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2022 -08- 08

Date Received : _____

Signed : _____



GOVERNMENT OF LESOTHO

**AUDIT REPORT
ON THE
ANNUAL FINANCIAL STATEMENTS
OF**

**LESOTHO NATIONAL DEVELOPMENT CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

**AUDITOR GENERAL
P.O. BOX 502
MASERU 100
LESOTHO**

LESOTHO NATIONAL DEVELOPMENT CORPORATION

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

LESOTHO NATIONAL DEVELOPMENT CORPORATION

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

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LESOTHO NATIONAL DEVELOPMENT CORPORATION

**STATEMENT OF DIRECTORS' RESPONSIBILITY
FOR THE YEAR ENDED 31 MARCH 2020**

The Directors are responsible for the preparation, integrity and fair presentation of the consolidated financial statements and separate financial statements of Lesotho National Development Corporation. The consolidated and separate financial statements presented on pages 13 to 38 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 and separate 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 Consolidated and separate financial statements set out on pages 13 to 39 were approved by the Board of Directors on 9th June 2022 and are signed on its behalf by:



Board Chairman- Dr. Francis Tlhophoho Sefali



Interim Chief Executive Officer – Mr. Molise Ramaili



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

**REPORT OF THE AUDITOR-GENERAL
ON THE CONSOLIDATED FINANCIAL STATEMENTS OF
LESOTHO NATIONAL DEVELOPMENT CORPORATION
FOR THE YEAR ENDED 31 MARCH 2020**

Opinion

Moteane, Quashie and Associates under Section 24(1) of the Audit Act 2016, have audited the consolidated financial statements of Lesotho National Development Corporation (the Corporation) set out on pages 13 to 39, which comprise the consolidated statement of financial position as at 31 March 2020 and the consolidated statement of comprehensive income, statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In my opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Corporation as at 31 March 2020, and its consolidated financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in accordance with the requirements of the Lesotho National Development Order, 1990 as amended.

Basis for Opinion

I conducted my audit in accordance with International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated financial statements section of my report. I am independent of the Corporation in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to my audit of the financial statements in Lesotho, and I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the consolidated financial statements of the current period. There were no key audit matters.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability

to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my audit report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Corporation to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the Corporation audit. I remain solely for my audit opinion.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. I describe these matters in my audit report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



MAFANI C. MASOABI (MRS)
ACTING AUDITOR-GENERAL

4 August 2022

LESOTHO NATIONAL DEVELOPMENT CORPORATION

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2020

1 OPERATIONS

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

1.1 Investment Promotion

Investment enquiries and leads

The division handled 193 trade and investment enquiries and leads during the reporting period. 106 of these were domestic enquiries. The enquiries were from diverse sectors including garments, agribusiness, power generation, mining, ICT and financial services and pharmaceuticals. The main countries of origin for these enquiries were Lesotho, Japan, USA, UK, Thailand and South Africa.

Site Visits

Six (6) site visits were hosted namely Ntinga Group and Mekoatleng Investments and Development, Pig to Pork Meat Producers, Chiros Pharma, Power Matla, Potato Association, Africa Chicks, GalxBoy Garment Sourcing and Polish Trade Commissioner.

Other Activities

Other main trade and investment promotion activities carried out during the year were the London investment promotion mission, Gauteng diaspora and investment missions, the Japan SADC business forum in Tokyo as well as the PCG forum, awards and gala dinner.

Access to Finance

1.1. Overall PCG Scheme Performance by bank as at March 2020

The following table provides a summary of loan facilities supported by the PCG Scheme distributed across participating banks.

Bank Name	Number of Enterprises Supported	Number of Supported Loans	Value of Loans Supported	Fees Generated	Total Employment	Number of Active Guarantees	Number of Guarantees Expired	Number of Guarantees Fully Paid	Number of Called Guarantees	Value of Guarantees Called
FNB	28	38	12 760 000,00	107 747,67	691	1	20	16	1	152 706,84
LPB	16	17	6 133 000,00	27 992,50	66	-	10	6	1	577 280,54
NB	2	2	4 595 565,00	-	69	-	1	-	1	992 080,60
SLB	5	8	10 920 573,00	84 428,73	106	-	1	6	1	1 614 730,50
Total	51	65	34 409 138,00	220 168,90	932	1	32	28	4	3 336 798,48

The scheme has supported 51 enterprises with 65 guarantees approved as at March 2020. The program has unlocked loans to the value of LSL 34,409,138.00 with 38 guarantees to First National Bank (FNB), 17 guarantees to Lesotho Post Bank (LPB), 8 guarantees to Standard Lesotho Bank (SLB) and 2 guarantees to Nedbank. 1 guarantee is currently active with a loan amount value of LSL 53, 306.79 and LNDC exposure to the value of LSL 26, 653.40 thus far, 4 guarantees to the value of LSL 3, 336, 798.48 have been called.

1.1.1. Distribution of Businesses Support by district

The table below provides information on the number of enterprises supported and value of loans distributed by district from inception in 2011 to March 2020.

