Central Bank of Lesotho

Annual Report

2013

CENTRAL BANK OF LESOTHO

ANNUAL REPORT

2013

March 2014

Central Bank of Lesotho

Dr A.R. Matlanyane
Chairman & Governor

Dr M.P. Makhetha
Deputy Governor I

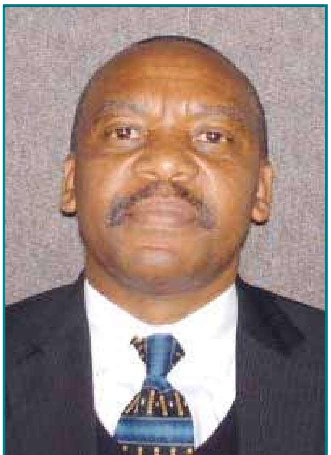
Ms M.G. Makenete
Deputy Governor II

Dr P.M. Mangoaela
Director

Mrs O. Letebele
Director

Mrs M. Rapapa
Director

Mr M. Posholi
Director



Mr S. Malebanye KC
Director

Board of Directors of the Central Bank of Lesotho

Dr A.R. Matlanyane	Executive Director and Chairman (Governor)
Dr M.P. Makhetha	Executive Director (Deputy Governor I)
Ms M.G. Makenete	Executive Director (Deputy Governor II)
Dr P.M. Mangoaela	Non-Executive Director
Mrs O. Letebele	Non-Executive Director
Mrs M. Rapapa	Non-Executive Director
Mr M. Posholi	Non-Executive Director
Mr S. Malebanye KC	Non-Executive Director

Senior Management of the Central Bank of Lesotho

Dr A.R. Matlanyane	Governor
Dr M.P. Makhetha	Deputy Governor I
Ms M.G. Makenete	Deputy Governor II
Mr S. Ntelo	Director of Operations Department
Mr M. Mphaka	Director of Supervision Department
Mr B. Phakoe	Director of Financial Markets Department
Dr T.F. Sefali	Director of Administration Department
Mr S.M. Mahooana	Director of ICT Department
Mr P.L. Mohapi	Director of Research Department
Mr B. Phakoe (acting)	Director of Corporate Affairs Department
Mr P. Letlela	Director of Finance Department
Mr P. Shale	Director of Enterprise Risk Management Department
Mrs M. Mohale	Director of Internal Audit Department
Mr M. Mthwalo	General Manager - LRCC

Middle Management of the Central Bank of Lesotho

Governor's Office

Mr B. Matsoso	Security Services

Internal Audit

Mr L. Ratia (acting)	Operational and Financial Audits
Mrs L. Rantsó	IT Audits

Information and Communications Technology

Mr M. Sekoati	Business Solutions Development
Mr T. Makula	Infrastructure and Operations
Mr R. Motjolopane	EA & IT Governance

Operations	
Mr F. Morokole	Banking Operations
Mr M. Lechesa	National Payments System
Mr J. Nts'ekhe	Currency

Administration	
Mr T. Mopeli (acting)	Human Resources
Mr T. Malataliana	General Services

Financial Markets	
Mrs M. Mochebelele	Reserves Management
Mr M. Thamae (acting)	Market Risk

Supervision	
Ms N. Sixishe	Bank Supervision
Mrs M. Mohasoa	Deposit Protection
Mrs N. Bereng	Non-Bank Financial Institutions
Mr Q. Tsóafo	Insurance and Investment Schemes

Research	
Ms L. Lephoto	International Economics
Mr M. Fuma	Statistics
Mrs S. Khoabane (acting)	Studies & Analysis
Dr M. Seleteng (acting)	Modelling & Forecasting

Corporate Affairs	
Mr T. Ntlhakana (acting)	Corporate Governance
Mr N. Rantsane	Legal Services
Mr E. Moremoholo	Public Relations

Finance	
Mrs M. Mohapi	Accounts & Budgets
Mr L. Khaka	Treasury Operations

Enterprise Risk Management	
Mr T. Mpheteng	Risk Management
Mrs M. Motebang	Business Continuity Management

Central Bank of Lesotho

Central Bank of Lesotho
P. O. Box 1184
MASERU 1OO
Lesotho

March 27,2014

Honourable Dr. Leketekete Ketso
Minister of Finance
Office of Minister of Finance
P O Box 395
MASERU IOO
Lesotho

Honourable Minister,

I have the honour to transmit the Annual Report of the Central Bank of Lesotho for the year 2013 which includes:

(a) a review of economic developments during the year; and
(b) in accordance with Section 53(1) of the Central Bank of Lesotho Act No' 2 of 20Q0 includes:

- i) the Bank's annual financial statements for the year ended December 31,2013 certified by the auditors Deloitte and Touche and Lettac'
- ii) a report on the operations of the Bank during 2013.

Yours Sincerely,

A.R. Matlanyane *(Ph.D.)*
GOVERNOR

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Part I: Financial Inclusion in Lesotho: Key Issues and Policy Responses

1.1 Background

Limited use of financial services in developing countries has become an international policy concern. During the September 2005 World Summit at the United Nations, the Heads of States concurred that there is a need for access to financial services, in particular for the poor, through micro-finance and micro-credit. Access to financial services has therefore been recognised to play an important role in economic development and poverty alleviation. According to various UN reports, many studies in this field have attempted to answer the basic question: "Why are so many bankable people unbanked?" The "bankable unbanked" are the people and firms who have the means and the needs to participate in the financial sector but are excluded from full participation. They are characterised by at least one of the following hallmarks: First, these are creditworthy entities that would be able to generate income to repay what they borrow, but do not have access to credit. Second, these are insurable entities that have the income to pay for insurance premiums on a regular basis, but do not have access to insurance. Third, they may be people who want to save and build assets and a reliable way to transfer and receive money, but do not have access to savings or payments services.

Financial inclusion refers to a process that ensures ease of access, availability and usage of the formal financial system for all members of an economy (Sarma and Pais, 2011). It entails delivery of financial services (access to payments and remittance facilities, savings, loans and insurance services) by the formal financial system at an affordable cost to the vast sections of underprivileged and low income groups. An inclusive financial system has several merits. First, it facilitates efficient allocation of productive resources and thus can potentially reduce the cost of capital. Second, it can significantly improve the management of finances. Third, it can help in reducing the growth of informal sources of credit (such as money lenders) that are in most cases exploitative. In summary, an all-inclusive financial system enhances efficiency and welfare by providing avenues for secure saving practices as well as a whole range of efficient financial services.

The Government of Lesotho (GoL) has been committed to promote and support the development and sustainability of an inclusive financial system in order to convert savings into investment and therefore support private sector development, agricultural development and promotion of exports in order to reduce poverty and ensure economic growth (MDP, 2012). Therefore, the GoL through the Central Bank of Lesotho (CBL) recognises that the scope and efficiency of the financial sector play an important role in facilitating economic and private sector growth.

1.2 Lesotho's Access to Financial Services – An Overview

The degree of financial inclusion differs among countries depending on the stage of economic and financial development. In Africa, countries experienced positive developments in access to financial services in recent decades. The recent deepening of the financial sector in Africa has therefore let to introduction of more financial services, especially credit provided to individuals and enterprises. Similarly, new technologies introduced by mobile network operators, such as mobile money (e.g. M-Pesa and Ecocash in the case of Lesotho) have helped to broaden access to financial services, including savings and payment products. Nevertheless, the financial systems of many African countries still remain under-developed as compared to other developing economies even though most of these countries have undergone extensive financial sector reforms in the last two decades.

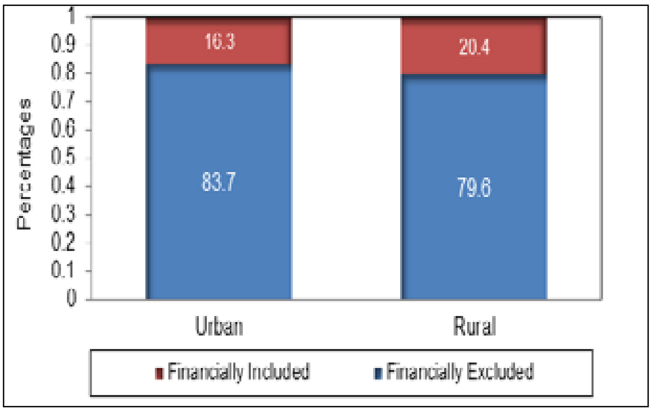
On the one hand, the formal financial sector in Lesotho is largely dominated by commercial banks. Currently, there are four commercial banks in the country three of which are subsidiaries of South African banks and while the other one is government-owned. All these four banks serve approximately 38 per cent of the adult population via 44 branches (FinScope, 2011). Table 1 depicts that financial inclusion has been improving over the years in the country. On the other hand, although the insurance sector is small in Lesotho, with seven insurance companies, its penetration is relatively high, well above the African (excluding South Africa) average of 1.1 per cent, largely attributable to popularity of funeral policies.

Table 1: Geographical Outreach

	2008	2009	2010	2011	2012
ATM's/1,000 km2	2.31	2.7	3.03	3.39	3.92
ATM's/100, 000 adults	5.77	6.65	7.34	8.08	9.17
Commercial bank branches/1,000 km2	0.92	0.96	1.42	1.45	1.45
Commercial bank branches/ 100,000 adults	2.31	2.35	3.43	3.45	3.39

Source: IMF's Financial Access Surveys (Various Publications)

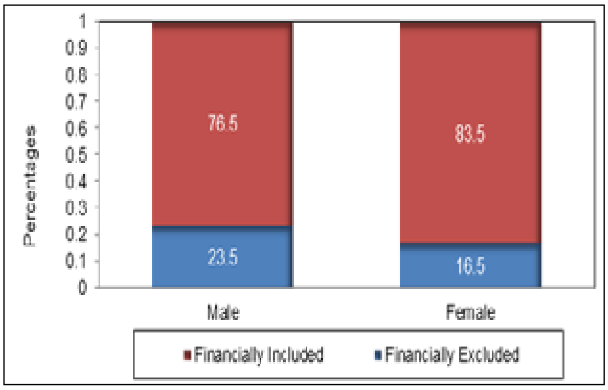
Figure 1: Financial Inclusion in Lesotho (By Area)



Source: FinScope (2011) and Author's Calculations

Figure 3 depicts the fact that there is high demand for financial services in the country and a large percentage of the population in both rural and urban areas is still without access to loans, savings, insurance and money transfer services. Furthermore, more females have access to financial services than males as depicted in figure 2.

Figure 2: Financial Inclusion in Lesotho (By Gender)

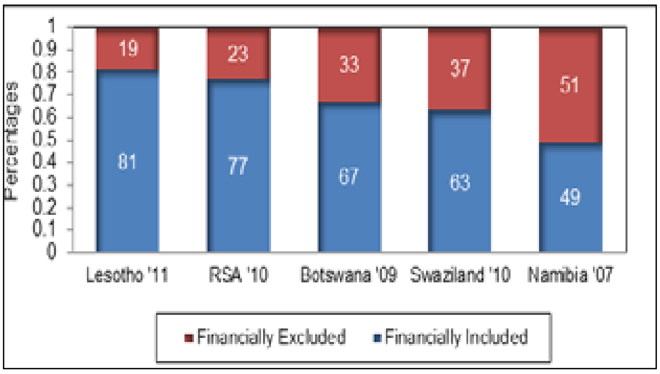


Source: FinScope (2011) and Author's Calculations

1.3 Snapshot of Financial Inclusion in the SACU Region – 2011

Indicators on the use of financial products and services by adults and enterprises in the region show that many challenges remain toward building a more financially inclusive financial sector in Africa. Lesotho is no exception. Lesotho's financial sector is relatively small and under-developed. Figure 4 depicts that 81 per cent of adult Basotho were financially included and 19 per cent were financially excluded in 2011 and this compares favourably with the entire SACU region.

Figure 4: Financial Inclusion in the SACU Region - 2011



Source: FinScope (2011) and Author's Calculations

1.4 Impediments to Financial Inclusion

Impediments to financial inclusion may be due to demand-side or supply-side constraints. The demand-side factors are those conditions that influence the decisions of people whether or not to participate in the financial system. These include:

• *Gender issues:* Access to credit is often limited for women who do not have, or cannot hold title to assets such as land and property and as such require spousal consent to enter into contracts and transact Income: There are at least two dimensions to this constraint. First income may be inadequate such that it barely covers subsistence expenses. Second income may be not be regular and often varying in amounts making it difficult to participate meaningfully or to participate at all in the financial system.

Literacy and Numeracy: Limited literacy and numeracy skills may render financial literacy close to unattainable. People thus constrained have difficulty with and, sometimes opt to avoid, the use of financial products.

• *Cost of financial services:* It has been established that the poor people living in urban and rural areas do not utilize the financial services that are available because of high costs.

• *Physical access:* Most people are not financially included due to absence of service point in their vicinity. This is especially the case with rural residents need to travel long distances to reach the closest bank branch.

The supply-side factors are conditions that influence the decisions of service providers whether or not to offer particular services. They include:

• *Information asymmetry:* This is especially true in the extension of credit service cluster where default risk has to be meticulously assessed and mitigated. Information gaps that hamper the process of risk assessment and management lead to non-inclusion.

• *Regulatory requirements:* Considerations of financial stability and regulatory compliance to that effect have necessitated financial service providers to adopt stringent disclosure requirements which if not met service is withheld. An example of this is the Know Your Customer (KYC) requirements that every client must comply with in order for financial service providers to transact with such a client.

[1] People aged 18 years and more.

• Property rights and dispute resolution environment: Financial services providers may decide not to offer some services if they feel the environment does not protect their interests.

1.5 Policy Responses

1.5.1 Government of Lesotho

The National Strategic Development Plan (NSDP) has identified the need to facilitate access to credit by removing constraints and increasing access to financial services, and exploring alternatives for mobilising financial resources.

The NSDP further highlights an intention by the GoL to improve access to financial services for the Micro, Small and Medium Enterprises (MSMEs), ensure financial stability and encourage development of low cost products that could be supplied not only by banks but also by non-bank financial services providers. To that end an Inclusive Finance Strategy (IFS) for Lesotho was developed, which among other things defines guiding principles for development of inclusive finance in Lesotho.

The GoL further implemented reforms aimed at removing some of the supply-side constraints. Promulgation of the Legal Capacity of Married Persons Act 2006 removed the gender impediment in that women who previously needed consent of their spouses to transact have been capacitated to carry out business on their own.

Promulgation of the Land Act 2010 and Land Administration Authority Act 2010 streamlined and regularized registration of fixed property enabling it to be used as collateral. In this way financial institutions were more willing to provide credit and indeed there has been a surge in private sector credit in the past three years.

With a view to remove problems associated with information asymmetry, which throttled credit extension, the GoL embarked on a civil registry overhaul program that would culminate the issuance of nation identity card for every Mosotho. This program has a further snowball effect in that it is a precursor to credit reporting registry.

Furthermore, the GoL in collaboration with the commercial banks, established the Partial Credit Guarantee Fund (PCGF) in May 2012. This fund is meant to facilitate access to finance for MSMEs by providing a partial guarantee on behalf of MSMEs that would not otherwise have access to credit without collateral.

1.5.2 Central Bank of Lesotho

Several milestones have also been achieved by the CBL in its endeavour to enable financial inclusion in the country. In its capacity as the implementing arm of the GoL in the financial sector development sphere, the Bank developed the Financial Sector Development Strategy (FSDS), which has financial inclusion as its major component. The financial inclusion component of the FSDS covers areas such as increasing effective demand via financial education, strengthening and increasing outreach of non-bank and rural financial institutions among the many.

The Bank proved agile to industry developments by developing regulatory instruments for the mobile money evolution and licencing two mobile network operators (MNOs) to carry out business in the financial sector. The Bank further licenced a credit bureau in order to improve the credit discipline and recovery environment.

Part II: World Economic Developments and their Implications for the Economy of Lesotho

2.1 Introduction

The global economic activity remained modest during the year 2013 with changing growth dynamics throughout the year. During the first half of the year, emerging markets were seen as the drivers of the world growth, while advanced countries experienced weaker performance. However, growth improved in advanced countries during the second half of the year while it slowed down in the emerging markets. This shift was mainly driven by the capital reversals from the emerging markets to advanced countries due to the uncertainty surrounding the withdrawal of the monetary stimulus by the United States Federal Reserve Bank. This caused a lot of volatility in the emerging market economies which ultimately resulted in reduced domestic demand.

The preliminary estimates from the IMF World Economic Outlook (update January 2014) indicate that world output grew by 3.0 per cent in 2013 compared with an increase of 3.1 per cent in the previous year. Advanced countries registered an increase of 1.3 per cent in 2013, a slight decline of 0.1 per cent from the previous year's figure. Economic growth in the emerging markets increased at an annual rate of 4.7 per cent compared with 4.9 per cent in 2012. Emerging market growth was mainly supported by the rebound in exports.

2.2 Industrialized Countries

2.2.1 The United States (US)

According to the IMF projections (WEO update, January 2014), the US economy grew at a slower rate of 1.9 per cent during 2013 relative to the growth of 2.8 per cent in the previous year. The growth resulted from the rise in personal consumption expenditure, private inventory investment, exports and a rebound in housing markets. The growth was, however, dampened by the fiscal consolidation in the first half of the year while in the second half of the year it took a hit from the political stand-off that led to the partial government shutdown and ultimately reduced the federal government spending. The unemployment rate declined from 8.3 per cent during 2012 to 6.7 per cent in 2013. This improvement resulted from increased availability of new jobs and a decline in labour force participation as some workers stopped looking for work and thus were not counted as being unemployed.

The annual inflation rate moderated to 1.4 per cent in 2013 from 2.1 per cent in 2012, which is below the US Federal Reserve's medium term inflation target of 2 per cent. Inflation was driven by the persistent increases in energy prices throughout the year. However, it was dampened by the lower food price increases during the second half of the year.

