138**

Lesotho National Development Corporation Notes to the Consolidated Financial Statements

For The Year Ended March 31 2011 (Continued)

	CORPORATION		GROUP	
	2010	**2009**	**2010**	**2009**
4.2 Investment property	**M'000**	**M'000**	**M'000**	**M'000**
Cost or valuation	466 164	436 998	466 164	436 998
Accumulated depreciation	22 435	14 607	22 435	14 607
	443 729	**422 391**	**443 729**	**422 391**
Net Book Value	**446 030**	**424 627**	**628,084**	**584 527**

4.3 Valuation of land and buildings
Corporation

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

4.4 Investment Property

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

Lesotho National Development Corporation Notes to the Consolidated Financial Statements
For The Year Ended March 31 2011 (Continued)

5. Interest in Subsidiaries		Equity Held	Cost of Equity held	Amount	Provision attributable	Net Interest	
Name	Principal activity	2011	Directly	Owing	net losses	2011	2010
		%	M'000	M'000	M'000	M'000	M'000
5.1 Active Subsidiaries							
Basotho Fruit & Vegetable Canners (Pty) Ltd	Cannery	100	100	16 121	(16 221)	-	-
Lesotho Brewing Company (Pty) Ltd	Brewery	51	2 040	-	-	2 040	2 040
Loti Brick (Pty) Ltd	Brick Making Plant	74	3 234	15 327	(18 561)	-	-
			5 374	**31 448**	**(34 782)**	**2 040**	**2 040**

5.2 Provision for Losses in Subsidiaries	2011	2010
	M'000	M'000
Balance at beginning of year	**34 147**	**31 574**
(Decrease) /Increase in provision	**635**	**2 573**
	34 782	**34 147**

6. INTEREST IN ASSOCIATED COMPANIES	CORPORATION		GROUP	
	2011	2010	2011	2010
	M'000	M'000	M'000	M'000
Shares at cost	1 194	564	1 194	564
Share of non-distributable reserves	-	-	800	800
Share of retained income	-	-	55 441	47 250
	1 194	**564**	**57 435**	**48 614**
Directors' valuation	**1 194**	**564**	**57 435**	**48 614**

Lesotho National Development Corporation Notes to the Consolidated Financial Statements

For The Year Ended March 31 2011 (Continued)

6. Interest in Associated Companies (Continued)

NAME	Principal Activity	Number Of Shares Held	Proportion Held	Accounting Period Used	Cost Of Equity	Non Distributable Reserves	Distributable Reserves 31/03/11	Total Interest	Note	Total Interest 31/03/10
CORPORATION		Note 1	%	Note 2	M'000	M'000	M'000	M'000		M'000
Cash Build Lesotho (Pty) Ltd	Wholesalers		20		20	-	6 709	7 989	3	6 730
Lesotho Food Industries (Pty) Ltd	Investment in LM Co		39.7		66	-	16 481	20 208	3	16 547
OK Bazaars Lesotho (Pty) Ltd	Retailers		50		150	800	14 851	17 263	3	15 802
Sun International Lesotho (Pty) Ltd	Hotel and Casino		16.1		328	-	9 209	11 345	3	9 535
View of the Course	Property Investment		50		630	-	-	630		-
					1 194	**800**	**47 250**	**57 435**		**48 614**

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

7. Other Investments	**2011 M'000**	**2010 M'000**
Unlisted equity shares:		
Lesotho Housing and Land Development		
Corporation	958	958
Frasers	14	14
Lesotho Milling (Pty) Ltd	4 500	4 500
Zero coupon loan stock (RSA Govt. Bond)	29 454	25 919
	34 926	**31 391**

Lesotho National Development Corporation Notes to the Consolidated Financial Statements

For The Year Ended March 31 2011 (Continued)

8.	***Long Term Debtors***				
	Corporation and Group				
	Loan debtors at varying rates of interest and repayment terms	360	360	360	360
		360	**360**	**360**	**360**
9.	***Inventories***				
	Group				
	Raw materials	20 244	21 749	20 244	21 749
	Finished goods and merchandise	12 960	21 641	12 960	21 641
	Consumable stores	625	3 100	625	3 100
	Work in progress	2 958	3 554	2 958	3 554
	Retail merchandise	11 715	7 896	11 715	7 896
	Spares	2 095	1 888	2 095	1 888
	Total stocks	**50 597**	**59 828**	**50 597**	**59 828**