Aggregate Performance by District				
District	Total Supported Enterprises	Percentage of Total Number of Enterprises	Value of Loans Disbursed	Percentage of Total Value of Loans Disbursed
Berea	2	3,9%	M 1 350 000,00	3,9%
Butha-Buthe	2	3,9%	M 1 300 000,00	3,8%
Leribe	7	13,7%	M 3 890 000,00	11,3%
Mafeteng	4	7,8%	M 490 000,00	1,4%
Maseru	32	62,7%	M 25 729 138,00	74,8%
Mohale's Hoek	2	3,9%	M 1 050 000,00	3%
Mokhotlong	1	2%	M 200 000,00	0,6%
Qacha's Nek	-	0%	M -	0,0%
Quthing	1	2%	M 400 000,00	1,2%
Thaba-Tseka	-	0%	M -	0,0%
Total	51	100,0%	M 34 409 138,00	100,0%

1.2. Loan Portfolio Performance

The following table provides a summary of the credit performance of supported projects as at March 2020:

March 2020: Bank Name	Low Risk (Value/number)	Medium Risk	High Risk	Total
FNB	0	0	1	1
LPB	0	0	0	0
NB	0	0	0	0
SLB	0	0	0	0
Total	0	0	1	1

1.2 Planning, Research and Information Management

The Corporation commenced the project to re-engineer the business processes and systems supporting the institutional realignment exercise. By the end of the year, the business processes and systems aligned to the new corporate structure were completed, and the sourcing of service providers that offer the Enterprise Resource Planning (ERP) system was initiated. Furthermore, following the establishment of the Development Finance SBU, the market demand study aimed at informing the nature and scope of development finance instruments was facilitated. The Corporation further received support from the African Development Bank to pilot the export consortia concept, whose objective was to strengthen local businesses' productive and export capacity by leveraging existing strengths and skills. Businesses in the arts and crafts and textiles were identified and enrolled on the project.

Moreover, the Corporation championed the Lesotho Trade Information Portal (LTIP) re-launch, supported by the World Bank. The digitization of information and provision of up-to-date information on the internet became even more vital as the Covid-19 lockdown restrictions on travel began in March 2020. The Planning Department also coordinated corporate-wide training on Sustainability and Integrated Reporting to transform the reporting of the Corporation from regular annual reporting.

Provision of strategic Information and Communication services

During the year, the Division provided the Corporation with strategic ICT services through hardware and software infrastructure. The division replaced the old photocopiers with a new fleet. The storage and backup servers were upgraded with higher capacity, new backup software that includes backups of the cloud services was procured and implemented. The enterprise architecture reengineering project was undertaken and completed during this period as part of the Business reengineering and enterprise architecture.

1.3 Investment Services Division

This report will give a highlight on the LNDC Leasehold portfolio of companies by sector and employment per sector in the period under review. It will also highlight on the number of new establishments against closures and jobs lost and created thereof. The report will further give details on industrial relations issues. The report will cover one-year period, from April 2019 - March 2020.

LNDC Leasehold Portfolio

The number of leasehold companies monitored by the LNDC as at March 2020 stood at 88 as compared to 85 same period previous year. The change was brought about by the following:

- 2 new establishments being and Vishan Clothing Laundry and Mon Foods.
Inclusion of (1) company, Long Chang Clothing.

The total number of monitored leasehold companies was 88.

Table 1: LNDC Assisted Companies.

Industry	Employment by end of March 2019	Number of companies	Employment as at March 2020
Garments and Textiles	42599	50	45435
Leather and footwear	944	3	1028
Agro processing	539	4	172
Building Material	380	6	338
Electronic and Engineering	942	4	1095
Printing and Embroidery	14	1	17
Automotive	643	1	583
Others	1317	14	1311
Total	47 768	88	49 979

Table 1 above gives a highlight of the LNDC assisted companies by industry and employment per industry for the period starting from April 2019 – March 2020. According to the table, 49 979 jobs were created by March 2020 as compared to 47 768 in March 2019. This registered a 4.6% increase in total employment which compensated closures of Shining Century, China River, Nanabolela Clothing, Coating Company, Shoe Zone, Glory International and Shiang Bei in 2019.

During the review period, 3 new investments were reported. These comprised of 2 new establishments (Mon Foods, Vishan Laundry) and 1 company (Long Chang Clothing) whose allocation was formalised under the LNDC portfolio. A total of 2211 new jobs were created in this period. This figure includes employment created by the new establishments and additions of staff by existing establishments.

LNDC Equity Portfolio.

In 2019/20 LNDC's equity portfolio consisted of 9 companies; 6 associate companies and 3 subsidiaries. Both subsidiaries and associates employed 1,308 people which constituted 3.2% of the total employment.

Table 3 LNDC Equity and Associate Companies

Name of company	Type	Shareholding	Status
Basotho Fruit and Vegetable Cannery	Subsidiary	100%	Non-Operational
Cashbuild	Associate	20%	Operational

Maluti Mountain Brewery	Subsidiary	51%	Operational
Lesotho Milling Company	Associate	11.1%	Operational
Loti Brick	Subsidiary	76%	Operational
Avani Maseru Hotel and Avani Lesotho Hotel	Associate	16.7%	Operational
OK Bazaars/Shoprite	Associate	50%	Operational
Lesotho Housing and Land Development Corporation	Associate	15%	Operational
Lesotho Foods	Associate	39,7%	Dormant

Industrial Relations issues.

During the period under review, the industry faced (16) unprotected strikes and (1) protected strike. The unprotected strikes took place at Ever Successful, Leo Garments, Letsema Textiles, J&S Fashions, Shinning Century, Booming Lai Teng, Loti Brick and Glory International. These strikes were mainly wage related and protesting the unusual short time as employers began to implement it due to lack of orders on account of covid-19. (1) protected wage related strike organised by NACTWU happened at Jonsson Manufacturing. (2) lockouts were implemented at Maseru E and Glory International as a response to strike. The LNDC facilitated meetings between workers and employers to resolve strikes.