The Federal Reserve Bank Open Market Committee (FOMC) left the policy rate unchanged at 0.25 per cent during the review year, in support of the economic and labour market recovery. However, during the second half of the year, the FOMC announced that it would slow down its bond purchase programme (a phenomenon that has come to be known as "tapering") in January 2014 in response to an improving economic growth and labour market.
While the tapering announcement led to some bumpy headwinds in the emerging market economies, the recovery that gave rise to it is a positive sign for Lesotho's exports since most of the domestically manufactured clothing and textiles are destined to the US market.

2.2.2 The Euro Area

The Euro Area remained in recession during 2013, as it continued to struggle with weak bank balance sheets and tight credit conditions which weighed negatively on economic activity, especially in the peripheral countries. However, there had been notable signs of recovery in the two largest economies, Germany and France, while economic activity in the peripheral economies had started to slowly stabilise. According to the IMF projections, economic growth is expected to have declined by 0.4 per cent during the review period compared with a contraction of 0.7 per cent in the previous year. Factors that contributed to the economic contraction were weaker export performance due to feeble global trade.

The inflation rate, measured by changes in the Harmonized Index of Consumer Prices (HICP), fell to 1.5 per cent during 2013 relative to the 2.5 per cent registered in the previous year. The moderated rate resulted from lower fuel for transport prices while food prices had been fluctuating throughout the year. This rate continued to be below European Central Bank (ECB) medium term objective of maintaining inflation at 2 per cent. ECB reduced its policy rate from 0.75 per cent in 2012 to 0.25 per cent in 2013 in order to spur inflation as it remained below the inflation target of 2 per cent.

The fragile economic activity in the Euro Area is likely to have negative implication for Lesotho's exports of diamonds as they are traded in Europe. Reduction in exports will lead to the worsening of the current account balance.

2.2.3 Japan

Economic developments in Japan remained broadly positive as the growth momentum continued to increase. Economic activity is expected to have increased from 1.4 per cent realised in 2012 to 1.7 per cent in 2013 lifted by fiscal stimulus and monetary easing of Abenomics to support consumption and investment. The major contributors to economic growth were the rise in in domestic demand and exports.

The rate of inflation remained unchanged at zero per cent during the review period. This was despite the accommodative monetary policy implemented under the first arrow of Abenomics, whose aim was to pull the economy out of the deflation. Bank of Japan decided to leave the policy rate unchanged at zero per cent in an attempt to boost demand and ignite inflation.

2.3 Emerging Market Economies

2.3.1 South Africa (SA)

During the period under review, economic activity in South Africa continued to weaken as a result of both domestic and external shocks. The labour unrests in the South African manufacturing and mining sectors weighed on production and thus weakened export performance. Moreover, the decision to start tapering of quantitative easing by the US later in the year led to volatilities in the financial markets and hence capital reversals from South Africa to the advanced countries. Economic growth is expected to have decelerated to 1.5 per cent in 2013 from to 2.5 per cent growth in the previous year mainly due to low investment amid weak investors' confidence.

The annual inflation rate, measured by changes in the consumer price index (CPI), increased from 5.7 per cent in 2012 to 5.9 per cent in 2013, mainly due to increases in oil prices. The depreciation of the Rand against the Dollar also contributed to increased inflationary pressures.

[2] Euro Area: Austria, Belgium, Cyprus, Estonia, Germany, Greece, Finland, France, Ireland, Italy, Luxembourg, Malta, the Netherlands, Portugal, Slovakia, Slovenia and Spain.

[3] Abenomics refers to a set of economic policy measures introduced by the current Prime Minister of Japan, Shinzō Abe, following his re-election in December 2012 to resolve Japan's deflation, weak consumer spending, public debt and sluggish growth

The combination of high inflation rate and low economic growth led to the South African Reserve Bank (SARB) keeping its benchmark interest rate, the repo, unchanged at 5.0 per cent in 2013 to in a bid to support recovery.

2.3.2 China

China's economy maintained fairly strong growth during 2013, maintaining the 7.7 per cent it registered in the year's growth. This was attributed to higher exports mainly to the US and Euro Area as well as increased investment resulting from higher public infrastructure spending and private manufacturing investment. However, there were concerns about growth sustainability stemming from domestic financial fragilities.

The rate of inflation, measured by annual changes in the consumer price index (CPI), grew marginally to 2.7 per cent during 2013 from 2.6 per cent in the previous year. The rise in inflation was driven by higher food price increases during the year. The People's Bank of China MPC reduced the key interest rate to 6.0 per cent in 2013 from 6.6 per cent in the previous year in order to boost economic activity. The bank also injected liquidity in the inter-bank market in order to encourage bank lending to Micro, Small and Medium Enterprises (MSMEs).

2.3.3 India

During the period under review, India's economic growth remained high, albeit fragile at the back of global uncertainties surrounding the Fed's QE tapering in the first half of 2013, which intensified volatility in capital flows and led to weaker investment growth and domestic demand. On an annual basis, economic growth is expected to have registered an increase of 4.4 per cent compared with 3.2 per cent growth in the previous year. Growth was mainly driven by high export growth.

The average annual inflation rate increased to 10.9 per cent in 2013 from 10.4 per cent in 2012. Inflation was primarily driven by increases in food, and fuel and electricity prices. The India's Central Bank cut the key interest rate by 25 basis points to 7.75 per cent in 2013 from 8 per cent that prevailed in 2012.

Table 2:

SELECTED ECONOMIC INDICATORS, 2009 – 2013*
(Percentage changes unless otherwise)

Indicators	2009	2010	2011	2012	2013*
World Output	-0.4	5.2	3.9	3.1	3.0
Advanced Economies	-3.4	3.0	1.7	1.4	1.3
Of which:					
United States	-2.8	2.5	1.8	2.8	1.9
Euro Area	-4.4	2.0	1.5	-0.7	-0.4
Japan	-5.5	4.7	-0.6	1.4	1.7
Emerging and Developing Economies	3.1	7.5	6.2	4.9	4.7
Of which:					
Africa					
Sub Saharan	2.6	5.6	5.5	4.8	5.1
South Africa	-1.5	3.1	3.5	2.5	1.8
Developing Asia					
China	9.2	10.4	9.3	7.7	7.7
India	8.5	10.5	6.3	3.2	4.4
Consumer Prices					
Advanced Economies	0.1	1.5	2.7	2.0	1.4
Of which:					
United States	-0.3	1.6	3.1	2.1	1.4
Euro Area	0.3	1.6	2.7	2.5	1.5
Japan	-1.3	-0.7	-0.3	0.0	0.0
United Kingdom	2.1	3.3	4.5	2.8	2.7
Emerging and Developing Economies	5.2	5.9	7.1	6.1	6.2
Of which:					
Africa					
Sub Saharan	9.4	7.4	9.3	9.0	6.9
South Africa	7.1	4.3	5.0	5.7	5.9
Developing Asia					
China	-0.7	3.3	5.4	2.6	2.7
India	12.4	10.4	8.4	10.4	10.9
World Trade Volume	-10.6	12.8	6.1	2.7	2.9
(Goods and Services)					
Exports					
Advanced Economies	-11.6	12.4	5.7	2.0	2.7
Emerging and Developing Economies	-8.0	14.0	6.8	4.2	3.5
Imports					
Advanced Economies	-12.1	11.7	4.7	1.0	1.5
Emerging and Developing Countries	-8.3	14.7	8.8	5.5	5.0

Source: IMF World Economic Outlook, October 2013; and IMF World Economic Outlook Update, January 2014. *

2.4 Lesotho in the Context of Regional Economic Integration

During the review period, Lesotho continued to demonstrate strong commitment to economic cooperation through actively participating in activities of regional economic organizations, namely; the Southern African Customs Union (SACU), Southern African Development Community (SADC) and the Common Monetary Area (CMA).

Under SACU, the 4th summit of Heads of States of the member states approved the review of the five priority areas constituting the SACU work programme. These were regional industrial development policy, revenue sharing arrangement, trade facilitation, development of SACU institutions, and unified engagement in trade negotiations. Some progress was made on regional industrial development and trade facilitation and revenue sharing formula. The work programme on regional industrial development was streamlined as the central objective of the SACU work programme, while agro-processing and the automotive sector were targeted as sectors suitable for cross-border collaboration. Regarding trade facilitation, preparations began in the second half of 2013 for the launch of the regional Preferred Trader scheme in 2014. While no conclusion has been reached regarding revision of the SACU Revenue Sharing Formula and the expansion of the SACU membership, important strides were made through undertaking several studies in order to understand the pros and cons of these proposals.

SACU continued its trade negotiation with MERCOSUR and United States. Regarding the former, Argentina and Uruguay have ratified the agreement while the status for ratification of Brazil and Paraguay remained unchanged. With regard to the US, the report assessing SACU's export potential into the US has not yet been finalised while conclusions have not yet been reached regarding the future direction and technical aspects of Trade, Investment, and Development Cooperative Agreement (TIDCA).

Significant progress was made on the establishment of a SADC Free Trade Area under the SADC Trade Protocol which came into operation in 2000. Much of this has been driven by SACU's offer of tariff-free access to the other SADC member states. However, SADC has not progressed beyond FTA as there are still outstanding challenges to be addressed. These include the fact that some members of SADC have not yet joined the FTA and that the SADC economies are not exposed to similar shocks implying that the establishment of the FTA may take a long time to materialise.

In terms of the establishment of SADC monetary union, progress is underway in terms of developing a clear roadmap for the achievement of a monetary union as well as assessing its costs and benefits. Notable progress relating to SADC integration in 2013 included the on-going mid-term review of the SADC Regional Indicative Strategic Development Plan (RISDP), the finalisation of the Industrial Development Policy Framework for the region, the implementation of the Regional Infrastructure Development Master Plan and the hosting of a SADC Regional Infrastructure Investment Conference in Mozambique in June 2013. A decision was also made to renegotiate the Protocol on the SADC Tribunal which would have limited jurisdiction and fewer powers.

Progress on the Tripartite Free Trade Area (T-FTA) between member states of the Common Market for Eastern and Southern Africa (COMESA), the EAC and SADC was slow in 2013. While the meeting of the Tripartite Trade Negotiations Forum that took place in Uganda in October 2013 made some progress in a number of areas including sanitary and phytosanitary standards (SPS) and technical barriers to trade (TBT), little progress was made on the crucial issue of tariff liberalisation, as a number of countries were not ready to present tariff offers. Rules of origin also remained an important aspect in the negotiations.

Various EPA negotiations took place between the EU and Africa's regional groupings during 2013. Notably, negotiations on issues regarding agricultural market access continued as SADC and the EU agreed on the principles of establishing a specific agricultural safe guard in conjunction with SACU's agreement, with the intention of revising upwards the market access offer on agricultural goods. Little progress was however made in negotiations issues relating to market access, rules of origin, trade-related measures.

2.5 Commodity Price Developments

2.5.1 Gold Prices

During the review period, the price of gold declined by 15.4 per cent to US$1 485 per ounce relative to an increase of 6.3 per cent in 2012. The slowdown resulted from the uncertainties surrounding the removal of the United States monetary stimulus, which led to a decline in demand for gold as a safe haven. Many investors purchased gold as a hedge against a weaker U.S. dollar and inflation, two risks associated with the accommodative monetary policies. Thus, the scaling back of monetary easing reduced demand for gold and consequently the prices. Demand for gold remained strong however, in two largest consumers China and India. In Maloti terms, the average price of gold fell by 1.0 per cent to M13 568 per ounce compared with a rise of 19.8 per cent in 2012.

2.5.2 Oil Prices

The average price of oil declined by 2.8 per cent to US$106 per barrel during 2013 compared with an increase of 2 per cent in the previous year. The deterioration resulted from increased production by the non-OPEC countries such as United States, Russia and China, which led to an increase in the world output of oil. Furthermore, weakening demand for heavy machinery and a fall in energy demand worldwide exacerbated the decline.

In Maloti terms, the annual average price of crude oil increased by 13.8 per cent to M1 022 per barrel compared with an increase of 15 per cent in 2012. This increase resulted from the high depreciation of the Loti during the review period led by volatilities in the South African financial market which saw capital reversals to the advanced countries.

In response to the global developments in petroleum products, there were several upwards revisions of fuel prices in the Lesotho economy in 2013. Price of petrol in Lesotho closed the review year at M11.65 per litre, while that of diesel and illuminating paraffin closed the year at M12.70 per litre and M9.50 per litre, respectively. These compare with M10.75 per litre of petrol, M11.35 per litre of diesel and M8.50 per litre of illuminating paraffin in 2012.

2.5.3 Platinum Prices

The annual average price of platinum declined by 4.4 per cent to US$1 485 per ounce during the year 2013 relative to a fall of 9.7 per cent registered in 2012. The fall was attributed to lower production of vehicles, which led to reduced demand for platinum as it is used in the vehicle production process. The decline in price was dampened by reduced platinum production as a result of industrial actions at South Africa's platinum mines, the largest producer of platinum in the world, which tended to increase prices.

In Maloti terms, the average price of platinum increased by 11.6 per cent to M14 238 from an increase of 2.6 per cent in 2012 on account of depreciating Rand.

2.5.4 Maize Prices

In the period under review, the average spot price of white maize declined by 19.0 per cent to US$238 per tonne while that of yellow maize fell by 20.5 per cent to US$233 per tonne. These compare with an increase of white and yellow maize by 13.1 per cent and 11.8 per cent, respectively. The decline was ascribed to increased supply by the key producing countries due to good harvest.

2.5.5 Wheat Prices

The average spot price of wheat increased by 10.6 per cent to US$343 per tonne during the year 2013 compared to a decline of 0.9 per cent in the year 2012. The price increase resulted from high demand for wheat to meet livestock feed needs as well as lower supply due to unfavourable weather conditions, which led to reduced harvest. In Maloti terms, the spot price of wheat increased by 29.1 per cent to M2 249 per tonne compared with a 13.2 per cent increase registered in the previous year.

3.1 Real Sector Developments

3.1.1 Trends in Output and Income

Growth in domestic output was estimated to have slowed down in 2013 following a robust expansion in 2012. Real GDP growth was estimated at 3.0 per cent in 2013 compared with the 6.5 per cent growth in 2012. This mainly reflected the varying patterns of subdued performance in all the main sectors of the economy. Primary sector output declined by 0.03 per cent in 2013 compared with an increase of 9.0 per cent in the previous year. The secondary and tertiary sectors grew by 4.7 per cent and 3.1 per cent, respectively in 2013 compared with respective growth rates of 6.5 per cent and 5.7 per cent, in 2012.

The performance of the primary sector deteriorated due to the weak performance of the mining and quarrying sub-sector. In the secondary sector weaker performance was mainly observed in the building and construction sub-sector. The tertiary sector grew at a lower rate due to contractions in the growth of wholesale and retail, repairs, restaurants and hotels, transport and communications, and health and social work sub-sectors.

Real Gross National Income (GNI) was estimated to have grown by 2.0 per cent in 2013 compared with 13.6 per cent in 2012. GNI per capita was estimated to have grown by a lower rate of 1.6 per cent compared with 13.3 per cent in 2012.This mainly reflected deterioration in net factor income from abroad, which was mainly due to a decline in migrant mineworkers' remittances and commercial banks' interest earnings.

Table 3: AGGREGATE ECONOMIC INDICATORS
(Percentage Change, 2004 = 100)

	2009	2010	2011	2012	2013*
GDP	3.4	7.1	2.8	6.5	3.0
GNI	1.3	3.7	-1.4	13.6	2.0
GDP Per Capita	3.1	6.8	2.6	6.2	2.7
GNI Per Capita	1.1	3.5	-1.6	13.3	1.6

Source: Bureau of Statistics
* CBL Projections

3.1.2 Sectoral Performances

(a) Developments in the Primary Sector

The primary sector output contracted by 0.03 per cent in 2013 compared with the growth of 9.0 per cent in 2012. This weak performance was attributed to the decline in the mining and quarrying sub-sector's production. The increased performance of the agriculture, forestry and fishing sub-sector minimized the contraction of the primary sector.

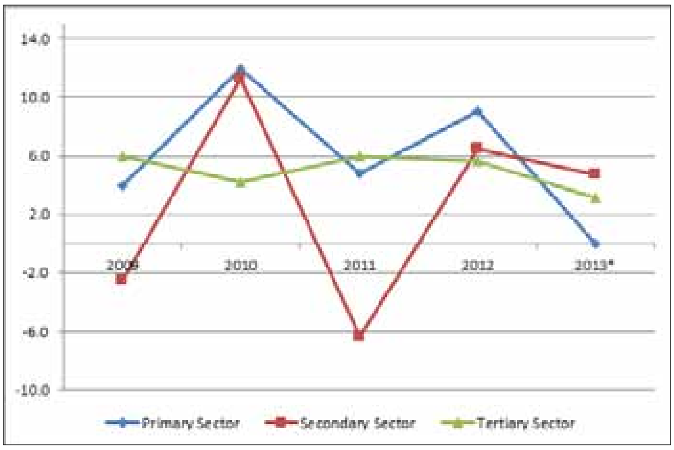
The agriculture, forestry and fishing sub-sector grew at an estimated rate of 3.6 per cent in 2013 compared with 0.8 per cent in the previous year supported by a significant increase of 11.6 per cent in the growing of crops category. The growing of crops sub-sector benefited from agricultural support by government, through which farmers were subsidised with seeds and fertilizers. In addition, farmers were given training on conservation practices which helped improve soil conditions and agricultural yield. Nonetheless, a much higher improvement could have been realized if crops had not been destroyed due to the armyworm outbreak that affected some parts of the country.

Weather related damages to crops were also suffered. These included the hailstorm that destroyed crops in some parts of Maseru and the dry spells experienced in some areas in the Southern lowlands. The farming of animals' category was estimated to have grown at a lower rate of 0.4 per cent in 2013 compared with 3.28 per cent growth in 2012 as the stock of animals had fallen mainly on account of stock theft.