	CORPORATION		GROUP		TION	GROUP	
	2011	**2010**	**2011**	**2010**	**2010**	**2011**	**2010**
10. Accounts Receivable	**M'000**	**M'000**	**M'000**	**M'000**	**M'000**	**M'000**	**M'000**
VAT	6 609	3 510	6 609	3 511	3 510	6 609	3 511
Realised foreign exchange losses due from Government of Lesotho	-	190	-	190	190	-	190
Building rental	27 463	25 301	27 463	25 301	25 301	27 463	25 301
Other debtors	1 697	493	91 500	31 442	493	91 500	31 442
Provision and other debtors	(20 397)	(17 705)	(25 795)	(23 600)	(17 705)	(25 795)	(23 600)
	15 372	**11 789**	**99 777**	**36 844**	**11 789**	**99 777**	**36 844**

Lesotho National Development Corporation Notes to the Consolidated Financial Statements

For The Year Ended March 31 2011 (Continued)

11. Accounts payable	CORPORATION		GROUP	
	2011	2010	2011	2010
	M'000	M'000	M'000	M'000
Trade Payables	5 520	6 816	61 680	48 016
Current portion Loans	13 792	7 922	15 130	8 413
Rental Deposits	6 616	6 696	6 616	6 696
Accruals	4 049	3 088	17 011	16 724
LRA related payables	633	-	23 160	17 779
Other payables	7 768	13 814	39 550	42 270
	38 378	**38 336**	**163 147**	**139 898**

12. Contingent Liabilities

12.1 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	
	2011	2010	2011	2010
	M'000	M'000	M'000	M'000
A) CORPORATION				
Subsidiaries	-	-	-	-
Associates	-	-	610	610
Third parties	-	-	-	-
	-	**-**	**610**	**610**

B)	GROUP				
	Subsidiaries			-	-
	Associates	-	-	610	610
	Third parties	-	-	-	-
		-	**-**	**610**	**610**

		LIMIT OF GUARANTEES		EXPOSURE	
13.	***Commitments***	**2011**	**2010**	**2011**	**2010**
		M'000	**M'000**	**M'000**	**M'000**
	Capital commitments contracted for:				
	- Buildings and equipment	-	-	-	-
	Authorised but not committed:				
	- Buildings and equipment	85 175	-	86 405	6 402
	Total Capital Commitments	**85 175**	**-**	**86 405**	**6 402**

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

14. *Turnover*

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

	GROUP	
	2011	2010
	M'000	M'000
Lesotho Brewing Company	538 302	486 616
Loti Brick	28 311	24 440
Basotho Fruit Canners	172	505
LNDC	43 983	43 653
	610 767	**555 214**

15. *Operating Profit for the year*

	CORPORATION		GROUP	
	2011	2010	2011	2010
	M'000	M'000	M'000	M'000
Turnover	43 983	43 653	610 767	555 214
Cost of Sales	(2 554)	(2 433)	(23 587)	(17 529)
Gross Profit	41 429	41 220	587 181	537 685
Other Income	39 871	25 454	13 483	6 873
Operating Expenses	(51 368)	(56 842)	(499 189)	(495 158)
Operating Profit	29 932	9 832	101 475	51 972
Net Finance costs	(1 694)	(3 001)	(1 368)	(1 858)
Profit Before Tax	**28 238**	**6 831**	**100 107**	**47 541**

Stated after crediting or charging the following

INCOME				
Profit on disposal of fixed assets	69	216	666	216
Interest received	8 951	7 307	10 515	8 006
Rents	43 983	43 653	43 983	43 662
Other income	243	515	13 483	12 492
Income from Subsidiaries and Associates - dividends	41 406	26 844	-	-
EXPENSES				
Depreciation and amortisation of fixed assets	8 997	8 664	29 034	25 306
Auditors remuneration: Audit fees	181	147	557	624
Interest paid	10 530	10 308	11 883	14 301

	CORPORATION		GROUP	
	2011	2010	2011	2010
16. Taxation	M'000	M'000	M'000	M'000
16.1 Normal tax on current profits	-	-	11 006	7 131
Deferred tax	-	-	(611)	421
	-	**-**	**10 395**	**7 552**

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

16.3 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.