During the period under review, (455) labour disputes were referred to DDPR for conciliation and arbitration and (49) labour disputes were referred to LNDC for mediation. The industry faced 2902 retrenchments and 8083 short time. The effects of covid-19 coupled with huge wage increment of 37.4% which was implemented in 2018 contributed to instability the industry is facing.

3. 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.

4. DIVIDEND

No dividend is paid or proposed.

5. 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

6. TRIBUTE TO STAFF

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

7. EVENTS AFTER 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.

An assessment of the impact of COVID 19 in the current period indicates that there are no adjusting event as at year end because of the pandemic. Following the current global pandemic (COVID19), most companies have experienced significant losses in cash flows in the period post balance sheet date, with the need to realign operations in an attempt to adapt to the current economic and physical environment called 'the New Normal' and to customer needs. The extent of the impact on different businesses has meant that, while a majority of businesses have suffered significant losses, others have exploited the situation to their advantage.

In response to the pandemic, Governments and corporate entities have put in place guidelines on operations including the need to maintain a 'social distance' at all times, in an attempt to stop its spread.

This has resulted in the design and implementation of procedures that are aimed at assessing the extent to which the entity has been exposed to losses in cash flow, the adequacy of operation in the current business sphere 'the New Normal', the effect on the adopted Going Concern Assumptions in financial reporting and the strategies adopted to respond to possible future outbreaks.

LNDC operations were put on hold for the month of April 2020 in response to the Lesotho Government lockdown restrictions. Some of the aspects of the lockdown were lifted from 05 May 2020. The pandemic continues to have a negative economic impact in Lesotho and around the world, and LNDC has not been immune to these challenges.

The pandemic however has not had a significant downward effect on the Going Concern Assumption adopted in financial reporting, even though there was a slight impact on its revenue.

In addition to adopting the 'social distance' guidelines and encouraging hand sanitization at the premises, LNDC has implemented the following responsive action thus far to reduce the operating

costs and to preserve cash resources in order to ensure the continued operation and sustainability of the company;

- Management fees planned at the same level as the current financial year;
Continuously assessing the impact of COVID 19 pandemic on its operations,
financial performance and going concern adoption in financial reporting.

8. DIRECTORS AND SECRETARY

The Directors during the year were:

Board of Directors

Chairperson	Mr. Soaile Mochaba	Term expired September 2020
Directors	Mr. Stephen Monyamane	Term expired September 2020
	Mr. Lerotholi Pheko	Term expired September 2020
	Mr. Ranale Thoahlane	Term expired September 2020
	Mrs. Puleng Lekholoane	Term expired September 2020
	Mr. Mpaiphele Maqutu	Term expired September 2020
	Mrs. Tseleng Mokhehle	Term expired September 2020
	Mr. Themba Sopeng	Term expired September 2020
	Mr. Nkareng Letsie	Term expired September 2020
	Mr. Malefetsana Nchaka	Term expired September 2020
	Mrs. Teboho Mokela	Term expired September 2020
	Mr. Mohato Seleke	Term expired November 2020
Chief Executive Officer		

Chairperson	Dr Francis Sefali	Appointed April 2021
	Mr Sello Tsukulu	Appointed October 2020
	Ms. Puleng Lekholoane	Appointed October 2020
	Mr Nchaka Makara	Appointed October 2020
	Adv Mpaiphele Maqutu	Appointed October 2020
	Mr Sehlabaka Ramafikeng	Appointed October 2020
	Mr Nkareng Alphonse Lestie	Appointed October 2020
	Mr Soaile Mochaba	Appointed October 2020
	Mr Thabang Gerald Mathibeli	Appointed October 2020
	Adv Jafta Thamae	Appointed October 2020
	Mrs. Mamotake Matekane	Appointed December 2020
Interim Chief Executive Officer	Mr. Molise Ramaili	

9. AUDITORS

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

10. 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

LESOTHO NATIONAL DEVELOPMENT CORPORATION

**STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2020**

	Note	CORPORATION		GROUP	
		2020 M' 000	2019 M' 000	2020 M' 000	2019 M' 000
Revenue	14	77 873	71 639	1 268 193	1 160 813
Cost of Sales		-	-	(537 717)	(497 269)
Gross Profit		77 873	71 639	730 476	663 544
Operating Expenses		(118 545)	(96 455)	(577 862)	(507 662)
Operating Profit	15	(40 672)	(24 816)	152 614	155 882
Other Income		17 612	11 069	17 728	11 332
Finance Income		10 718	12 337	28 288	29 570
Finance costs		(1 079)	(890)	(1 943)	(1 594)
Profit Before Tax		(13 422)	(2 300)	196 687	195 191
Dividend from subsidiaries		79 606	70 669	-	-
Dividend from Associates		-	11 902	-	11 902
Other Investments		-	2 667	-	2 667
Taxation	16	-	-	(41 025)	(33 298)
Net Income		66 185	82 938	155 662	176 462
Prior year adjustments	18	-	-	-	-
Profit(Loss) attributable :					
Owners of the Parent	100%	66 185	82 938	72 013	95 882
Minority Interest	0%	-	-	83 649	80 580