The mining and quarrying sub-sector registered a decline of 4.4 per cent in output during the period under review compared with a robust growth of 20.8 per cent in 2012. Production by different mines declined for varying reasons. The major impact came from the Mothae mine, which ended its trial phase in October 2012 and had not been operating since then. Lucara Diamond Corp, a company that owns 75.0 per cent of Mothae mine is reviewing development options for Mothae. One of the major challenges for resuming production was insufficient supply of electricity. This implied high production costs when alternative energy sources, mainly diesel powered generators were to be used to supplement the inadequate electricity supply. In addition, Letšeng mine temporarily stopped production in the first quarter of 2013 due to installation of cone crushers, which were intended to reduce diamond breakage. Similarly Liqhobong mine temporarily stopped operations in October 2013 in preparation for the installation of a new plant. Supply side hindrances aside, the mining sector could have performed better as market conditions remained favourable as indicated by high diamond priced realised during the period under review. In particular, Letšeng realized a 5.7 per cent higher average US$ per carat price in 2013 than in 2012, indicating favourable market conditions. The depreciated exchange rate also boosted export earnings in Maloti terms, hence profitability of the sector.

Figure 5: Sectoral Real Growth Rates

(Percentages)



Source: Bureau of Statistics

*CBL Projections

(b) Developments in the Secondary Sector

The Secondary sector, which comprises manufacturing, electricity and water as well as building and construction sub-sectors, was estimated to have grown by 4.7 per cent in 2013 following an increase of 6.5 per cent in 2012. This slowdown was mainly attributed to the contraction of the building and construction, and water and electricity sub-sectors, while manufacturing sub-sector improved compared to the previous year.

Lesotho's manufacturing sub-sector comprises food products and beverages, textiles, clothing, footwear and leather, and other manufacturing. The sub-sector's performance improved in 2013 registering a growth rate of 1.9 per cent compared with a decline of 3.9 per cent in 2012. A major improvement was observed in the textiles and clothing manufacturing industry, which benefited from the depreciation of the Loti against the US dollar during 2013. In addition, orders from US retailers increased as a result of the renewal of the Third Country Fabric Provision (TCPF) in September 2012 following a slump in 2012 that was caused by the uncertainty that ensued in the period leading to its expiry. Manufacturing of food and beverages was estimated to have declined at a rate of 1.4 per cent in 2013 compared with 0.8 per cent in 2012 and other manufacturing was estimated to have declined at a rate of 2.1 per cent compared with 4.0 per cent in the previous year.

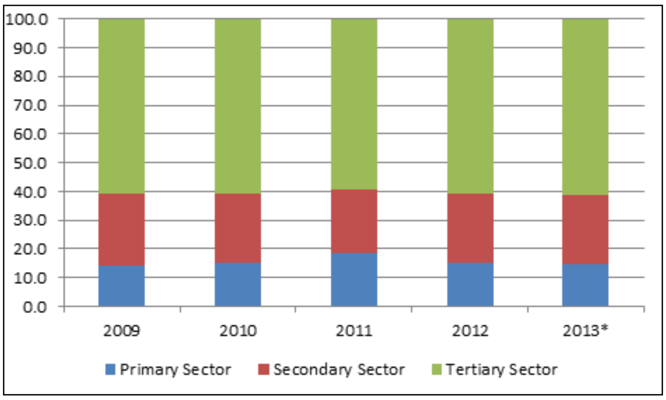
The building and construction sub-sector was estimated to have expanded by 11.3 per cent in 2013 compared with a growth rate of 34.4 per cent in 2012. The slowdown was attributed to low construction activity in 2013 following completion of some major projects in 2012, which included, construction of a shopping mall, extension of another mall and some MCA related projects. Nonetheless, some building and construction activity continued during the year. These included the construction of rural and urban roads, residential property development, construction works related to the Metolong dam and factory shells at the Tikoe industrial site.

The electricity and water sub-sector was estimated to have grown at the rate of 1.8 per cent in 2013, which was lower than the 3.7 per cent increase registered in 2012. The contraction was attributed to a slower rate of growth in the water sub-sector. The water sub-sector was estimated to have increased by 0.5 per cent in 2013 compared with 5.5 per cent in 2012. This was despite the recovery of the textiles and clothing industry, which is one of the major consumers of water in the country and reflected stabilization following a surge that was fuelled by the increase in residential and real estate structures in 2012.

(c) Developments in the Tertiary Sector

The tertiary sector is estimated to have increased at a lower rate of 3.1 per cent in 2013 compared with 5.7 per cent in 2012. This deceleration was at the back of a slowdown in wholesale, retail trade and repairs, restaurants and hotels, health and social work, post and telecommunications, and transport and communications sub-sectors. Wholesale and retail trade was estimated to have grown at a rate of 2.1 per cent in 2013 compared with 12.3 per cent in 2012 reflecting stabilization of the sub-sector after surging in 2012 as new shops commenced operations at the shopping mall that was opened and the other one that had expanded.

Figure 6: Sectoral shares in GDP at Factor cost (Percentages)

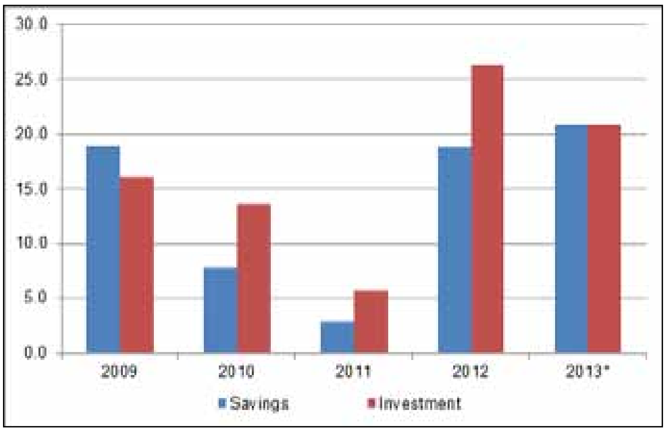


Source: Bureau of Statistics
*CBL Projections

3.1.3 Savings and Investment

Gross national savings was estimated at 20.8 per cent of GNI in 2013, an improvement from 18.8 per cent of GNI in the previous year. The private sector and government contributed to the observed increase in savings. The increase in government savings was in line with the fiscal surplus in the review year. Gross national investment was estimated to have decelerated to 20.8 per cent of GNI in 2013 compared with 26.3 per cent in 2012 due to a slowdown in both the government and private investment in 2013. The saving-investment gap had narrowed to 0.02 per cent in the year under review compared with negative 7.4 per cent registered in the previous year. The improvement resulted from higher national savings relative to national investment in 2013.

Figure 7: Savings and Investment
(As a present of GNI)



Source: Bureau of Statistics
*CBL Projections

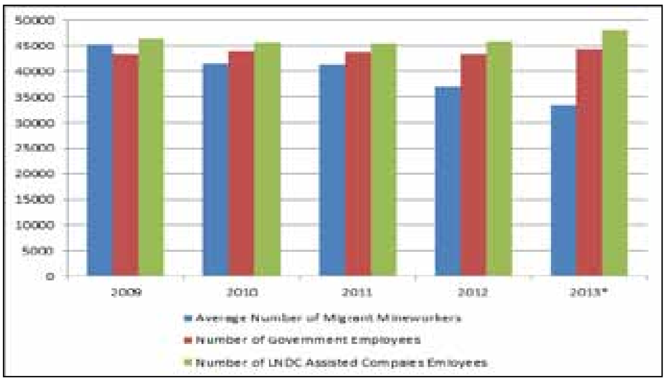
3.2 Employment, Wages and Prices

3.2.1 Employment

Some improvement was observed on the employment by LNDC assisted companies in 2013. It increased to 47,971 employees in December 2013 from 45,877 employees in December 2012. This was in line with increased production activity in the manufacturing sub-sector, especially textiles and clothing. The renewal of the TCFP in September 2012 eliminated the uncertainty among US's retailers about Lesotho as a reliable supplier of quota and duty free textiles and clothing products to the US market. Consequently the orders received by the domestic producers from the US retailers increased in 2013 compared to 2012, contributing to the surge in employment. In addition, the sector expanded as two new knit garment firms started operations in the year under review
.

Employment by the public sector increased by 2.2 per cent in 2013 from 43,282 employees at the end of December 2012 to 44,234 employees at the end of December 2013. All the categories of public sector workers except daily paid workers registered increments during the review year. The most significant increase was observed in the category of armed forces, which increased by 4.6 per cent while the number of teachers and civil servants recorded increases of 2.4 per cent and 1.2 per cent, respectively. This increase follows two consecutive years of declines and mainly reflected the attempt to fill some of the positions that became vacant.

Figure 8: Average number of Basotho Mineworkers in SA, Government Employees and LNDC-Assisted Companies' Employees



Source: The Employment Bureau of Africa (TEBA), Lesotho National Development Corporation, Ministry of Finance

The number of Basotho migrant mineworkers declined to 33,513 employees in December 2013 from 37,051 registered in December 2012. This represented a decline of 9.5 per cent compared with 10.6 per cent in 2012. The number of Basotho migrant mineworkers continued to decline despite increased employment in the SA mining sector during the year under review. This was an indication that more South African citizens took employment in the mining industry, which they previous regarded as inferior.

3.2.2 Wages

The general minimum wage as determined by Lesotho's Wage Advisory Board increased by an annual rate of 7.0 per cent during the review period, lower than the 10.0 per cent effected in 2012. The transport sector realized a lower increment of 6.0

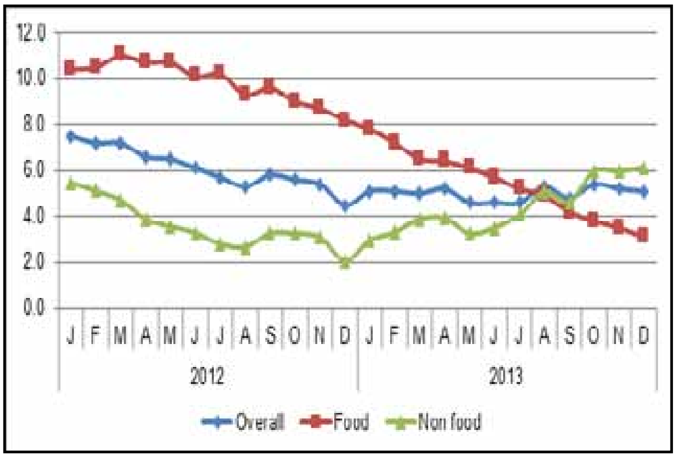
per cent. The minimum wage for textiles, clothing and leather manufacturing sector was increased by 7.0 per cent in 2013 compared with 9.0 per cent in 2012. The increase of the minimum wage manufacturing workers was intended to minimize the effects of inflation on the workers' purchasing power. The government reviewed salaries of civil servants during the review period in an effort to increase the morale, productivity and reduce the disparities between the low and highly paid public officers. In addition to the reviewed salaries, government employees' salaries were increased by 6.0 per cent in the 2013/2014 fiscal year.

3.2.3 Price Developments

The rate of inflation, measured as the percentage change in the Consumer Price Index (CPI), slowed down to an average of 5.0 per cent in 2013 from 6.1 per cent recorded in 2012. Inflation opened the year under review at a rate of 5.1 per cent in January and fluctuated throughout the year to close at the same rate of 5.1 per cent in December. The deceleration in average annual inflation was due to a slowdown in food prices, which carries the biggest weight in Lesotho's CPI. According to Food and Agricultural Organization (FAO) the global food price and cereal price indices declined by 1.6 per cent and 7.2 per cent respectively between 2012 and 2013. This was mainly due to the increase in global supplies following record high harvest of cereals in 2013, which continued to exert a downward pressure on the international prices of oils, sugar and maize in particular. Despite the moderation in the annual average inflation rate, significant inflationary pressures still existed in the housing, electricity, gas and other fuel, and transport services categories. The surge in the inflation rate of these categories emanated from the upward revision in the domestic pump prices of petrol, diesel and paraffin in response to the high international prices of crude oil coupled with the depreciation of the Loti against the Dollar during the review year.

The inflation rate in South Africa (SA) averaged 5.8 per cent in 2013. This is explained by differences in the respective consumer baskets, particularly relating to the category of food and non-alcoholic beverages. Lesotho's inflation rate has been lower than that of SA for the whole of 2013, though moving in the same direction.

Figure 9: Lesotho Consumer Price Index (Annualized Percentage Changes)



Source: Bureau of Statistics

3.3 Balance of Payments (BOP)

NOTE 1: CHANGES IN LESOTHO'S BALANCE OF PAYMNETS STATISTICS

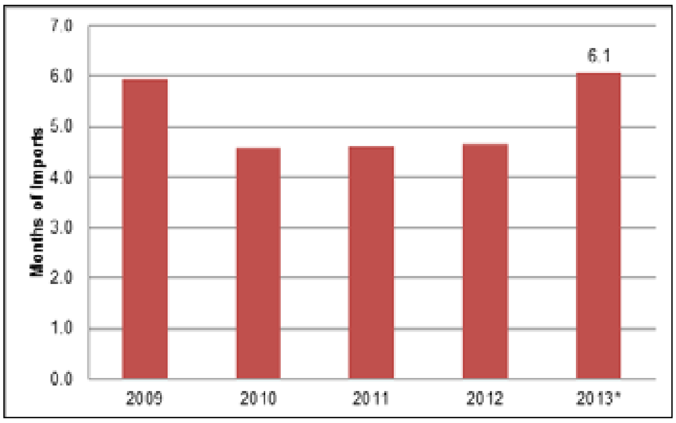
This note serves to draw attention of the readers to the changes that have been effected within the Balance of Payments (BOP) published below compared with data used in the 2012 annual report. This year's report has incorporated data from the annual Foreign Private Capital Flows (PCF) survey reports starting with 2005 data to present. Actual data covers 2005 to 2010 while 2011, 2012 and 2013 have been estimated based on historical trends. The Central Bank of Lesotho has been conducting such surveys to improve data quality and enhance coverage of external sector statistics based on BOP manuals 5 and 6.

The inclusion of PCF statistics has thus affected data on the current account and financial account of the Balance of Payments Statement. On the current account, notable revisions were made on income account, particularly on payments for dividends. The revision also affected the services account, though marginally. From the service account, affected sub-accounts were payments for financial services, computer and information services, and royalties and license fees services acquired abroad. On the capital and financial account, revisions were made on direct investment in Lesotho and portfolio investment.

3.3.1 Overall Balance

Preliminary estimates indicate that Lesotho's external sector position continued to improve in 2013. The overall Balance of payments (BoP) surplus rose to 11.3 per cent of GDP in 2013 from a surplus of 6.4 per cent in the previous year. This was mainly driven by an improvement in the current account balance, specifically an increase in current transfers as a result of a substantial increase in SACU receipts. The surplus was further supported by improved trade balance, an increase in income account balance and the depreciation of the local currency, the Loti against major world currencies. However, the observed performance was dampened by the net outflow in the services account. The transactions balance registered a surplus estimated at 8.4 per cent of GDP in 2013 up from a surplus of 4.2 per cent of GDP in the previous year. In months of import cover, gross official reserves increased to 6.1 months of imports in 2013, compared to 4.7 months of imports in 2012. The increase was supported by a higher overall fiscal surplus in 2013, which allowed government to build up its deposits and thus an increase in reserves.

Figure 10: Reserves in Months of Import



*** Preliminary estimates**

Table 4: Summary of Balance of Payments (as a percentage of GDP)

	2009	2010	2011	2012	2013*
Current Account	3.6	-7.5	-6.1	-10.2	-1.9
Goods	-48.3	-50.2	-39.5	-54.1	-46.7
Services	-22.0	-18.3	-16.9	-16.4	-13.4
Income	32.6	30.3	25.6	22.9	21.0
Current Transfers	41.2	30.7	24.7	37.3	37.5
Capital and Financial Account	5.0	-2.2	8.9	16.2	7.5
Transactions Balance	3.5	-6.0	-0.7	4.2	8.3

*** Preliminary estimates**

3.3.2 Current Account

The current account deficit narrowed to 1.9 per cent of GDP in 2013 from 10.2 per cent of GDP in 2012. An improvement in the current account deficit emanated from the narrowing of the trade deficit, an increase in current transfers as well as higher receipts of income from abroad. However, higher payments for services acquired abroad slightly dampened the performance of the current account.

The narrowing of the trade deficit reflected a rise in exports and the slower growth of imports for the year under review. Exports grew by 2.3 per cent in 2013 following a decline of 5.4 per cent in 2012. Export growth was mostly driven by a 6.4 per cent increase in textile and clothing exports against a decline of 3.1 per cent in the previous year. Textile and clothing exports benefited from a recovery in orders by the US based buyers following extension of the Third Country Fabric Provision (TCPF) in 2012 and a favourable Loti/US dollar exchange rate. Exports of diamonds fell marginally due to capacity constraints stemming from electricity supply, which impacted negatively on the operations of the mines. The low supply of electricity meant that some mines could not proceed with their expansion plans. For instance, Mothae diamond mine was not able to resume production for the whole of 2013 after ending its trial phase in October 2012, mainly due to insufficient electricity supply. Liqhobong diamond mine also suspended production in October 2013, while it continued to look for alternative funding sources for the construction of the main treatment plant and supporting infrastructure.

Despite these challenges, the discovery of exceptional diamonds at Letšeng diamond mines continued to support the sector hence the impact of the ailing mines were mildly felt by the sector. The sector was also cushioned by the favourable exchange rate of the Loti against major currencies. Merchandise imports fell by 1.8 per cent in 2013 against an increase of 18.4 per cent in the previous year. This was mainly driven by a slowdown in imports associated with the Millennium Challenge Account (MCA) project, which ceased its operations towards the end of 2013.

Net Current transfers rose by 11.9 per cent in 2013, following an increase of 60.2 per cent in 2012 as a result of larger SACU receipts. As a share of GDP, SACU receipts registered 27.9 per cent in 2013 compared with 26.6 per cent in 2012. The income account benefitted from larger returns on the Central Bank of Lesotho's assets held abroad following an increase in the size of the Bank's portfolio. Moreover, lower payments to direct investors in Lesotho and an increase in LHDA receipts for operational costs supported the observed improvement of the income account. However, increases in payments for services acquired abroad, exerted a downward pressure on the current account balance. The increase was largely driven by higher payments for telecommunications services.

BOX 1: HOW IS THE LESOTHO CURRENT ACCOUNT DEFICIT FINANCED?