Lesotho National Development Corporation Notes to the Consolidated Financial Statements

For The Year Ended March 31 2011 (Continued)

		CORPORATION		GROUP	
		2011	2010	2011	2010
17.	***Notes to the Cash flow***	M'000	M'000	M'000	M'000
	STATEMENT				
17.1	***Reconciliation of operating profit to***				
	NET CASH INFLOW FROM OPERATING ACTIVITIES				
	Profit before tax	(39 827)	18 040	116 858	47 551
	Return on investment	(39 827)	(23 839)	(40 038)	(20 549)
	Depreciation	8 998	8 665	29 034	25 378
	Profit on sale of fixed assets	(69)	(216)	(666)	(216)
	Amortisation of grants	-	-	-	-
	Associates income	-	-	(16 750)	(12 870)
	Prior year adjustment	-	1 919	-	1 919
	Grants received	6 000	20 500	6 000	20 500
	Decrease/(Increase) in stock	-	-	9 230	(1 974)
	Decrease/(Increase) in debtors	(3 583)	2 579	(62 934)	209
	Increase/(Decrease) in creditors	(42)	53	23 249	27 699
	Net cash inflow from operating Activities	**8 899**	**27 701**	**63 983**	**87 647**

Lesotho National Development Corporation Notes to the Consolidated Financial Statements

For The Year Ended March 31 2011 (Continued)

		CORPORATION		GROUP	
		2011	2010	2011	2010
17.2	***Returns on investments***	M'000	M'000	M'000	M'000
	Dividends received	41 406	26 844	41 406	26 844
	Interest received	8 951	7 303	10 515	8 006
	Interest paid	(10 530)	(10 308)	(11 883)	(14 301)
		39 827	**23 839**	**40 038**	**20,549**

		CORPORATION		GROUP	
		2011	2010	2011	2010
17.3	***Capital Expenditure***	M'000	M'000	M'000	M'000
	Payments to acquire fixed assets	(41 059)	(33 994)	(65 436)	(58 052)
	Receipts from sale of fixed assets	151	463	1 472	463
		(40 908)	**(33 531)**	**(63 964)**	**(57 589)**

		CORPORATION		GROUP	
		2011	2010	2011	2010
17.4	***Management of liquid***	M'000	M'000	M'000	M'000
	Resources				
	Decrease in amounts owing by subsidiaries	-	-		-
	Decrease/(Increase) in loan debtors	-	-	190	-
	Increase in other investments	(4 157)	(3 110)	(3 534)	(3 110)
		(4 157)	**(3 110)**	**(3 344)**	**(3 110)**

Lesotho National Development Corporation Notes to the Consolidated Financial Statements

For The Year Ended March 31 2011 (Continued)

		CORPORATION		GROUP	
		2011	2010	2011	2010
17.5	*Financing*	M'000	M'000	M'000	M'000
	Increase/(Decrease) in long term loans	(10 315)	45 114	(9 624)	45 114
	Increase/(Decrease) in long term provisions	-	-	664	-
		(10 315)	**45 114**	**(8 960)**	**45 114**

		CORPORATION		GROUP	
		2011	2010	2011	2010
17.6	*Analysis of cash at end of year*	M'000	M'000	M'000	M'000
	Bank balances and cash	4 561	11 483	28 418	28 374
	Bank overdraft	-	-	(630)	(822)
	Short term investments	86 522	86 254	97 361	93 965
		91 083	**97 737**	**125 149**	**121 517**

		CORPORATION		GROUP	
		2011	2010	2011	2010
18	*Prior Year Adjustment*	M'000	M'000	M'000	M'000
	Rental debtors	-	(1 832)	-	(1 832)
	Accruals Provision	-	(323)	-	(323)
	Retaining Nyenye Capital	-	207	-	207
	Accumulated depreciation	-	29	-	29
		-	**(1 919)**	**-**	**(1 919)**

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LESOTHO NATIONAL DEVELOPMENT CORPORATION
Private bag A96
Maseru

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

LNDC
LESOTHO NATIONAL DEVELOPMENT CORPORATION
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