LESOTHO NATIONAL DEVELOPMENT CORPORATION

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2020

	Notes	CORPORATION		GROUP	
		2020 M' 000	2019 M' 000	2020 M' 000	2019 M' 000
ASSETS					
Non-current assets					
Property, Plant and equipment	4	33 487	33 147	366 198	366 586
Investment property	4	1 294 161	940 564	1 294 161	940 564
Intangible assets		-	-	2 210	1 383
Investment in subsidiaries	5	213 285	189 936	-	-
Investment in associates	6	67 118	71 942	84 377	85 138
Other Investments	7	30 681	33 991	30 681	33 991
Loan debtors	8	4 800	4 800	4 800	4 800
		1 643 532	1 274 381	1 432 463	1 432 463
Current assets					
Inventories	9	-	-	122 831	86 319
Accounts Receivables	10	56 151	62 341	257 281	409 527
Short term investments		90 724	163 944	90 724	164 190
Suspense Account		-	-	(940)	1 065
Taxation		-	-	-	-
Bank balances and cash		21 996	43 673	229 972	147 270
		168 871	269 957	699 868	808 371
Total assets		1 812 404	1 544 338	2 482 295	2 240 833
EQUITY AND LIABILITIES					
EQUITY					
Share capital	1	128 000	128 000	128 000	128 000
Non-distributable reserves	2	890 550	727 359	739 540	599 668
Retained income		454 392	392 084	625 548	560 677
Minority interest		-	-	185 084	188 969
Total Equity		1 472 941	1 247 443	1 678 172	1 477 314
LIABILITIES					
Non-current liabilities					
Long-term borrowings	3.1	249 822	226 671	249 822	226 671
Long-term Provisions	3.2	4 927	4 801	7 239	4 801
Long-term Liabilities		2 492	7 789	2 492	7 789
Deferred tax		-	-	(910)	2 180
Total non-current Liabilities		257 242	239 261	241 441	241 441
Current Liabilities					
Current portion long term loans		5 000	20 000	5 000	20 000
Bank Overdraft		-	-	-	-
Accrued Interest	11	2 641	2 837	2 641	2 837
Accounts payable	16	74 580	34 797	524 204	489 976
Taxation		-	-	13 635	-9 265
Total current liabilities		82 221	57 634	545 479	522 078
Total liabilities		339 426	296 895	804 123	763 519
Total equity and liabilities		1 812 404	1 544 338	2 482 295	2 240 833

LESOTHO NATIONAL DEVELOPMENT CORPORATION
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED MARCH 31, 2020

CORPORATION	Note	Share Capital M' 000	Non-Distributable Reserves M' 000	Retained Income M' 000	Minority Interest	Total M' 000
Balance March 31, 2018		128 000	636 737	306 219	-	1 070 956
Retained Income for the Year		-	-	82 938	-	82 938
Prior year Adjustments		-	-	2 927	-	2 927
Movements in Non-Distributable Reserves	2	-	90 622	-	-	90 622
Movements in Minority Interest		-	-	-	-	-
Development Grant		-	-	-	-	-
Balance March 31, 2019		128 000	727 359	392 084	-	1 247 443
Retained Income for the Year		-	-	62 308	-	62 308
Prior year Adjustments		-	-	-	-	-
Movements in Non-Distributable Reserves	2	-	163 191	-	-	163 191
Movements in Minority Interest		-	-	-	-	-
Development Grant		-	-	-	-	-
Balance March 31, 2020		128 000	890 550	454 392	-	1 427 941

GROUP	Note	Share Capital M' 000	Non-Distributable Reserves M' 000	Retained Income M' 000	Minority Interest	Total M' 000
Balance March 31, 2018		128 000	534 625	451 292	163 245	1 277 162
Retained Income for the Year		-	-	109	-	-
Prior year Adjustments		-	-	385	-	109 385
Movements in Non-Distributable Reserves	2	-	65 043	-	-	65 043
Movements in Minority Interest		-	-	-	25 724	25 724
Development Grant		-	-	-	-	-
Balance March 31, 2019		128 000	599 668	560 677	188 969	1 477 314
Retained Income for the Year		-	-	64 871	-	64 871
Prior year Adjustments		-	-	-	-	-
Movements on Non-Distributable Reserves	2	-	138 872	-	-	138 872
Movements in Minority Interest		-	-	-	(3 885)	(3 885)
Development Grant		-	-	-	-	-
Balance March 31, 2020		128 000	739 540	625 548	185 084	1 678 172