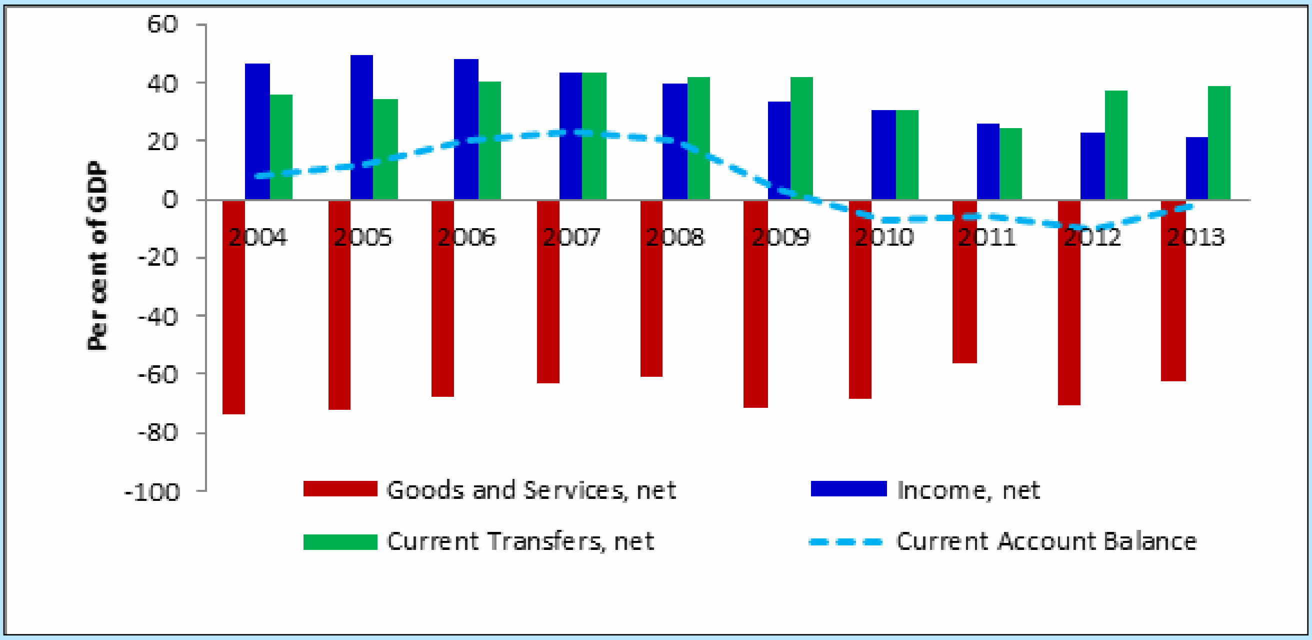
Introduction

Lesotho's current account balance has been in deficit from 2010 to 2013, following many successive years of current account surpluses. The reason for this turnaround was that at the wake of the 2008 global financial and economic crises, the country's most important source of income, Southern African Customs Union (SACU) revenue declined significantly. At the same time, exports stagnated due to subdued demand from Lesotho's major trading partners, putting further pressure on government deposits and foreign reserves. Labour income has been falling steady due to the declining number of mineworkers in RSA over the years. Below is a brief overview on how Lesotho's current account deficit is financed.

The Current Account

The current account comprises of the trade account (Exports and Imports of goods and services), the income account and the current transfers. The figure below shows the current account balance and its components as a share of GDP. The trade balance takes the largest share of the current account followed by the net transfers' balance, which is considerably high in Lesotho given the revenue inflows of that arise from the South African Customs Union (SACU) arrangement. The net income also takes a substantial share of the current account, though it has been declining in recent years as a result of declining remittances from Lesotho's migrant mineworkers in the South African mines

Figure 1: Components of Current Account



Financing of the Current Account Balance

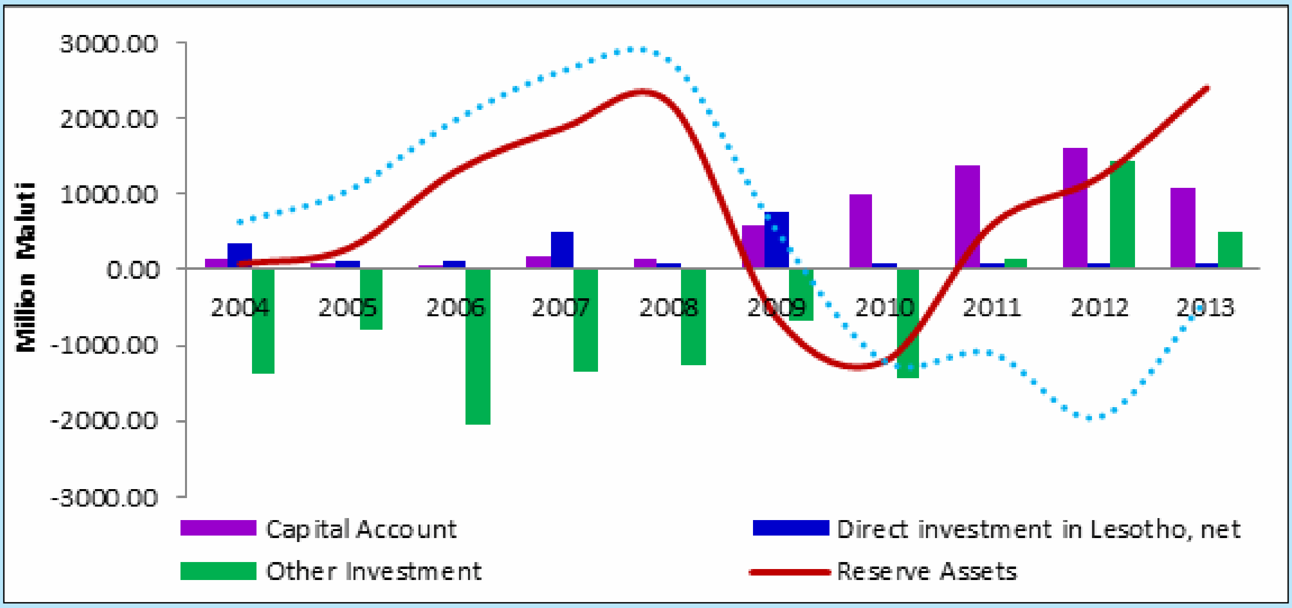
A current account deficit can be financed by the following capital and financial account

inflows:

- **Capital transfers i.e. capital grants to government**
- **Foreign direct investment**
- **Accumulation of foreign debt**
- **Drawing down of foreign reserves**

Prior to 2010, Lesotho's current account balances were in surplus. Thus capital and financial account inflows contributed to the building up of foreign reserves. However, in 2010, in the aftermath of the global financial and economic crises, the above listed financing items could not fully cover the current account deficit. Hence foreign reserves were drawn down to finance the current account deficit which was estimated at 7.5 per cent of GDP. In 2011, 2012 and 2013, the capital and financial account inflows were large enough to cover the current account deficits while at the same time allowing for accumulation of reserves. Reserves were accumulated by M588.75, M1 221.23 and M2 400.82 in 2011, 2012 and 2013, respectively. The performance of reserves indicated that the country had fully recovered from the crisis, supported by government's commitment to fiscal consolidation during these years.

Figure 2: Current Account Financing



3.3.3 Capital and Financial Account

The capital and financial account deteriorated as a result of lower net inflows registered in the year under review. It recorded a lower surplus of 7.8 per cent of GDP in 2013 compared with a surplus of 16.2 per cent of GDP recorded in 2012. The lower surplus resulted from a decline in both the capital and the financial account inflows. The capital account inflows fell to 5.1 per cent of GDP in 2013 in contrast with 8.4 per cent of GDP realised in the previous year. The decline was ascribed to the winding down of major capital projects financed through the MCA, which completed its operations towards the end of 2013. The financial account recorded lower net inflows equivalent to 2.7 per cent of GDP relative to the 7.7 per cent of GDP registered in 2012. The narrowing of the financial account surplus emanated from an increase in commercial banks' assets abroad. Commercial Banks' assets increased by M1.1 billion maloti in contrast to a drawdown of M821.4 million maloti in the previous year. Moreover, a fall in the government's net borrowing from abroad and an increase in interest payments for the government's foreign borrowing led to a reduction in financial inflows.

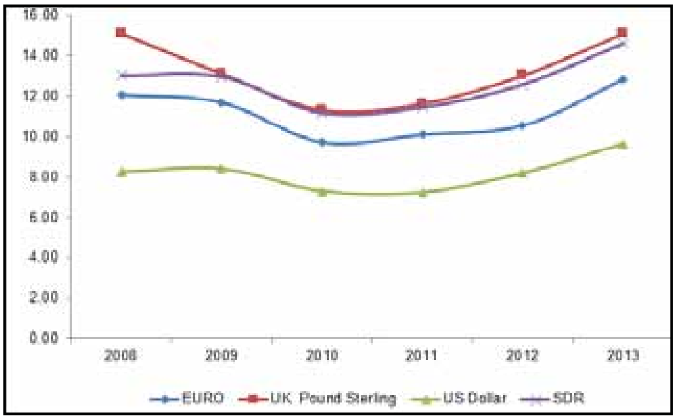
3.3.4 Foreign Exchange Rates

The Loti, which is fixed at par to the South African (SA) rand, continued to weaken against currencies of the major trading partners during the year under review. The deterioration of the Loti/Rand was driven by a combination of factors, which negatively affected SA's capital inflows and thus led to the weakening of the rand. For the larger part of the year, SA experienced labour unrests from some sectors of the economy. This led to loss of confidence by the investors and as a result reduced capital inflows. In addition, the uncertainty surrounding the scaling back of quantitative easing in the US and the decision to start cutting down on bonds purchasing from January 2014 resulted in further capital reversals in emerging markets. This led to depreciation of the Loti/Rand exchange rate as investors' confidence in the US market was restored leading to further capital outflows from SA.

In nominal terms, the local currency depreciated by an annual average of 17.1 per cent against the US Dollar in 2013 following a depreciation of 13.1 per cent observed in 2012. It depreciated by 16.0 per cent against the Pound Sterling in 2013 compared with 11.9 per cent depreciation in the previous year. Against the Euro, it depreciated by 21.6 per cent in 2013 compared with 4.5 per cent in 2012. For the SDR, it depreciated by 16.2 per cent in 2013 compared with 9.8 per cent depreciation in the previous year.

The Loti closed the review year at M10.51 and M14.47 per US Dollar and Euro, respectively. Against the Pound sterling and SDR, it stood at M17.37 and M16.19, respectively. Though the depreciation of the Loti is beneficial to the export sub-sector, it poses an upside risk to the inflation outlook.

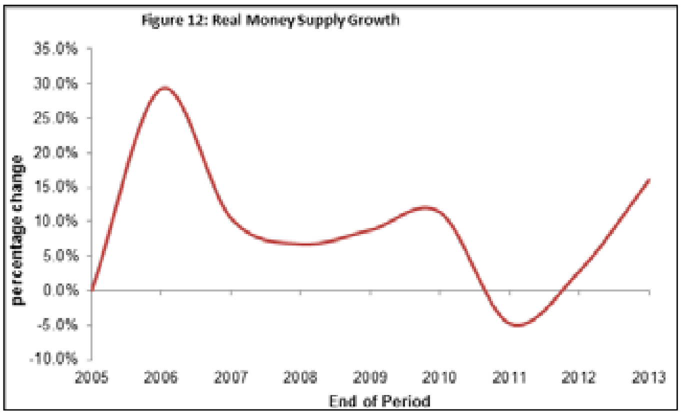
Figure 11: Nominal Exchange Rate of Loti/Rand against the Major Currencies (Annual Averages)



3.4 Money and Banking

3.4.1 Money Supply

Money supply in nominal terms expanded further by 21.2 per cent in December 2013 following a 7.3 per cent growth in December 2012. This growth in money supply was at the back of a 20.6 per cent increase in domestic credit excluding net claims on government and a 26.6 per cent growth in net foreign assets. Real growth in money supply, measured as the difference between change in M2 and change in CPI, also registered a 16.1 per cent increase at the end of 2013 following a 2.8 per cent increase during the previous year. This was on account of acceleration in nominal money supply that outweighed the moderate increase in inflation.



Source: CBL Monetary Survey, December 2012

The rise in money supply can also be observed through the movements in its components. There was a 14.7 per cent rise in M1 following a 24.1 per cent surge recorded in the previous year. This increase in M1 was mainly due to a 24.0 per cent surge in currency in circulation and 12.1 per cent rise in transferable deposits. Quasi money recovered from a 4.8 per cent decline recorded at the end of 2012 to a 27.3 per cent increase in December 2013.

3.4.2 Domestic Credit

Domestic credit including claims on government declined by 39.0 per cent following an expansion in the previous year. This was as a result of a decline in net claims on government moderated by an increase in private sector credit. Net claims on government fell by 33 per cent while credit to private sector increased by 21 per cent. The drop in net claims on government is reflective of the build-up of government deposits with the central bank as a result of a fiscal surplus following improved SACU receipts

Table 5

DOMESTIC CREDIT
Million Maloti: End of period

	2009	2010	2011	2012	2013
Claims on Government (Net)	-2136.2	-1000.8	-2592.6	-3148.9	-4,177.9
Claims on Central Government	-3996.0	-3197.6	965.1	1318.9	1,499.5
Liabilities to Central Government	692.4	716.4	3557.7	4467.8	5,677.3
Claims on Public NFCs (Official entities)	0.00	3.0	1.4	-0.1	0.0
Claims on Private Sector	1859.8	2193.8	2687.0	3778.2	4,567.8
Claims on Other Resident Sector (Households)	27.0	27.1	32.6	42.3	50.9
Claims on Other NFCs (Enterprise)	1832.8	2166.7	2654.4	3735.9	4,505.2
Domestic Claims	-2136.2	-1000.8	107.0	639.1	390.0

Credit to private sector rose by 20.6 per cent down from 39.9 per cent increase in December 2012. Credits extended to households constitute the largest share of domestic credit with 65.4 per cent while share of credit extended to businesses constitute 34.6 per cent. Credit extended to households rose moderately by 5.9 per cent down from 23.0 per cent recorded for December 2012 while business enterprises increased by 30.1 per cent compared to a 55.3 per cent rise during the previous year.

3.4.3 Net Foreign Assets

The net foreign assets of the overall banking system rose further by 26.2 per cent following a 2.4 per cent increase in December 2012. This increase was as a result of an increase of both central bank and commercial bank's NFA. The Central Bank NFA accumulated by 25.4 per cent following a 14.3 per cent growth observed in 2012 while that of commercial banks recovered from a 22.5 per cent drop during the previous year to an increase of 30.2 per cent. The increase in SACU revenues and low budget execution (especially capital expenditure) caused the increase in central bank NFA on one hand. On the other hand, the recovery in commercial banks net foreign assets was mainly spurred by the liquidity injection through the increase in government expenditure and private sector deposits.

Table 6

BANKING SYSTEM'S NET FOREIGN ASSETS

Million Maloti: End of period

	2009	2010	2011	2012	2013
Commercial banks	2986.7	-1000.8	-2592.6	-3148.9	-4,177.9
Assets	3297.2	3799.8	965.1	1318.9	1,499.5
Liabilities	-310.5	-117.7	-181.4	-82.8	-390.7
Central Bank	7664.9	6138.9	6696.1	7654.2	9598.7
Assets	8345.4	6749.5	7350.6	8563.6	10964.4
Liabilities	-680.5	-610.6	-654.5	-909.3	-1365.7
Net Foreign Assets	10651.6	9938.7	9905.7	10140.9	12835.4

3.4.4 Credit Extension

(a) Trends of Credit to Business Enterprises

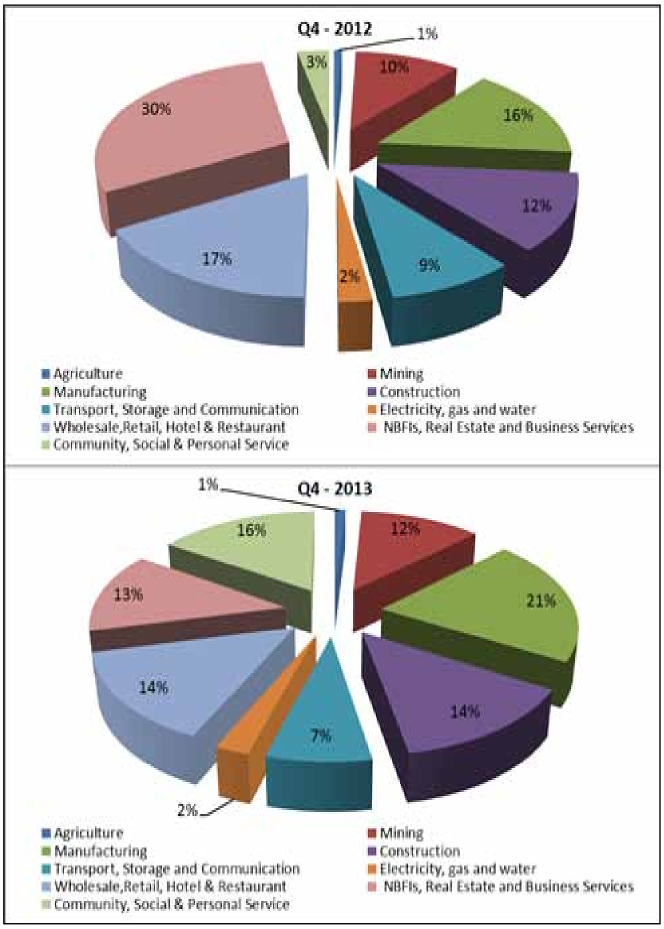
During the period under review, credit extended to business enterprises increased by 5.9 per cent following a surge of 23.0 per cent during the previous year. Community, social and personal services had the largest increase from M45.8 million in 2012 to M243.6 million in 2013 followed by agriculture and then manufacturing with 44.2 per cent and 41.9 per cent respectively.

Table 7: Distribution of Credit to Business Enterprises					
	2009	**2010**	**2011**	**2012**	**2013**
Agriculture	32.2	24.1	4.7	11.3	16.3
Mining	61.9	71.7	139.7	152.0	185.4
Manufacturing	156.5	152.8	155.9	226.0	320.7
Construction	84.7	105.7	67.4	181.4	212.7
Transport, Storage and Communication	133.6	166.8	240.3	130.2	112.3
Electricity, gas and water	20.6	37.3	37.9	33.9	36.8
Wholesale, Retail, Hotel & Restaurant	83.9	70.5	210.5	246.9	225.7
NBFIs, Real Estate and Business Services	215.1	221.7	289.9	443.3	204.8
Community, Social & Personal Service	108.0	208.7	49.7	45.8	243.6
Total	**896.6**	**1 059.3**	**1 196.1**	**1 470.8**	**1 558.3**

(b) Distribution of Credit to Business Enterprises

The largest share of the total credit extended to the business enterprises went to manufacturing, followed by community, social and personal services, then wholesale, retail, hotel and restaurant and finally construction. To a large extend this appears to be reflective of these sectors contribution to the economy and economic activity in these sectors. Agriculture has the lowest share, only 1.0 per cent, of the total credit extended to business enterprises.

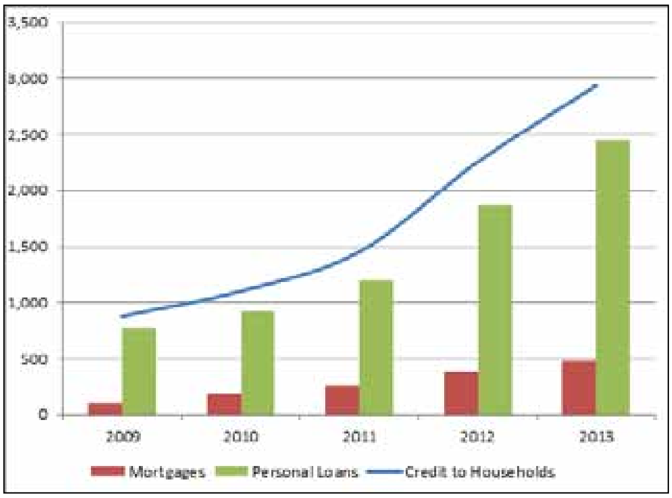
Figure13: Distribution of to business enterprises



(c) Credit Extension to Households

Credit to the households rose by 30.2 per cent in 2013 against a 55.3 per cent growth during the previous year. This was due to a 26.5 per cent growth in mortgages while personal loans increased by 31.0 per cent. Personal loans continue to account for the largest share of the total credit to the households with 83.5 per cent while mortgages account for 16.5 per cent. During the previous year, personal loans accounted for 83.0 per cent while mortgages accounted for 17.0 per cent.

Figure14: Credit to Households



BOX 2: RECENT SURGE IN PRIVATE SECTOR CREDIT: CONSOLIDATING THE GAINS AND UNLOCKING THE REMAINING BOTTLENECKS

Introduction

A vast amount of research undertaken indicates credit extension is an important driver of economic growth and that countries that have grown much faster other tend to have strong credit extension. Prior to 2009, loans extended to the private sector in Lesotho were quite low. As a share of total deposits, credit to the private sector was roughly 30.0 per cent in 2009, implying that the majority of banks assets have mostly been held either as excess reserves or a build-up in banks' foreign assets. However, since 2009, loans to the private sector have been on the increase. It has been increasing at an average rate of 20.0 per cent per annum. There is a plethora of factors that justify the recent boom in credit extension. Notwithstanding this huge increase, Lesotho still lags behind in comparison with other countries in sub-Saharan Africa. For instance, credit as a share of Gross Domestic Product (GDP) is presently 3.2 per cent in Lesotho compared with 21.0 per cent in Swaziland. While celebrating the tremendous progress made, it is important to also discuss the bottlenecks are currently inhibiting further growth in credit extension.

What are the factors driving Private Sector Credit?

There are a number of factors that have led to the recent jump in credit extension including the following;
a) The returns on financial assets such as treasury bills and bonds have been quite low on the back of the generally low interest rate environment since the inception of the global financial crisis. This is confirmed by transfer of funds by Banks from South Africa for lending domestically.
b) The growth in some sectors of the economy, mining sector, construction, wholesale and retail, and real estate within the economy have led to a huge jump in credit.
c) The introduction of a hybrid of credit products by commercial banks has also contributed to the growth in credit

d) The latest policy interventions including enactment of the Land Act which permits households to use land as collateral, amendment of married person's law, the establishment of the commercial court by Government, and the introduction of the partial credit guarantees schemes are believed to have led to increased demand for credit.

e) Government domestic debt has been constant in real terms and therefore crowding in the private sector. More credit to the public sector potentially limits private sector credit by crowding out banks' supply of credit.

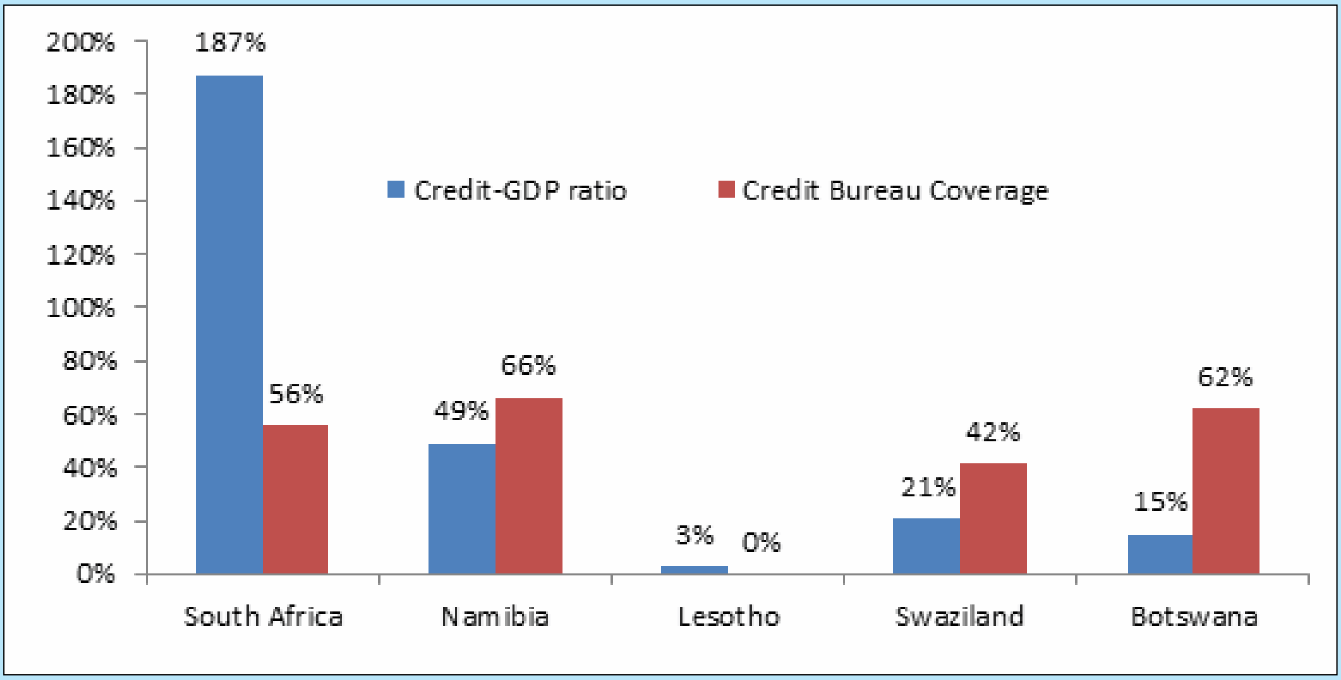
f) The increase in banks deposits and thus boosting the lending capacity of commercial banks.

Bottlenecks to Growth in Credit Extension

Despite this tremendous growth in credit extension by banks, credit extended to the private sector relative to other countries remains low. For instance, the credit to deposit ratio in the case of Lesotho was 3.2 per cent compared with Swaziland which at 21.1 per cent. The following factors continue to be inhibiting factors to growth in credit extension:

- Mismatch of the maturity structures of banks' assets and liabilities (short-term deposits versus long-term financing requirements)
- Information asymmetry: lack of information on borrowers to allow efficient screening of credit applications
- Lack of access to finance and knowledge about products offered by banks by public

Figure 1: Comparison of Credit Extension across Countries



Source: World Bank

Conclusion

Credit to the private sector has been increasing at the tremendous rate since 2009. It continues to be fuelled by amongst others, the low interest rate environment as it simultaneously influences the supply and demand for credit. The developments in certain sectors of the economy have led to increased demand for credit by the private sector. The prudent fiscal policy by Government of Lesotho has also ensured the crowding-in of the private sector. Further, the recent policy interventions by Government have contributed to increased demand for credit and these include the enactment of the Land Act, Law on married persons, establishment of the commercial court and introduction of partial credit guarantee schemes. However, despite these developments, credit continues to lag behind other countries within the same income category as Lesotho. The factors that still inhibit further growth in credit include; the mismatch between assets and liabilities of commercial banks, the issue of information asymmetry and lack of access to financial services. The spearheading of the operationalization of the credit bureau will address the information asymmetry, which currently is the key impediment to credit growth. Efforts in increasing access to finance and knowledge about the financial products will also increase access to credit. Government should continue with the credit guarantee scheme which incentivizes to lend to the private sector. All these efforts will contribute immensely to economic growth and job creation

3.4.4 Commercial Banks' Liquidity

Commercial banks liquidity ratio increased from 70.8 per cent registered in December 2012 to 83.0 per cent in December 2013. This increased injection of in liquidity condition was at the back of an increase in balances due from banks both in Lesotho and in South Africa. Similarly, during the same period, credit to deposit ratio increased from 55.8 per cent to 58.0 per cent. This was due to an increase in private sector credit that outweighed the growth in total deposits.

Table 8 **DOMESTIC CREDIT**
Million Maloti: End of period

	2009	2010	2011	2012	2013
Credit to Deposit Ratio	35.0%	36.9%	43.9%	55.8%	58.0%
Private Sector Credit	1 775.5	2 166.7	2 604.7	3 546.6	4 465.1
Total Deposits	5 073.3	5 877.9	5 934.7	6 359.3	7 698.7
Liquidity Ratio	98%	95%	85%	70.8%	83.0%
Notes and Coins	165.1	160.2	257.1	342.9	396.0
Balances Due from Banks in Lesotho	1 102.2	1 047.8	1 023.1	931.3	1 859.6
Balances Due from Banks in SA	3 254.5	3 757.4	3 110.9	2 397.3	3 416.7
Surplus funds	31.5	37.4	(44.1)	(5.7)	50.9
Government Securities	394.7	596.2	722.2	839.1	664.9
Total	**4 948.1**	**5 599.1**	**5 069.1**	**4 504.9**	**6 388.0**

3.4.5 Interest Rates

Most interest rates remained low and constant in Lesotho during the period under review. The 91-day TBs rate (and hence the Lombard rate) however decreased from 5.37 per cent to 5.18 per cent between December 2012 and December 2013. On the contrary the South African 91-day TBs rate increased from 4.95 per cent to 5.24 per cent during the same period. These short term interest rates trends were in line with developments in the common monetary area (CMA). The South African Reserve Bank (SARB) kept the repo rate constant at 5.0 per cent, throughout the year. The average prime rate in Lesotho remained constant at 9.92 per cent between December 2012 and December 2013. Similarly, during the same period, the average prime rate in South Africa remained constant at 8.50 per cent.

Table 9: Interest Rates

	Dec-09	Dec-10	Dec-11	Dec-12	Dec-13
Central Bank					
91-days TB Rate	6.66	5.52	5.28	5.37	5.18
Lombard Rate	10.66	9.52	9.28	9.37	9.18
Commercial Banks					
Call	1.75	1.14	1.15	0.77	0.77
Time					
31 days	1.65	1.21	1.21	0.91	0.91
88 days	1.95	1.67	1.67	1.41	1.41
6 months	2.26	1.94	1.94	1.69	1.69
1 year	3.35	2.78	2.78	2.34	2.34
Savings	2.05	1.21	1.15	0.84	0.84
Prime*	11.67	10.50	10.50	9.92	9.92
South Africa					
Repo	7.00	5.50	5.50	5.00	5.00
T Bill Rate – 91 Days	7.14	5.60	5.46	4.95	5.24
Marginal Lending Rate	12.00	10.50	10.50	10.50	10.50
Prime	10.50	9.00	9.00	8.50	8.50

3.5 Government Finance

3.5.1 Fiscal Performance in 2013

The Government of Lesotho's priorities for 2013 were high and sustainable economic growth, driven mostly by developing and supporting the private sector. Emphasis was put more on inclusive and employment generating economic growth, which will ultimately reduce poverty and improve the quality of life for Basotho. To achieve these objectives, government remained committed to fiscal consolidation and managing international reserves at levels adequate for preservation of fiscal sustainability and macroeconomic stability.

As a result, for 2013, the fiscal balance was projected to be a surplus equivalent to 3.4 per cent of GDP. Total revenue was estimated to increase by 3.2 per cent on an annual basis, while total expenditure was projected to rise by 4.9 per cent. The projected surplus will continue to increase government deposits within the banking system.

(a) Revenue

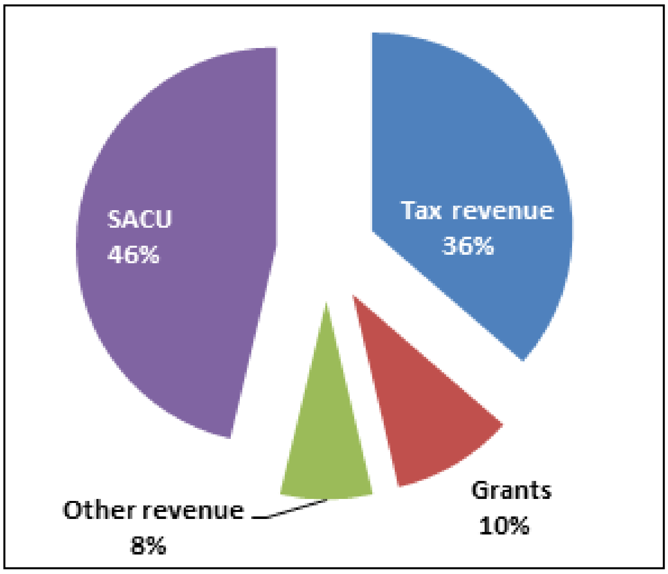
Preliminary estimates indicated that total revenue increased by 3.2 per cent during the 2013. This was mainly driven by the recovery in SACU revenues, which was in line with improved performance in both the domestic and regional economies. SACU receipts rose by 16.8 per cent during the review period in comparison to an increase of 116.7 per cent recorded during the previous year. The growth in total revenue was complemented by an increase in tax revenue of 1.4 per cent. Grants and other revenues declined by 24.5 per cent and 10.2 per cent respectively during the review period. The decline in the level of capital grants came as a result of completion, during the year under review, of capital projects that were supported Millennium Challenge Account (MCA).

The growth in tax revenue was largely a result of improved performance in the financial services sectors and enhanced tax collection during the year. On an annual basis, income taxes marginally declined by 2.0 per cent while tax on goods and services increased by 2.4 per cent. VAT rose by 7.3 per cent, following a 15.7 per cent increase observed in 2012.

Other revenue component which includes dividends from operations of organizations with public ownership, royalties, rand compensation and other revenues, decreased by 10.2 per cent in the review period, following a rise of 8.4 per cent in 2012. Water royalties rose by 3.8 per cent in 2013 compared with a 24.4 per cent increase in 2012.

As depicted in the figure below, SACU was the main source of government revenue in 2013 at 46.0 per cent, followed by tax revenues at 36.0 per cent while grants accounted for 10.0 per cent of total revenue and the other revenue component contributed 8.0 per cent.

Figure 15: Sources of Government Revenue



Source: Ministry of Finance (MoF) and CBL estimates *b) Government Expenses*

Total government current expenses grew by 4.9 per cent during 2013 compared with a 6.9 per cent increase recorded in the previous year. This growth was driven by increases in interest payments and social benefits. The increase in interest payments resulted from a rise in debt stock and the Loti depreciation against major currencies. The largest components of expenses, compensation of employees grew during 2013 and use of goods and services declined during the year. This fall, in part, reflected government's commitment to contain expenses within affordable levels.

For 2013, compensation of employees grew by 10.7 per cent following an increase of 4.5 per cent in 2012. The growth reflects the civil servants salary structure revision implemented in 2013 in an effort to boost morale and improve service delivery. Use of goods and services fell by 3.2 per cent, in contrast to an increase of 30.6 per cent recorded in the previous year. These expenses constituted mainly spending on travel and transport, operating costs and amounts payable to contractors and self-employed workers for services rendered to the Government.

Total interest payments are expected to have increased by 20.6 per cent in 2013, following an increase of 16.4 per cent during the previous year. This growth was a result of the increase in external debt stock and the depreciation of the Loti against major currencies , which increased the maloti value of these payments. Following the establishment of the Ministry of Social Development, more focus has been on improving lives of the elderly and vulnerable children. As a result, spending on social benefits increased by 24.1 per cent following a decline of 0.1 per cent in the previous year. These reflected the increase in pay-outs for old age and war veteran's pensions and expanded coverage of vulnerable children and families.

Subsidies declined by 1.4 per cent during the year under review in contrast to an increase of 7.1 per cent recorded in the previous year. This decline reflected the reduction in summer cropping support that was provided to farmers in the previous year. Other expenses, which include property expenses other than interest and miscellaneous expenses such as student loans scheme, declined by 8.4 per cent in 2013 in contrast to a decline of 11.6 per cent observed in 2012.