LESOTHO NATIONAL DEVELOPMENT CORPORATION
STATEMENTS OF CASH FLOW
FOR THE YEAR ENDED MARCH 31, 2020

	Note	LNDC		GROUP	
		2020 M' 000	2019 M' 000	2020 M' 000	2019 M' 000
Cash Flows from Operating Activities					
Cash Generated From Operating Activities		175 768	104 573	352 295	297 667
Interest Income		10 718	12 337	28 263	29 499
Dividend Received		76 606	85 238	76 606	14 569
Finance Cost		(1 079)	(890)	(1 943)	(1 064)
Tax Paid		-	-	(39 268)	(32 081)
Net Cash Flows From Operations	17	265 013	201 258	422 626	308 749
Cash Flow From Investing Activities					
Purchase of Property, Plant and Equipment		(3 055)	(3 829)	(59 299)	(34 148)
Sale of Property Plant and Equipment		5 724	183	5 925	2 027
Purchase of Investment Property		(375 554)	(166 833)	(375 554)	(166 833)
Movement Short-term Investment		78 043	(8 796)	78 289	(8 796)
Movement in Long term Investment		-	-	-	794
Net Cash from Investing Activities	17	(294 841)	(179 274)	(350 639)	(206 956)
Cash Flow From Financing Activities					
Increase in Long Term Loans		8 151	(24 190)	8 151	(24 190)
Intergroup Funding		-	-	190 995	(24 812)
Movement in Long Term Loan		-	-	-	-
Dividend Paid		-	-	208 627	3 586
Net Cash Flow From Financing Activities	17	8 151	(24 190)	(9 481)	(45 416)
Total Cash Movement for the Year		(21 677)	(2 206)	62 507	56 377
Cash at the Beginning of the Year		43 673	45 879	167 465	90 892
Total Cash at the End of the Year		21 996	43 673	229 972	147 270

**LESOTHO NATIONAL DEVELOPMENT CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31 2020**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.0 PRINCIPAL ACTIVITIES AND BASIS OF PREPARATION

1.1 GENERAL INFORMATION

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.

1.2 LESOTHO'S ECONOMY AND COVID-19

The spread of COVID-19, which occurred after 31 March 2020, has had a material adverse effect on the world economy. Measures taken to combat the spread of the virus have caused material economic downturn. Global commodity markets are experiencing high volatility of demand and prices.

The duration and consequences of the COVID-19 pandemic, as well as the efficiency of the measures taken are currently unclear. It is now impossible to assess reliably the duration and effect of the consequences of the pandemic on the Group's financial position and results of operations in future reporting periods.

The future economic development of Lesotho is dependent upon external factors and internal measures undertaken by the Government of Lesotho to sustain growth and to change the tax, legal and regulatory frameworks. The management believes it is taking all necessary measures to support the sustainability and development of the Group's business in the current business and economic environment. The future economic situation and the regulatory environment and their impact on the Group's operations may differ from management's current expectations.

1.3 BASIS OF PREPARATION

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 at 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 PROPERTY, PLANT & EQUIPMENT

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	20%

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.

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

2.10 CAPITALISATION OF BORROWING COSTS

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

2.11 FOREIGN CURRENCY TRANSLATION

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

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

2.12 GRANTS RECEIVED

2.12.1 By Subsidiaries:

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

2.12.2 By the Corporation:

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

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

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

2.13 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.

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

The group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised 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.

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

**LESOTHO NATIONAL DEVELOPMENT CORPORATION
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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

Credit risk

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

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

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

Fair value estimation

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

2.25 COMPARATIVE FIGURES

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

2.26 INTANGIBLE ASSETS

An intangible asset is recognised when:

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

Intangible assets are initially recognised at cost.

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

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

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

LESOTHO NATIONAL DEVELOPMENT CORPORATION

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31 2020 (CONTINUED)**

		<u>CORPORATION</u>		<u>GROUP</u>	
		<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
		<u>M'000</u>	<u>M'000</u>	<u>M'000</u>	<u>M'000</u>
1.0	SHARE CAPITAL				
	AUTHORISED				
	250 000 000 shares of M1 each	<u>250 000</u>	<u>250 000</u>	<u>250 000</u>	<u>250 000</u>
	ISSUED AND FULLY PAID				
	128 000 000 shares of M1 each	<u>128 000</u>	<u>128 000</u>	<u>128 000</u>	<u>128 000</u>
		<u>CORPORATION</u>		<u>GROUP</u>	
		<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
		<u>M'000</u>	<u>M'000</u>	<u>M'000</u>	<u>M'000</u>
2.0	NON-DISTRIBUTABLE RESERVE				
2.1	DEVELOPMENT GRANTS				
	<u>Grants from Lesotho Government:</u>				
	At beginning of year	727 359	636 737	599 667	536 625
	Received during the year	163 190	90 622	139 872	65 043
	Transferred to income statement				
	At end of year	<u>890 550</u>	<u>727 359</u>	<u>739 540</u>	<u>599 667</u>
	<u>Capital grants</u>				
	At beginning of year				
	Adjustment during the year				
	At end of year				
	Total Development grants	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
2.2	UNREALISED SURPLUS(REVALUATION)				
	Surplus on revaluation of land and buildings				
	At beginning of year				
	Movement during the year				
	At end of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

LESOTHO NATIONAL DEVELOPMENT CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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	<u>CORPORATION</u>		<u>GROUP</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	<u>M'000</u>	<u>M'000</u>	<u>M'000</u>	<u>M'000</u>
2.0 NON-DISTRIBUTABLE RESERVES (CONTINUED)				
2.3 UNREALISED SURPLUS (ACQUISITION)				
Arising on the acquisition of Subsidiaries				
At beginning of year	413	413	413	413
Movement during year				
At end of year	<u>413</u>	<u>413</u>	<u>413</u>	<u>413</u>
2.4 ATTRIBUTABLE SHARE IN ASSOCIATED COMPANIES				
Share premium	400	400	400	400
Capitalisation of accumulated profits	330	330	330	330
Capital redemption fund	400	400	400	400
At end of year	<u>1 130</u>	<u>1 130</u>	<u>1 130</u>	<u>1 130</u>
2.5 CAPITAL REDEMPTION				
Capitalised revenue reserve to finance redemption of preference Shares	4 000	4 000	4 000	4 000
	<u>4 000</u>	<u>4 000</u>	<u>4 000</u>	<u>4 000</u>