(c) Non-Financial Assets

Spending on acquisition of non-financial reflects investment on capital projects and financing of these projects comes from government and donor resources (grants and loans). Budget allocation for capital projects has been increasing over the past years as a result of exceptionally large projects which were implemented by government in collaboration with donors. Some of these projects, which were completed during the year under review, were part of the Millennium Challenge Corporation (MCC) compact. As a result acquisition of non-financial assets decreased by 17.6 per cent in 2013 in contrast to an increase of 88.6 per cent in the previous year. Nonetheless, there are still large infrastructural projects under construction which make up more than two-thirds of entire capital budget, such as Metolong dam, Roma-Ramabanta-Semonkong-Sekake road, Oxbow-Mapholaneng road, and Mokhotlong-Sanipass road.

Table 10: Summary of Government Budgetary Operations

	2009	2010	2011	2012+	2013*
Revenue	***9377.0***	***8804.9***	***9221.2***	***12624.4***	***13035.5***
Tax revenue	***2999.8***	***3292.1***	***4015.0***	***4681.6***	***4749.1***
Taxes on goods and services	*1142.6*	*1341.4*	*1459.7*	*1842.8*	*1887.2*
O/W Value-added tax	*1008.6*	*1203.9*	*1287.2*	*1624.0*	*1741.8*
Grants	***590.5***	***881.9***	***1605.6***	***1700.6***	***1284.8***
Capital	*590.5*	*783.9*	*1041.6*	*1504.2*	*988.1*
Other revenue	***873.1***	***1313.8***	***995.7***	***1079.3***	***969.2***
O/W Water Royalties - LHDA	*328.9*	*410.0*	*529.7*	*658.9*	*683.6*
SACU	***4913.7***	***3317.0***	***2604.9***	***5162.9***	***6032.5***
Expense	***-7617.6***	***-7776.2***	***-8354.0***	***-8926.9***	***-9363.6***
Compensation of Employees	-3015.8	-2987.0	-3591.8	-3753.3	-4155.7
O/W Wages and salaries	*-2533.7*	*-2778.0*	*-3074.9*	*-3167.9*	*-3617.5*
Use of goods and services	-2307.9	-2321.6	-1908.7	-2493.2	-2413.8
Interest Payments	-119.3	-108.3	-134.6	-156.7	-189.2
Subsidies	-247.4	-247.7	-233.2	-249.8	-246.4
Grants	-888.9	-863.0	-960.2	-859.2	-870.2
Social benefits	-531.7	-519.9	-596.3	-593.5	-736.1
Other expense	-506.6	-728.8	-929.3	-821.3	-752.1
Gross Cash inflow/outflow	***1759.4***	***1028.6***	***867.2***	***3697.5***	***3671.9***
Transactions in Nonfinancial Assets	***-1663.9***	***-2031.1***	***-1916.6***	***-3614.4***	***-2977.1***
Net lending/borrowing	***95.5***	***-1002.5***	***-1049.4***	***83.1***	***694.8***
Transactions in Fin. Assets & Liabilities (Financing)	**-730.7**	**-739.1**	**-1203.5**	**68.3**	**837.2**
Financial Assets	***264.5***	***-774.4***	***-808.8***	***910.1***	***1209.5***
Domestic	268.1	-774.4	-808.8	910.1	1209.5
Deposits	*268.1*	*-774.4*	*-808.8*	*910.1*	*1209.5*
Liabilities	***-995.2***	***35.4***	***394.7***	***841.8***	***372.2***
Domestic	**-1066.9**	**-139.2**	**331.0**	**321.0**	**100.4**
Securities	*-126.9*	*190.2*	*186.7*	*116.9*	*-135.5*
Commercial Banks	*-195.7*	*201.5*	*125.9*	*116.9*	*-174.2*
Non-Bank Public	*68.9*	*-10.5*	*60.9*	*-1.3*	*32.0*
Foreign Loans	**71.7**	**174.6**	**63.7**	**520.8**	**271.8**
Disbursements	*292.3*	*381.2*	*279.0*	*754.4*	*547.9*
Repayments	*-220.6*	*-206.6*	*-215.3*	*-233.7*	*-276.1*
Statistical Discrepancy	***-635.2***	***-263.4***	***154.1***	***14.8***	***-142.5***

(d) Transactions in FinEAW4ae SRSed54ancial Assets and Liabilities

The government of Lesotho net position in financial assets and liabilities remained positive in 2013 showing that more assets than liabilities we accumulated. As a result, for 2013, the fiscal balance is projected to be a surplus equivalent to 3.4 per cent of GDP, up from a surplus of 0.4 per cent of GDP observed during the previous year. Total revenue is estimated to increase by 3.2 per cent on an annual basis, while total expenditure was projected to rise by 4.9 per cent. The surplus was reflective of the recovery in SACU receipts coupled with improved revenue collection during the year, while growth in current expenses were constant (in real terms) in 2013, which is consistent with medium-term fiscal framework. Capital budget execution rate was also low due to capacity constraints. The projected surplus will continue to increase government deposits with the banking system.

3.6 Public Debt

3.6.1 Overview

Total outstanding public debt rose marginally by 2.6 per cent during 2013, following a 19.5 per cent increase recorded in the previous year. The growth was mainly attributable to an increase in external debt. External debt continued to constitute a greater proportion of overall debt. It constituted 87.6 per cent of total public debt while domestic debt constituted 12.4 per cent.

As a ratio of GDP, public debt stood at 37.7 per cent, in contrast to 40.6 per cent recorded in the previous year. External debt as a percentage of GDP stood at 33.0 per cent, while domestic debt was to 4.7 per cent. Domestic debt comprises of Treasury bills issued mainly for monetary policies purposes and bonds which were issued, initially, to encourage market development. The ratio of public debt to GDP remained below the 60.0 per cent sustainability threshold , and at this level leaves enough fiscal space for the future borrowing. The concessional and long term nature of the bulk of external debt implies that the total debt remains sustainable.

Table 11 **PUBLIC DEBT INDICATORS FOR END OF YEAR (Percentages)**

	2009	2010	2011	2012	2013
Total debt as % of GDP	38.3	37.1	36.9	40.6	37.7
External debt as % of GDP	34.9	31.4	31.2	34.7	33.0
Domestic debt as % of GDP	3.5	5.7	5.6	5.9	4.7
External debt as a % of total	91.0	84.6	84.9	85.5	87.6
Domestic debt as a % of total	9.0	15.4	15.1	14.5	12.5
	94.6	93.7	90.6	85.9	89.8

Source: MoF

[5]The Maastricht Rule of Thumb and SADC Convergence Criteria

3.6.2 External Debt

The external debt stock increased by 5.1 per cent during 2013 compared with an increase of 20.4 per cent recorded in the previous year. Apart from new debt stock, changes in the stock of external debt were a result of fluctuations in exchange rate, mostly depreciation of the Loti against the dollar.

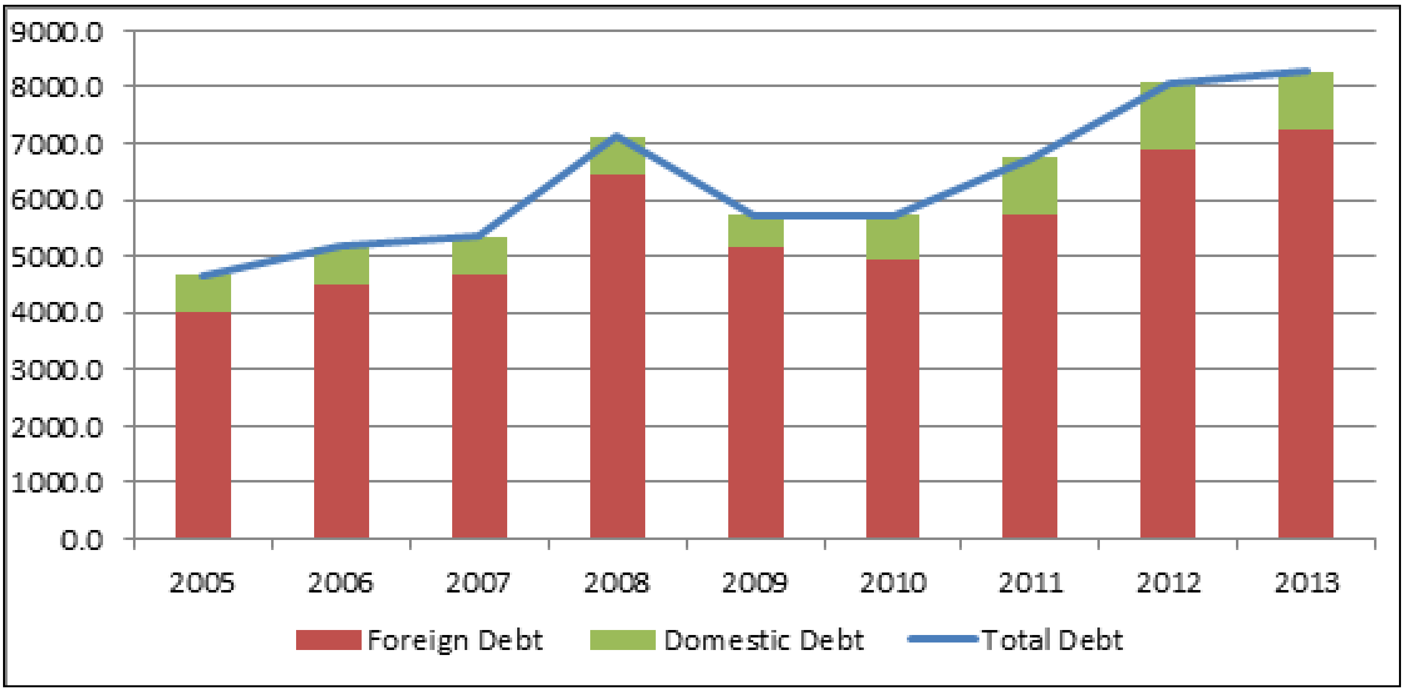
The primary source of external debt was multilateral institutions which constituted 88.2 per cent of the whole external debt portfolio, followed by loans from bilateral creditors at 5.1 per cent while supplier's credit amounted 0.8 per cent. Loans from bilateral creditors rose by 8.2 per cent in 2013 following an increase of 42.3 per cent recorded in the previous year, and loans from multilateral creditors went up by 4.5 per cent during the review period following a rise of 18.6 per cent in 2012. Supplier's credit grew by 12.3 per cent during the review period following a surge of 41.6 per cent observed in 2012. Loans from financial institutions, on the other hand, went down by3.5 per cent in 2013 compared to a decline of 5.9 per cent recorded in the previous year.

Concessional debt as a proportion of external debt grew to 89.8 per cent at the end of 2013 from 85.9 per cent a year before. External debt indicators suggest that Lesotho's external debt remained within the sustainability guidelines.

3.6.3 Domestic Debt

Domestic debt decreased by 12.2 per cent in the period under review, in contrast to an increase of 14.5 per cent realized in 2012. This was largely a result of the reduction in the stock of treasury bonds auctioned in the course of the review period. Treasury bonds were introduced as a step towards development of the capital market in Lesotho, and to provide government with an alternative source of borrowing for future fiscal requirements. Short-term debt, constituted 52.5 per cent of total domestic debt while long-term debt amounted to 47.5 per cent. The banking sector continued to dominate the holding of domestic debt at 69.0 per cent while the non-banking sector held 31.0 per cent.

Figure 16: Outstanding Public Debt
(Million Maloti)



4.1.GOVERNANCE, RISK AND COMPLIANCE

4.1.1 Governance

During the year 2013, the Board met eight times to review the Bank's strategic direction, operational performance, capital expenditure, internal controls, approve budgets and oversee other material governance aspects concerning the Bank's business. The Committees of the Board, namely, the Audit and Risk Committee and Human Resources and Remuneration Committee also convened to deliberate upon matters requiring specialized attention.

The Bank appointed heads of department for Internal Audit and Enterprise Risk Management during the review period

4.1.2 Audit

In the advent of rapidly growing scope and complexity of operational areas of the Bank, commensurate risk management and audit services have been a necessity. Following the constitution of the Internal Audit function as a department of the Bank as well as engaging in efforts to improve the effectiveness of this function, External Quality Assessors were engaged to review and assess the effectiveness of the department in terms of its structure and deliverables. This has enabled the function to focus on the areas identified by this endeavour to initiate improvements in its processes. Among the major changes and improvements made have been the adoption of a risk-based audit approach, deployment of an automated audit management system, reinforcing the use of automated tools and techniques and development of policies and working documents aligned with Institute of Internal Auditors requirements to provide guidance on the Internal Audit's activities.

4.1.3 Enterprise Risk Management

The Department of Enterprise Risk Management engaged in sensitization campaigns within the Bank as the function was new to the Bank. Further to that, the reporting period saw introduction of a number of risk management frameworks geared towards guiding the Bank's risk management efforts. Core amongst these were the frameworks on incident reporting, risk action plans and embedding risk management and business continuity in the daily operations of the Bank. All business units of the Bank compiled enterprise risk registers which culminated the Bank-wide risk register.

Business continuity management is another focus area of ERM in the Bank. During the reporting period 3 disaster recovery tests were performed at the Bank's disaster recovery site and corrective measures taken in instances where gaps were identified. With the assistance of the Information and Communications Technology Department, the Business Continuity Management unit engaged in replication of data between the main office and the Disaster Recovery Site as well as improving the infrastructure ability to resume business within agreed timeframes in the event of partial or full scale disasters.

4.2. FINANCIAL SECTOR DEVELOPMENT

4.2.1 Financial Sector Development Strategy

Pursuant to the adoption of the National Strategic Development Plan (NSDP) as a working national plan for the five years to 2016/17 fiscal year, the Bank, with the assistance of the IMF and World Bank experts, developed the Financial Sector Development Strategy (FSDS). The FSDS was approved by Parliament as a working policy document in the review period.

The FSDS elaborates on the objectives of the financial chapter. Specific FSDS initiatives span several of the six strategic objectives for the financial sector chapter as outlined in the NSDP as follows:

• Improving access to finance
• Increasing alternatives for mobilising financial resources
• Promoting a savings culture
• Improving financial sector efficiency
• Bridging the skills gaps in the financial sector and increasing financial literacy
• Improving financial stability and soundness

The NSDP builds on and consolidates many prior and on-going initiatives to develop and strengthen the financial sector.

4.2.2 Capital Markets Development

In Lesotho, the domestic bond market commenced its active operations only after the issuance of medium and long-term tradable government bonds. This began with the issue of Treasury bonds in 2010 whose objective was to develop domestic sources of financing as a means of reducing the country's vulnerability to external sources and finance budget deficit with the overall view of developing the domestic capital market.
Traditionally, when the market for Government securities flourishes, it magnifies the chances of corporate securities market to prosper. By issuing its own securities, the Government allows corporate issuers to benchmark prices of their own securities against the yield curve resulting from government issues. Following successful implementation of Treasury securities market, the Bank embarked on yet another important phase in its efforts to develop domestic capital markets. This phase constitutes establishment of an organized market for trading stocks (also known as shares). This trading, in many jurisdictions, is done on a fully-fledged and organised exchange.

The initial intention was to establish a fully-fledged stock exchange but following consultations with various stakeholders and international development agencies, there was a shift to approach the development of stock market through the introduction of the Over-the-Counter (OTC) market. This is the market where trading of stocks that are said not to meet the listing requirements of any of the major exchanges takes place. The OTC market provides an avenue through which growing companies can raise capital they need for the expansion of their operations. It empowers and readies companies for the stock exchange in future, Therefore in following this new approach, the Bank put in place measures to undertake stakeholder awareness campaigns, to improve the market infrastructure and to streamline the regulatory framework to promote transparency and fair dealing amongst market participants. The process of publishing a set of regulations to govern this type of securities trading was at an advanced stage at the close of the year.

4.3. MONETARY POLICY

The Bank's objective of maintaining price stability is attained through maintenance of a level of foreign reserves which is sufficient to underwrite the peg between the rand and the loti. The Bank uses reserve money made up of currency issued and commercial banks' deposits held with the Central Bank, as an operating target of monetary policy. During the review period, the monetary policy operations were geared towards absorbing excess liquidity in the economy with a view to:

• attaining a monetary base target;
• ensuring that the discount rate on Government of Lesotho's Treasury bills moves in line with regional interest rates and;
• through (i) and (ii), to attain the net international

reserves target required to maintain the peg between the loti and the rand, as well as the IMF's extended credit facility program target.

The Bank's Monetary Policy Committee (MPC) convened six (6) times during the reporting period to review international and domestic economic developments and monetary policy operations, with the view to adopting an appropriate policy stance which is in line with the objectives above. Management of the Bank implemented decisions of the MPC with success throughout the review period. This culminated in subdued inflation rate and meeting set targets with the respect to the Net International Reserves (NIR), and the successful maintenance of the loti and rand peg.

4.4. RESERVES MANAGEMENT

In 2013, the Bank maintained international reserves at adequate levels for the execution of its monetary Policy and for prompt settlement of the Country's international transactions. In establishing an appropriate asset mix that reflects the Bank's goals and risk appetite, the Bank continued to follow the Strategic Asset Allocation (SAA) process that started in 2008. Between 2012 and 2013 the Country's reserves increased by 26 per cent and they were considered adequate for the required coverage of imports. The surge in the level of reserves was attributable to an up-tick in SACU receipts, subdued Government's Capital budget expenditure and the loti depreciation against major currencies that resulted in revaluation gains. The investment environment remained hostile in the review period due to bleak market conditions in the US and Eurozone; this exerted some pressure on the revenue generating capacity of the reserves.

4.5. FINANCIAL SECTOR SUPERVISION AND REGULATION

Towards meeting the objective of maintaining a healthy and sound financial sector that stimulates economic growth, the Bank licenses financial institutions, regulates and supervises them through offsite surveillance and on-site inspections. The data provided by these institutions is analysed in accordance with international standards and local regulatory requirements. The Bank continued to implement and enhance the Risk-Based Supervision (RBS) approach in supervisory activities, with technical support from the International Monetary Fund (IMF). Noteworthy milestones in the review period are in the areas of regulatory instruments and sector growth in terms of service footprint.

4.5.1 Regulatory Instruments

The review, drafting and stakeholder engagement of the various regulatory instruments were carried out and they are at different stages of towards being operational.

a) Instruments awaiting gazetting and publication:
• Money Transfers, Foreign Exchange Bureaux Regulations
• Credit and Deposit Taking Institutions Regulations

• Instruments to be transmitted to the Office of Parliamentary Counsel (OPC):
• Collective Investment Scheme Regulations, 2001
• Large Financial Cooperatives Regulations.
• A set of seventeen (17) new banking regulations

c) Financial Leasing Regulations, 2013 were issued and are in operation

d) The Insurance Bill 2013 was passed by the Lower House of Parliament and is yet to be presented for tabling before the Senate.

e) A policy paper on Voluntary Occupational and Private Pensions was approved by Cabinet.

4.5.2 Sector Footprint Increase

The reporting period saw a remarkable increase in the local banks' distribution footprint:
• One (1) new branch was opened, bringing the total branch network to 46 branches.
• Nineteen (19) new ATMs were commissioned bringing the total ATM network to 138 ATMs countrywide.
• Two Hundred & Six (206) points of sale (POS) terminals were installed. The total stood at 802 POS terminals at the end of the reporting period.

4.5.3 Licensing and Compliance

On an on-going basis, the Bank considered applications for licensing of regulated entities in accordance with relevant statutory provisions. During the review period:

• One hundred and fifty four (154) money lenders were licensed, two (2) new Credit-Only institutions were licensed, while licenses for four (4) were renewed.

• Twenty five (25) complaints / queries on money lenders were resolved, and thirty (30) preliminary conferences with prospective money lenders were held.

• Seventeen (17) incorporated insurance brokers' licenses were renewed. Six (6) new insurance brokerage applications were received and licenses issued, bringing the total of licensed brokers in 2013 to twenty three (23).

• Six (6) incorporated insurance companies' licenses were renewed, while two (2) new licences were issued. One (1) licence application was not successful and three (3) more was still under review at the end of the reporting period. One (1) insurance company closed down in the review period.

• The first Credit Reference Bureau vendor was licensed to commence operations in June 2014.

4.6. PAYMENT SYSTEMS

4.6.1 SADC Integrated Regional Electronic Settlement System (SIRESS)

The Bank continues to strengthen and maintain the safety and efficiency of the National Payments System (NPS) infrastructure as one of its strategic objectives. Safety and efficiency in payment systems requires that payments are carried out timely, securely and at an affordable cost. To date, CBL has introduced a number of reform projects such as Real-Time Gross Settlement (RTGS) in 2006 and Automated Clearing House (ACH) for Electronic Funds Transfers in 2012 for processing of domestic transactions. During the period under review, the Bank undertook the implementation of the SIRESS which was carried out in collaboration with other stakeholders such as Payments Association of Lesotho (PAL) and SADC Payment System Project. SIRESS is a regional RTGS system that was implemented to settle cross-border payments by electronic means, as opposed to traditional paper-based instruments. Consequently, the commercial banks' customers in the Common Monetary Area (CMA) countries are no longer allowed to use paper based instruments such as cheques and rand (ZAR) drafts as a means of payment for goods and services, for cross-border transactions.

4.6.2 Real Time Gross Settlement (RTGS) Upgrade
Since RTGS, named Lesotho Wire, was first introduced in Lesotho in 2006, it has operated reasonably well without major disruptions to the Country's financial system. In 2013, Lesotho Wire was upgraded with the main aim of improving the general efficiency of the system. The upgraded

version was successfully launched in October 2013. In addition, all the participants were requested to implement Straight Through Processing (STP) that facilitates seamless processing of the RTGS transactions. Another development in Lesotho Wire operations in 2013 was the acceptance of the Lesotho Postbank as a participant into the system. This means that as at December 2013, all the commercial banks in Lesotho were direct participants in the Lesotho Wire.

4.6.3 Mobile Money

In the review period, the mobile money transfer system continued to gain momentum after it was first launched in 2012 by one of the Mobile Network Operators (MNOs). In 2013, the second network operator also launched its own Mobile Money product. The Bank views mobile financial services as products that can change payment system landscape in Lesotho, as they have the potential to facilitate access to financial systems for the unbanked and under-banked. To this end, the Bank together with other stakeholders shall endeavour to continue to bring about reforms aimed at facilitating financial inclusion.

4.7.STAKEHOLDER RELATIONS

4.7.1 Seminars and Workshops

During the review period the Bank held several seminars and workshops. Workshops were largely to engage stakeholders on various regulatory instruments that have been reviewed and developed afresh. Similar engagements were performed with respect to the FSDS.

A seminar on the prospects of the clothing and textile sub-sector was convened and brought together assessments from various organizations such as the LNDC, the MOF and the IMF Resident Office. Another seminar on the state of the economy was held in which developments in various sectors of the economy and their implications were communicated with a varied array of stakeholders.

4.7.2 The Bank as an Economic and Financial Agent of Government

The Bank continued to perform various functions on behalf of the Government of Lesotho (GoL) with bi-weekly Treasury bill auctions and execution of GoL payment instructions. Furthermore, the Bank collaborates with the GoL, through the Ministry of Finance in economic policy affairs. During the year under review the Bank authored commentary and advisory briefs as well as participated in various government fora on economic issues.

The Bank continued to apprise the Minister of Finance of the state of the economy on a quarterly basis, having monitored international economic trends and the performance of the domestic economy. The findings thereof were published in the Bank's economic quarterly reviews and disseminated to a wide array of stakeholders.

4.7.3 Public Education Campaigns

The review period saw the Bank engaging in a concerted drive to sensitize the public about its roles and functions through its Public Relations office. This was done through various media outlets, chief among them being radio broadcasts. The Bank also participated in fairs, expos and public education campaigns, both locally and internationally, including various districts of the country and the Republic of South Africa.
The Financial Education Strategy was developed during the reporting period. This is set to be rolled out in the coming year.

4.8. INTERNATIONAL COOPERATION

The Bank continued to participate in meetings and conferences of various international structures to which it is a member. In the review period, the Bank was re-elected as a representative of the Southern African sub-region of the Association of African Central Banks. and as an observer, on behalf of the SADC Committee of Central Bank Governors (CCBG), in the Financial Stability Board Regional Consultative Group for Sub-Saharan Africa. It continued to be a chair of the Financial Markets sub-committee of the same committee of Central Bank Governors.

4.9. INTERNAL EFFICIENCY AND EFFECTIVENESS INITIATIVES

4.9.1 Human Resources

The Human Resources Division continued to strive for excellence in human resources management by, among other things, reviewing the staff welfare policies, reviewing remuneration strategies and training its personnel in critical areas to the Bank's mandate and functions. The Department of Administration continued to facilitate training of staff on short-term and long-term basis. A total of 22 members of staff were trained in various fields of study and skills on a long terms basis. The Department of Administration developed and implemented a new policy on Employee Recognition. The policy was used to recognize members of staff who were identified as having performed outstandingly, with being awarded the prestigious Governor's Award. In terms of staff movements, the Bank separated with 9 staff members while at the same time recruited 23 new members to various ranks in this period.

4.9.2 Information and Communications Technology

The Information and Communications Technology (ICT) Department provides centralized ICT services to the Bank. The services include infrastructure, data processing, help desk support and business applications. In 2013, the Department embarked on improving the collaboration and communications processes within the Bank through the implementation of a wireless network connection within the Bank's building which has significantly enhanced productivity, eliminated need for bulky printing during meetings thereby resulting in savings on printing paper. Handheld communication devices have been connected to the internal mail system for remote access further improving on quick exchange of information.

The RTGS upgrade was carried out along with that of the Central Securities Depository (CSD) to take advantage of new enhanced features and interconnection between the systems. A new SWIFT connectivity was also established to facilitate participation in the SIRESS, a regional cross border settlement system that is currently being piloted among the CMA countries.

Further projects initiated during the year that will continue into 2014 include the cheque processing system for participation on the Maseru Interbank Automated Clearing House (MIACH), network penetration testing through independent party to establish resilience of network to internal and external attacks and re-engineering of business processes in selected business areas with a view to modernising the business operating model.

CBL

General Information

Nature of business and principal activities	Statutory body duly continuing in existence in terms of the Central Bank of Lesotho Act No. 2 of 2000
Registered office	Cnr Airport & Moshoeshoe Roads Maseru 100 Lesotho
Postal address	P.O. Box 1184 Maseru 100 Lesotho
Auditors	Deloitte & Touche and LETACC
Secretary	Mr. T. Ntlhakana (Adv.)
Lawyers	Webber & Newdigate

Contents

Corporate Governance Report

The Central Bank of Lesotho ("the Bank") is committed to maintaining the highest standards of corporate governance and ensuring that the business of the Bank in the dealings with all its stakeholders is governed effectively, with strong controls, advancing principles of transparency, integrity and accountability.The Governor and the Board of Directors are committed to ensuring that this philosophy operates throughout the Bank.

1. Corporate Governance Report for the Year

The Bank has a unitary Board which comprises five non-executive and three executive director positions. The Board considers all the non-executive directors to be independent. All the positions of the directors had been and remained filled as of December 2013. The directors represent a wide range of necessary mix of skills, knowledge and experience required to perform their roles. They hold financial, economic, commercial, accounting, management, governance and legal expertise.

The Board of Directors is collectively responsible for the long term sustainability and success of the Bank. Its role is essentially threefold - to provide leadership, to oversee management and to ensure that the Bank provides its stakeholders with a balanced and understandable assessment of its current position and prospects. The Board’s responsibilities involve working with management to set corporate values and to develop strategy, including deciding which risks it is prepared to take in pursuing its strategic objectives. Its oversight responsibilities involve it in providing constructive challenge to the management team in relation to operational aspects of the business, including approval of budgets, and assessing whether risk management and internal controls are sound.

The Bank continued to publish annual reports, monthly and quarterly economic review periodicals, and monetary policy statements for the benefit of stakeholders and the general public. During the year 2013, the Board met eight times to review strategy, operational performance, capital expenditure, internal controls, approve budgets and oversee other material governance aspects concerning the Bank’s business. The Board’s Committees, namely, the Audit and Risk Committee and Human Resources and Remuneration Committee also convened to deliberate upon matters requiring specialized attention. All directors of the Bank have had access to the advice and services of the Acting Corporate Secretary of the Board, who is responsible for ensuring that Board procedures are followed and that applicable rules and regulations are complied with.

Mr.T. Ntlhakana (Adv.)
Acting Head of Corporate Governance
Secretary of the Board

Directors' Responsibilities and Approval

The directors are required in terms of the Central Bank of Lesotho Act No.2 of 2000 to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the Bank as at the end of the financial year and the results of its operations and cash flows for the year ended 31 December 2013, in conformity with the Central Bank of Lesotho Act No.2 of 2000 and according to the policies set in note 1 of the annual financial statements. The external auditors are engaged to express an independent opinion on the financial statements.

The annual financial statements are prepared in accordance with the Central Bank of Lesotho Act No.2 of 2000 and according to the policies set in note 1 of the annual financial statements. and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates consistently applied.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the Bank and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the Board of Directors sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Bank and all employees are required to maintain the highest ethical standards in ensuring the Bank’s business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Bank is on identifying, assessing, managing and monitoring all known forms of risk across the Bank. While operating risk cannot be fully eliminated, the Bank endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The annual financial statements have been prepared on the going concern basis, and the directors have every reason to believe that the Bank has adequate resources in place to continue in operation for the foreseeable future.

The annual financial statements were approved by the Board of Directores on 26 March 2014 and are signed on its behalf by:

Dr. R.A. Matlanyane
Governor

Mrs. O. Letebele
Director

Deloitte.

INDEPENDENT AUDITOR’S REPORT
TO THE MEMBERS OF CENTRAL BANK OF LE$OTHO

Repoil on the Annual FInanclal Statements
We have audited the annual financial statements of the Central Bank of Lesotho, set out on pages 48 to 98 which oomprise the statement of financial positlon as at 31 December 2013, the statement of omprehensive income, the statement of changes in eguity and the statement of cash flows for tho year then ended, and the notes, comprislng a summary of slgnificant accounting policies and other explanatory information.

Directors’ ResponslbIlIty for the FInanclal Statemente
TIre Bank’s directors are responslble for Ihe preparation and fair presentation of these financial statements in accordance with the accounting policies described in note 1 to the financial statements and the requirements of the Central Bank of Lesotho Act No. 2 of 2000, and for such internal control as the directors determine ig necessary to enable the preparation of flnancial statements that are free from material misstatement, whether due to fraud or error,

Auditor’s ResponsIbIlIty
our responsibility Is to express an oplnion 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 ethlcal requirements and plan and perform the audit to obtain reasonable assurance about 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. In making those risk assessments, the auditor considers Internal control relevant to the entity’s preparation and falr presentation of the financial $tatements in order to design audit procedures that are appropriate in the circumstances, but not for the purpoge of expressing an opinion on the effectivenees of the entity’s internal control. An audit also includes evaluating the appropriatensss of accounting policles used and the reasonableness of accounting estimatgs made by the directors, as well as evaluating the overall presentatlon of the financial statements.

We believe that the audit evidence we have obtained Is sufflcient and appropriate to provide a basis for our audit opinion.

OpInIon
In our opinion, the financial statements present fairly, in all material respects, the financlal positlon of the Central Bank of Lesotho as at 31 Decembor 2013, and its financial performance and Its cash flows for the year then ended in accordance with the accountlng policles described In note 1 to the financial statāments and the requlrements of the Central Bank of Leeotho Act No, 2 ol2000,

To THE MEMBERS OF CENTRAL BANK OF LESOTHO (continued)

Report on Other Legal and Regulatory Requlrements
The annual financlal statements_have.been prepared in accordance with the requiremonts of the central Bank of Lesotho Act No’ 2.o1’2000. and in compliance with the Income Tax Order i,t tggs and Tax Value Added number I of 2001, in all material respects.
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As part of our audit of the financial statements for the year ended 31 December 2013, we have read the report of the directors r9r !h9 purpose of identlfying whether there are material inconslst6ncies between this repott and the financial staternonts, The director’i report is the responsibitity Ji tfre ii-sp..iivu preparers.
Based on reading this report we have not identified material inconiistenciei oetween i[“-i”port and rhe audited financial staternents. Howover, we have not audited this report and accordingiy Oo not express an opinion on it.

Deloitte & Touche

Deloitte & Touche
Registered Auditors
Per $tephen Munro
Partner
26March2014

LETACC.

LETACC
Firm of Chartered Accountants and Auditors
Per Leluka $ephelane
Partner
26 March 2014

Directors' Report

The Directors present their annual report, which forms part of the audited annual financial statements of the Central Bank of Lesotho, for the year ended 31 December 2013. The annual financial statements are expressed in Maloti, the national currency of Lesotho and the functional currency of the Bank that is at par with South African Rand.

1. Review of activities

Nature of business

The Bank is constituted and governed by the Central Bank of Lesotho Act No. 2 of 2000 (the Act). In terms of this Act, the Bank's primary objective is the achievement and maintenance of price stability.

Financial results

The Bank has chosen to use International Financial Reporting Standards (IFRS) as a guide in deciding on the most 'approriate' accounting policies to adopt and as a model for the presentation and disclosure framework followed in its annual financial statements. However, the Act takes precedence over IFRS in areas where there are conflicts between the Act and IFRS. As a result certain criteria set out in IFRS have not been followed where appropriate.

The financial results of the Bank are set out in the statement of comprehensive income on page 49. The residual profits, after a transfer of the foreign exchange currency translation to the designated foreign currency translation reserves, and after appropriations have been allocated to the general and other reserves, are paid over to the Government of Lesotho Consolidated Fund as dividends in accordance with Section 21 of the Act. These appropriations have been fully disclosed in the statement of changes in equity on page 50. Amounts paid and due in terms of the Act were as follows:

	M '000
31 December 2013	105,847
31 December 2012	53,952

2. Amounts due to Government of Lesotho

Amounts payable to the Government of Lesotho Consolidated Fund in terms of Section 21 (5) of the Act are set out in the statement of financial position on page 48.

3. Share capital

There were no changes in the Bank's authorised share capital during the year under review. The entire issued share capital is held by the Government of Lesotho.

4. Directors

The Directors of the Bank during the year and to the date of this report are as follows:

Name	Date of appointment	Position held
Dr R. Matlanyane	January, 2012	Governor and Chairman
Dr. M.P. Makhetha	January, 2012	Deputy Governor I
Ms. M.G. Makenete	January, 2012	Deputy Governor II
Dr. P. Mangoaela	December, 2011	Non-Executive Director
Mr. M. Posholi	December, 2011	Non-Executive Director
Mr. S. Malebanye	May, 2012	Non-Executive Director
Mrs. O. Letebele	May, 2012	Non-Executive Director
Mrs. M. Rapapa	May, 2012	Non-Executive Director

Directors' Report

5. Secretary

Name	Date of appointment	Position held
Mr. T. Ntlhakana (Adv.)	May 2013	Acting Head of Corporate Governance

Mr M.G Malope (Adv.) who was previously appointed as Secretary to the board in October 2007, resigned in May 2013, and Mr Ntlhakana was appointed to act in the position.

6. Events subsequent to balance sheet date

The Directors are not aware of any material events or circumstances, that could cause changes in the annual financial statements, which may have occurred between the financial year end and the date of this report.

7. Auditors

Deloitte & Touche and LETACC carried out the statutory audit of the Bank.