	<u>CORPORATION</u>		<u>GROUP</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	<u>M'000</u>	<u>M'000</u>	<u>M'000</u>	<u>M'000</u>
3. LONG TERM LOANS				
Loans outstanding as detailed below:	259 822	254 460	273 570	254 460
Less: Current maturities	(5 000)	(20 000)	(6 148)	(20 000)
	<u>254 821</u>	<u>234 460</u>	<u>267 421</u>	<u>234 460</u>

		<u>2020</u>	<u>2019</u>
		<u>M'000</u>	<u>M'000</u>
3.1 CORPORATION AND GROUP			
GOL World Bank Projects Funds		-	7 789
Government of Lesotho:			
IDA			
7% loan repayable in twenty yearly instalments commencing 01 July 2000			

LESOTHO NATIONAL DEVELOPMENT CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31 2020 (CONTINUED)

ADB

4% loan repayable in twenty yearly instalments
Commencing 01 July 2000

ODA 2nd line of credit

7% loan, ODA line of credit. Repayable over 25 years
commencing September 26 1996

Nedbank

Nedbank Loan

GOL LNDC 2015

2% loan repayable over fifteen years after five years moratorium

GOL – Tikoe Phase 2 – Factory Shells

Total Corporation loans

Less: Current maturities

13 151

40 000

40 000

206 671

206 671

259 822

25 4 460

(5 000)

(20 000)

254 821

234 460

3.2 Long Term Provisions

Opening balance

Additions during the year

Payments during the year

Closing balance

2020
M'000

2019
M'000

2020
M'000

2019
M'000

4 801

4 123

4 801

4123

126

678

126

678

-

-

-

-

4 927

4 801

4 927

4 801

Severance pay made in accordance

With Section 79 of the Labor Code Order of
1992

4. NON-CURRENT ASSETS

4.1 Property, vehicles, furniture and Equipment

Cost or valuation

Accumulated depreciation

CORPORATION

2020
M'000

2019
M'000

GROUP

2020
M'000

2019
M'000

33 147

52 134

384 670

366 586

340

(18 987)

(18 084)

18 084

33 487

33 147

366 586

384 670

LESOTHO NATIONAL DEVELOPMENT CORPORATION

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31 2020 (CONTINUED)**

4.2 Investment property

Cost or valuation	1 421 317	1 054 237	1 421 317	1 054 237
Accumulated depreciation	(127 156)	(113 673)	(127 156)	(113 673)
	<u>1 294 161</u>	<u>940 564</u>	<u>1 294 161</u>	<u>940 564</u>
 Net Book Value	 <u>1 307 665</u>	 <u>973 711</u>	 <u>1 307 665</u>	 <u>973 711</u>

**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 2017/2018 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 2020 (CONTINUED)

5. INTEREST IN SUBSIDIARIES

Name	Principal activity	Equity held 2020 %	Cost of equity held Directly M'000	Amounts Owing M'000	Provision attributable net losses M'000	Net Interest	
						2020 M'000	2019 M'000
5.1 ACTIVE SUBSIDIARIES							
Lesotho Brewing Company (Pty) Ltd	Brewery	51	2 040	-	-	2 040	2 040
Loti Brick (Pty) Ltd	Brick Making Plant	73.6	3 234	12 600	(12 600)	3 234	3 234
			5 274	12 600	(12 600)	5 274	5 274

2020
M'000

2019
M'000

5.2 PROVISION FOR LOSSES IN SUBSIDIARIES

Balance at beginning of year	49 705	49 705
(Decrease) /Increase in provision	-	-
	49 705	49 705

LESOTHO NATIONAL DEVELOPMENT CORPORATION

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31 2020 (CONTINUED)**

6. INTEREST IN ASSOCIATED COMPANIES	CORPORATION		GROUP	
	<u>2020</u> <u>M'000</u>	<u>2019</u> <u>M'000</u>	<u>2020</u> <u>M'000</u>	<u>2019</u> <u>M'000</u>
Shares at cost	236	236	236	236
Share of non-distributable reserves	-	-	774	800
Share of retained income	-	-	83 362	84 102
	236	236	84 372	85 138
Directors' valuation	236	236	84 372	85 138

LESOTHO NATIONAL DEVELOPMENT CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31 2020 (CONTINUED)

6. INTEREST IN ASSOCIATED COMPANIES (CONTINUED)

<u>NAME</u>	<u>Principal Activity</u>	<u>Number of shares held</u> <u>Note 1</u>	<u>Proportion Held</u> <u>%</u>	<u>Accounting period used</u> <u>Note 2</u>	<u>Cost of Equity</u> <u>M'000</u>	<u>Non distributable reserves</u> <u>M'000</u>	<u>Distributable Reserves</u> <u>31/03/19</u> <u>M'000</u>	<u>Total Interest</u> <u>M'000</u>	<u>Note</u>	<u>Total Interest</u> <u>31/03/20</u> <u>M'000</u>
CORPORATION										
Cash Build Lesotho (Pty) Ltd	Wholesalers	20	20	30.06.20	20	374	19 611	1 187		20 798
Lesotho Food Industries (Pty) Ltd	Investment in LM Co	66	39.7	31.06.20	66	-	35 574	(4 206)		31 367
OK Bazaars Lesotho (Pty) Ltd	Retailers	150	50	30.06.20	150	400	29 953	2 258		32 211
		236			236	774	85 138	(761)		84 377

NOTES

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

LESOTHO NATIONAL DEVELOPMENT CORPORATION

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31 2020 (CONTINUED)**

	<u>2020</u>	<u>2019</u>
	<u>M'000</u>	<u>M'000</u>
7. OTHER INVESTMENTS		
Unlisted equity shares:		
Lesotho Housing and Land Development Corporation	2 825	958
Avani	13 919	17 377
Lesotho Milling (Pty) Ltd	18 935	15 657
Zero coupon loan stock (RSA Govt. Bond)	-	-
	<u>30 680</u>	<u>33 991</u>

8. LONG TERM DEBTORS

CORPORATION AND GROUP

Loan debtors at varying rates of interest and repayment terms

-	-
-	-

9. INVENTORIES

GROUP

Raw materials	20 875	18 272
Finished goods and merchandise	61 053	25 106
Consumable stores	5 056	3 257
Work in progress	5 100	3 375
Retail merchandise	-	12 427
Spares	6 208	5 808
Total stocks	<u>98 239</u>	<u>68 245</u>

10. ACCOUNTS RECEIVABLE

CORPORATION

GROUP

<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
<u>M'000</u>	<u>M'000</u>	<u>M'000</u>	<u>M'000</u>
VAT	7 655	-	7 655
Realised foreign exchange losses due from -	-	-	-
Trade Receivables	28 151	57 394	33 737
Building rental	-	-	28 730
Other debtors	39 260	333 975	370 483
Provision and other debtors	(11 260)	(23 029)	(12 855)
	<u>56 151</u>	<u>368 340</u>	<u>427 750</u>

LESOTHO NATIONAL DEVELOPMENT CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31 2020 (CONTINUED)

13. COMMITMENTS	CORPORATION		GROUP	
	<u>2020</u> <u>M'000</u>	<u>2019</u> <u>M'000</u>	<u>2020</u> <u>M'000</u>	<u>2019</u> <u>M'000</u>
Capital commitments contracted for:				
- Buildings and equipment	-	-	-	-
Authorised but not committed:				
- Buildings and equipment	-	-	-	-
Total Capital Commitments	-	-	-	-

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

14. TURNOVER

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

	CORPORATION		Group	
	<u>2020</u> <u>M'000</u>	<u>2019</u> <u>M'000</u>	<u>2020</u> <u>M'000</u>	<u>2019</u> <u>M'000</u>
MMB	-	-	1 165 788	1 062 169
Loti Brick	-	-	24 535	27 005
LNDC	77 873	71 676	77 873	71 639
	<u>77 873</u>	<u>71 676</u>	<u>1 268 196</u>	<u>1 160 813</u>

LESOTHO NATIONAL DEVELOPMENT CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31 2020 (CONTINUED)

	<u>CORPORATION</u>		<u>GROUP</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	<u>M'000</u>	<u>M'000</u>	<u>M'000</u>	<u>M'000</u>
11. ACCOUNTS PAYABLE				
Trade Payables	-	-	126 016	78 173
Pay Roll Related Payables	-	3 329	-	2 762
Rental Deposits	13 581	11 260	13 581	11 260
Accruals	9 035	4 291	9 035	44 565
LRA related payables	569	601	21 341	57 706
Other payables	51 395	18 784	353 035	272 680
	74 580	38 265	536 995	428 474

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:

	<u>Limit of Guarantees</u>		<u>Exposure</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	<u>M'000</u>	<u>M'000</u>	<u>M'000</u>	<u>M'000</u>
a) <u>Corporation</u>				
Subsidiaries	-	-	-	-
Associates	-	-	-	-
Third parties	-	-	-	-
	-	-	-	-
b) <u>Group</u>				
Subsidiaries	-	-	-	-
Associates	-	-	-	-
Third parties	-	-	-	-
	-	-	-	-

LESOTHO NATIONAL DEVELOPMENT CORPORATION

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31 2020 (CONTINUED)**

	<u>CORPORATION</u>		<u>GROUP</u>	
	<u>2020</u> <u>M'000</u>	<u>2019</u> <u>M'000</u>	<u>2020</u> <u>M'000</u>	<u>2019</u> <u>M'000</u>
15. OPERATING PROFIT FOR THE YEAR				
Turnover	77 873	71 639	1 268 193	1 160 813
Cost of Sales	-	-	(537 716)	(497 269)
Gross Profit	77 873	71 639	730 476	663 544
Other Income	97 218	96 307	17 728	25 901
Operating Expenses	(118 545)	(96 455)	(577 862)	(507 662)
Operating Profit	38 934	71 491	170 342	181 784
Net Finance costs	9 639	11 447	26 345	27 977
Profit Before Tax	<u>66 184</u>	<u>82 938</u>	<u>196 686</u>	<u>121 738</u>

Stated after crediting or charging the following

Income

Profit on disposal of fixed assets	-	-	-	-
Interest received	10 718	12 337	28 288	29 570
Rents	77 873	71 639	77 873	71 639
Other income	17 612	11 069	17 728	11 332
Income from Subsidiaries and Associates - dividends	79 606	85 238	79 606	85 238

Expenses

Depreciation and amortisation of fixed assets	15 735	15 513	44 097	43 259
Auditors remuneration: Audit fees	186	181	552	559
Interest paid	10 079	890	1 943	1 594

	<u>CORPORATION</u>		<u>GROUP</u>	
	<u>2020</u> <u>M'000</u>	<u>2019</u> <u>M'000</u>	<u>2020</u> <u>M'000</u>	<u>2019</u> <u>M'000</u>
16. TAXATION				
16.1 Normal tax on current profits	-	-	41 025	33 298
Deferred tax	-	-	-	-
	<u>-</u>	<u>-</u>	<u>41 025</u>	<u>33 298</u>

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 2020 (CONTINUED)

17

	LNDC	Loti Bricks	MMB	Adjustments	GROUP	
	2020	2020	2019	2020	2020	2019
	M' 000	M' 000	M' 000	M' 000	M' 000	M' 000
Cash Flows from Operating Activities						
Cash Generated From Operating Activities	175 768	(3 530)	180 057	-	352 295	297 826
Interest Income	10 717	-	17 545	-	28 263	29 496
Dividend Received	79 606	-	-	-	79 606	14 566
Finance Cost	(1 079)	-	(865)	-	(1 943)	(1 064)
Prior Period Adjustments	-	3 674	-	-	3 674	-
Tax Paid	-	-	(39 268)	-	(39 268)	(32 081)
Net Cash Flows From Operations	265 013	144	157 469	-	422 626	308 746
Cash Flow From Investing Activities						
Purchase of Equipment	(3 054)	(846)	(55 398)	-	(59 299)	(34 148)
Sale of Equipment	5 724	201	-	-	5 925	2 027
Purchase of Investment Property	(375 554)	-	-	-	(375 554)	(166 833)
Movement Short-term Investment	78 043	246	-	-	78 289	(8 796)
Movement in Long term Investment	-	-	-	-	-	794
Net Cash from Investing Activities	(294 841)	(399)	(55 398)	-	(350 639)	(206 956)
Cash Flow From Financing Activities						
Increase in Long Term Loans	8 151	-	-	-	8 151	(24 190)
Intergroup Funding	-	-	190 995	-	190 995	(24 812)
Movement in Long Term Loan	-	-	-	-	-	-
Dividend Paid	-	-	(208 627)	-	(208 627)	586
Net Cash Flow From Financing Activities	8 151	-	(17 632)	-	(9 481)	(45 416)
Total Cash Movement for the Year	(21 677)	(256)	84 439	-	62 507	56 371
Cash at the Beginning of the Year	43 673	694	123 098	-	167 465	90 891
Total Cash at the End of the Year	21 996	438	1207 537	-	229 972	147 271

LESOTHO NATIONAL DEVELOPMENT CORPORATION

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31 2020 (CONTINUED)**

	<u>CORPORATION</u>		<u>GROUP</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	<u>M'000</u>	<u>M'000</u>	<u>M'000</u>	<u>M'000</u>
18 PRIOR YEAR ADJUSTMENT				
Consolidation Adjustment	-	-	-	-
Reallocation of Associates Gains	-	-	-	-
Assets Write off	-	-	-	-
Prior Year VAT Adjustment	-	-	-	-
	-	-	-	-

COVID-19 CONSIDERATIONS

The implementation of the national lockdown in subsequent periods has had significant impacts on the operations of the parent company, its subsidiaries, associates and other investment held in entities within the national boundaries.

Given that most of the entities in the LNDC Group provide non-essential services, the main impact of the COVID 19 pandemic stems from the curtailment of operation during the lockdown period mainly in the 2021 financial year.

Assessment of the Impact of COVID 19 in Future Periods, In the Parent Company, its Subsidiaries, Associate and Other Investments.

Assessed Impact on Future Periods for LNDC

LNDC, the holding company of the LNDC group is mainly involved in Leasing of properties (real estates). This means the main revenue stream of LNDC is rental income. The Company's properties are mainly occupied by service firms, factories, retail shops, supermarkets, financial institutions and other businesses. The significant effect the pandemic has had on businesses in general may be indicative of anticipated significant losses to LNDC in terms of rental payment for the affected and future periods and collection of rental receivables for rents not paid in periods prior to the pandemic. There may be a need for LNDC to reduce rentals in the future as businesses struggle to meet their obligations.

Assessed Impact on Future Periods for MMB

MMB a 51% subsidiary of the holding company operates in the beverage industry. This industry has experience significant losses as the pandemic resulted in the systemic ban on distribution and sale of alcohol which constitutes a significant part of their revenue. The impact on the group will constitute loss of dividend from possible loss of revenue during the lockdown and the systematic ban of their products.

LESOTHO NATIONAL DEVELOPMENT CORPORATION

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31 2020 (CONTINUED)**

Assessed Impact on Future Periods for Loti Bricks

Loti Bricks, a 76% subsidiary of LNDC has been operating with significant losses in the past years. The occurrence of the pandemic may cast significant doubts on the entity's ability to continue in existence in

the long term. Entities reporting significant losses in period prior to the pandemic might find it difficult to turn the tables around and become profitable in future periods, considering the impact of the pandemic on the general economy.

Other Impact on Associates and Other Investments

The general down turn in the economy as a result of the pandemic means most business have experienced significant losses in revenue as a result of the lockdown. This implies there will be little or no return on investment in the short term and where performance is greatly affected, in the medium and long term.

The impact on the LNDC group may be that, associates and investment may not be able to pay dividend in the foreseeable future.