Dr. R.A. Matlanyane
Governor

Mrs. O. Letebele
Director

26-March-2014

Statement of Financial Position

	Notes	2013 M '000	2012 M '000
Assets			
Cash and balances with Banks	2	5,351,850	4,137,698
Accrued interest due from Banks	3	9,654	4,981
Investment in unit trust	4	529,311	425,765
Treasury notes and bonds	5	4,209,443	3,528,852
IMF Subcription Account	6	563,787	419,094
IMF Holding of Special Drawing Rights (SDR)	7	767,621	455,132
IMF Funded PRGF Advances	8	834,453	504,895
Lesotho Government Securities	9	36	15
Loans to Staff	11	50,807	41,985
Other assets	12	33,284	7,725
Property, plant and equipment	13	237,375	217,954
Intangible assets	14	1,691	4,618
Deferred taxation	24	197	-
Total Assets		**12,589,509**	**9,748,714**
Equity and Liabilities			
Liabilities			
Notes and coins issued	15	1,199,622	999,504
Deposits	16	777,310	662,334
Lesotho Government Deposits		5,189,221	3,993,097
IMF Maloti Currency Holding	17	502,936	374,751
IMF Special Drawing Rights Allocation	18	531,126	394,816
IMF-PRGF Facility	19	834,453	504,895
Taxation payable	20	9,589	8,617
Due to Government of Lesotho Consolidated Fund	21	105,847	53,952
Other liabilities	22	66,264	56,801
Long-term employee benefit obligation	23	82,053	89,173
Deferred taxation	24	-	21,473
Total Liabilities		**9,298,421**	**7,159,413**
Equity			
Share capital	25	100,000	100,000
General reserve		190,322	169,153
Rand compensatory reserve		416,751	380,739
SDR revaluation reserve		67,722	47,397
Foreign exchange revaluation reserve		2,418,349	1,715,708
Property revaluation reserve		102,693	85,476
Bond /Unit trust revaluation reserve		(4,749)	90,828
		3,291,088	**2,589,301**
Total Equity and Liabilities		**12,589,509**	**9,748,714**

Statement of Comprehensive Income

	Notes	2013 M '000	2012 M '000
Interest income	26	372,748	275,757
Interest expense	27	(7,036)	(11,821)
Net interest income		**365,712**	**263,936**
Other income	28	29,239	41,872
Revaluation gain on foreign exchange activities		722,966	119,765
Operating profit		**1,117,917**	**425,573**
Operating expenses	29	(223,134)	(217,345)
Profit before taxation		**894,783**	**208,228**
Taxation	30	(44,801)	(23,721)
Profit for the year		**849,982**	**184,507**
Other comprehensive income:			
Increase/(decrease) in bond/ unit trusts fair values			
(Decrease)/ increase in bond/unit trusts fair values		(127,436)	59,128
Tax effect		31,859	(14,782)
Net movement		(95,577)	44,346
Property revaluation reserve			
Increase/ (decrease) in property revaluations		22,956	(489)
Tax effect		(5,739)	122
Net movement		17,217	(367)
Rand compensatory reserve			
Increase in reserve		36,012	36,229
Tax effect		-	-
Net movement		36,012	36,229
Other comprehensive income for the year net of taxation		**(42,348)**	**80,208**
Total comprehensive income		**807,634**	**264,715**

Statement of Changes in Equity

	Share capital	General reserve	Rand compensatory reserve	SDR revaluation reserve	Foreign Exchange revaluation reserve	Property revaluation reserve	Bond /Unit trust revaluation reserve	Accumulated profit/(loss)	Total equity
	M '000	M '000	M '000	M '000	M '000	M '000	M '000	M '000	M '000
Balance at 01 January 2012	**100,000**	**158,363**	**344,510**	**43,560**	**1,599,780**	**85,843**	**46,482**	**-**	**2,378,538**
Profit for the year	-	-	-	-	-	-	-	184,507	**184,507**
Transfer of foreign exchange	-	-	-	3,837	115,928	-	-	(119,765)	**-**
Increase in bond fair values	-	-	-	-	-	-	44,346	-	**44,346**
Asset revalutions for the year	-	-	-	-	-	(367)	-	-	**(367)**
Rand compensatory receipts	-	-	36,229	-	-	-	-	-	**36,229**
Transfer to general reserve	-	10,790	-	-	-	-	-	(10,790)	-
Dividends	-	-	-	-	-	-	-	(53,952)	**(53,952)**
Total changes	-	10,790	36,229	3,837	115,928	(367)	44,346	-	**210,763**
Balance at 01 January 2013	**100,000**	**169,153**	**380,739**	**47,397**	**1,715,708**	**85,476**	**90,828**	**-**	**2,589,301**
Profit for the year	-	-	-	-	-	-	-	849,982	**849,982**
Transfer of foreign exchange translation to designated reserve	-	-	-	20,325	702,641	-	-	(722,966)	-
Decrease in bond/unit trust fair values	-	-	-	-	-	-	(95,577)	-	**(95,577)**
Asset revaluation for the year	-	-	-	-	-	17,217	-	-	**17,217**
Rand compensatory receipts	-	-	36,012	-	-	-	-	-	**36,012**
Transfer to general reserve	-	21,169	-	-	-	-	-	(21,169)	-
Dividends	-	-	-	-	-	-	-	(105,847)	**(105,847)**
Total Changes	-	21,169	36,012	20,325	702,641	17,217	(95,577)	-	**701,787**
Balance at 31 December 2013	**100,000**	**190,322**	**416,751**	**67,722**	**2,418,349**	**102,693**	**(4,749)**	**-**	**3,291,088**

Statement of Cash Flows

	Note(s)	2013 M '000	2012 M '000
Cash flows from operating activities			
Cash generated from operations	31	1,520,696	850,824
Interest income	26	372,748	275,757
Interest expense	27	(7,036)	(11,821)
Tax paid	20	(39,501)	-
Rand compensatory reserve		36,012	36,229
Payments to Government of Lesotho Consolidated Fund	21	(53,952)	(44,047)
Net cash from operating activities		**1,828,967**	**1,106,942**
Cash flows from investing activities			
Purchase of property, plant and equipment	13	(5,863)	(14,467)
Sale of property, plant and equipment	13	2,509	2,850
Purchase of intangible assets	14	(2,457)	(3,693)
(Increase)/Decrease in Loans to staff	11	(8,822)	(9,436)
(Increase)/decrease in other assets	12	(16,142)	(2,199)
(Increase)/Decrease in Lesotho Government Securities	9	(21)	4
Increase in treasury notes, bonds and unit trusts		(784,137)	(400,810)
Movement in deposits held by Foreign Banks		-	1,812,472
Net cash from investing activities		**(814,933)**	**1,384,721**
Cash flows from financing activities			
Movement in notes and coins	15	200,118	154,878
Total cash movement for the year		**1,214,152**	**2,646,541**
Cash at the beginning of the year		4,137,698	1,491,157
Total cash at end of the year	2	**5,351,850**	**4,137,698**

Accounting Policies

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

1. Presentation of Financial Statements

These financial statements are prepared in accordance with the requirements of the Central Bank of Lesotho Act, No. 2 of 2000. The Bank has chosen to use International Financial Reporting Standards (IFRS) as a guide in deciding on the most approriate accounting policies to adopt and as a model for the presentation and disclosure framework followed in its financial statements. However, the Act takes precedence over IFRS in areas where there are deviations between the Act and IFRS. As a result certain criteria set out in IFRS have not been followed where applicable. The financial statements are prepared in accordance with the going concern principle under the historical cost basis as modified by the revaluation of land and buildings, financial instruments classified as available-for-sale, financial assets and liabilities held at fair value through profit and loss and derivative instruments. All monetary figures appearing in the financial statements, unless otherwise indicated, are stated in Maloti.

The preparation of financial statements require the use of certain critical accounting estimates, judgments 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 revenue 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.

1.1 Property, plant and equipment

Owner-occupied properties

Property, plant and equipment comprises owner occupied properties and equipment held for use in the supply of services or for the Bank’s administrative purpose. These are all initially recorded at cost. Properties under development are reflected at cost.

Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit and loss during the financial period in which they are incurred.

Subsequent to initial recognition, property, plant and equipment are reflected at a valuation based on open-market fair value as determined by an independent professional valuers, less accumulated depreciation.

Increases in the carrying amount arising on revaluation of land and buildings are credited to other reserves in shareholders’ equity. Decreases that offset previous increases of the same asset are charged against other reserves directly in equity.

Unrealised surpluses or deficits arising on revaluation of property, plant and equipment are transferred to a Revaluation Reserve Account.

The most recent independent valuation for Land and Buildings was performed at 31 December 2013. All other items of property, plant and equipment were last valued at 31 December 2010.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Item	Rates
Buildings	1.5%
Housing furniture	10%
Office furniture	10%
Motor vehicles	25%
IT equipment	20%
Office and sports equipment	20%
Housing equipment	20%
Security equipment	20%

Buildings in progress are not depreciated until they are ready for use for intended purpose.

The assets’ residual values and useful lives are reviewed, and adjusted if appropriate, at each financial year end.

Accounting Policies

1.1 Property, plant and equipment (continued)

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other income/expenses' in the profit and loss.

When revalued assets are sold, the amounts included in other reserves are transferred to accumulated profit.

1.2 Intangible assets

Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of three years. Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Computer software development costs recognised as assets are amortised over their estimated useful lives, which does not exceed three years.

1.3 Financial instruments

Classification

The Bank 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

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets. Subsequent to initial recognition these assets are measured at fair value.

(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 are included in current assets, except for maturities greater than 12 months after the financial year end date. These are classified as non-current assets. Subsequent to initial recognition loans and receivable are carried at amortised cost using the effective interest rate method less any provision for impairment.

(c) 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 financial year end date. Subsequent to initial recognition available for sale financial assets are carried at fair value.

The main classes of the financial assets classified as available for sale assets are Treasury notes and Bonds and Unit trusts.

(d) Held-to-maturity investments

Held to maturity investments are non derivative financial assets with fixed or determinable payments and fixed maturity that the Bank has the positive intention and ability to hold to maturity. They are included in current assets, except for maturities greater than 12 months after the financial year end date. These are classified as non-current assets.

Accounting Policies

1.3 Financial instruments (continued)

Initial recognition and measurement

Regular purchases and sales of financial assets are recognised on the settlement-date. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through statement of comprehensive income. Financial assets carried at fair value through statement of comprehensive income 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 Bank has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest rate method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the statement of comprehensive income within 'other income/expenses' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the statement of comprehensive income as part of other income when the Bank'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 nonmonetary securities are recognised in equity. Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in equity.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised 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 statement of comprehensive income 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 Bank'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 Bank 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 option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Impairment of financial assets

The Bank shall assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. It may not be possible to identify a single, discrete event that caused the impairment. Rather the combined effect of several events may have caused the impairment. Losses expected as a result of future events, no matter how likely, are not recognised.

Available-for-sale financial assets

Where an available-for-sale asset is impaired, and an increase in the fair value of the financial asset was previously recognised in equity, the increase in fair value of the financial asset recognised in equity is reversed to the statement of comprehensive income to the extent that the asset is impaired and recognised as part of the impairment loss.

Any additional impairment loss is recognised in the statement of comprehensive income. If in a subsequent period, the amount relating to an impairment loss decreases and the decrease can be linked objectively to an event occurring after the write-down, where the instrument is a debt instrument, the write-down is reversed through the income statement. An impairment loss in respect of an equity instrument classified as available- for-sale is not reversed through the statement of comprehensive income.

1.3 Financial instruments (continued)

An available-for-sale-instrument is generally considered impaired if a significant or prolonged decline in the fair value of the security below its cost has occurred. Where an available-for-sale asset which has been remeasured to fair value directly through equity is impaired, and a loss on the financial asset was previously recognised directly in equity, the cumulative net loss that had been recognised in equity is transferred to the statement of comprehensive income and is recognised as part of the impairment loss.

Financial assets carried at amortised cost

The Bank assesses at each financial year end date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Bank uses to determine that there is objective evidence of an impairment loss include:

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower;
- Breach of loan covenants or conditions; and
- Initiation of bankruptcy proceedings;

The Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred as per Incurred Loss model) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of comprehensive income. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Bank may measure impairment on the basis of an instrument's fair value using an observable market price.

When a loan is uncollectible, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the statement of comprehensive income in impairment charge for credit losses.

Financial liabilities measured at amortised cost

Financial liabilities that are not classified as at fair value through profit or loss fall into this category and are measured at amortised cost. Financial liabilities measured at amortised cost are deposits from banks or customers, debt securities in issue for which the fair value option is not applied, convertible bonds and subordinated debts.

Accounting Policies

1.3 Financial instruments (continued)

Cash and cash equivalents

Cash and cash equivalents disclosed in the statement of cash flows consist of cash and balances with banks and short-term negotiable securities. Cash flows arising from operating funds are stated after excluding the impact of foreign currency translation differences on asset and liability classes.

Cash and balances with banks comprise coins and bank notes and balances with other central and commercial banks. Short-term negotiable securities are highly liquid investments of maturities less than 3 months that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

1.4 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised directly in equity. In this case, the tax is also recognised in equity.

The current income tax charge is calculated on the basis of the tax laws enacted. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the financial year end date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax related to fair value re-measurement of available-for-sale investments, which are charged or credited directly to equity, is also credited or charged directly to equity and subsequently recognised in the statement of comprehensive income together with the deferred gain or loss.

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses and unused STC credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused STC credits can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

1.5 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the Bank are classified as operating leases. Payments received under operating leases are recognised in the statement of comprehensive income on a straight-line basis over the period of the lease. Leases of property where the Bank has substantially all the risks and rewards of ownership are classified as operating leases.

Accounting Policies

1.5 Leases (continued)

Leases, where the bank transfers substantially all the benefits and risks of ownership, are classified as finance leases. Finance leases are capitalised at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Lease payments are separated using the interest rate implicit in the lease to identify the finance cost, which is charged against income over the lease period, and the capital repayment, which reduces the liability to the lessor.

1.6 Non-current assets held for sale

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use. Depreciation ceases once classified as held for sale.

Accounting Policies

1.7 Share capital

(a) Share capital is classified as equity. The entire issued share capital is held by the Government of Lesotho.

(b) Dividends on ordinary shares

Dividends paid to the Government of Lesotho Consolidated Fund in terms of Section 21 (5) of the Central Bank Act are set out in the statement of changes in equity and recognised in the period in which it was earned.

1.8 Employee benefits

(a) Post employment benefits

The Bank participates in a multi employer defined benefit pension plan, the assets of which are held in a separate trustee administered fund. The pension plan is funded by payments from employees and the employer taking into account the recommendations made by the independent qualified Actuaries.

(b) Other long-term employee benefits

Termination benefits are payable when employment is terminated by the Bank before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Bank recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the statement of financial position date are discounted to their present value.

Long-term employee benefits include:

- Severance pay - this is calculated as two weeks salary for each completed year of service from 1993.
- Gratuity - this is calculated at 12.5% of the avarage of the annual salary of the last three years multipied by number of years of service.

(c) Actuarial gains/losses

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the defined benefit obligation are charged or credited to profit and loss in full.

(d) Accrual for leave pay

Employee benefits in the form of annual leave entitlements are provided for when they accrue to employees with reference to services rendered up to the statement of financial position date.

1.9 Provisions

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 34.

Provisions for restructuring costs and legal claims are recognised when: the Bank has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

1.10 Revenue

Revenue is derived substantially from the business of banker to the Government of Lesotho and related activities and comprises net interest income and non-interest revenue.

Accounting Policies

1.10 Revenue (continued)

Interest income and expenses are recognised in the statement of comprehensive income for all interest-bearing instruments on an accrual basis using the effective interest rate method. In terms of the effective interest method, interest is recognised at a rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the carrying amount on the financial statements. Direct incremental transaction costs incurred and origination fees received as a result of bringing margin-yielding assets on statement of financial position, are capitalised to the carrying amount of financial instruments (excluding financial instruments at fair value through profit and loss) and amortised through interest income over the useful life of the asset.

Where financial assets have been impaired, interest income continues to be recognised on the impaired value based on the original effective interest rate. Net interest income includes fair value adjustments on interest-bearing financial instruments held at fair value, excluding financial instruments held for trading. Dividends received on lending activities are included in interest income.

Non-interest revenue

Non-interest revenue includes dividends from investments, fees and commission from banking, insurance and related transactions, net revenue from exchange and securities trading and net gains on the realisation or revaluation of investment banking assets.

1.11 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost by using the effective interest rate method.

1.12 Translation of foreign currencies

(a) Functional and presentation

Items included in the financial statements of the Bank are measured using the currency of the primary economic environment in which the Bank operates (‘the functional currency’). The financial statements of the Bank are presented in Lesotho Maloti, which is the functional currency of the bank.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised first in the statement of comprehensive income and then transferred to the statement of changes in equity under foreign currency reserves as required by the Central Bank Act, No. 2 of 2000.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of comprehensive income within interest income. All other foreign exchange gains and losses are presented within other income/expenses.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit and loss, and other changes in carrying amount are recognised in equity.

Translation differences on non-monetary items, such as equities held at fair value through profit and loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity through other comprehensive income.

Accounting Policies

1.13 Impairment of non-financial assets

Assets that have an indefinite useful life, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

1.14 Claims on staff

Claims on staff represent aggregate advances to staff, short-term to long-term.

1.15 Deferred currency expenditure

Expenditure incurred in connection with printing, minting and issue of Maloti Notes and Coins is amortised over a period of three years. The appropriateness of this amortisation period is reviewed from time to time by the Directors.

1.16 Dividend distribution

Dividend distribution to the Government of Lesotho is recognised as a liability in the Bank’s financial statements in the period in accordance with the Central Bank Act No.2 of 2000. The entire profit as defined by Section 21(5) of the Act (net profit after allocations to reserves) is payable as dividends to the Government of Lesotho's Consolidated Fund and therefore the amount Due to Lesotho Consolidated Fund.

1.17 Notes and coins

The Bilateral Monetary agreement between the Government of the Republic of South Africa and the Government of the Kingdom of Lesotho states that both Rand currency issued by the South African Reserve Bank and Maloti currency issued by the Central Bank of Lesotho are legal tender within Lesotho and are convertible at par. Notes and coins are measured at the face value. Issued notes and coins held by the Bank are netted off against currency in circulation.

1.18 IMF Holding of Special Drawing Rights and IMF subscription account

Upon joining the International Monetary Fund (IMF), Lesotho was allocated special drawing rights, currently the IMF subscription account, which holds Lesotho's subscription in IMF amounts to 34 900 000 units. The Central Bank of Lesotho administers the Special Drawing Rights (SDR) on behalf of the Government of Lesotho for the allocation in the financial records of the Bank.

The units are translated daily using a basket of 4 major currencies. The SDR Allocation was initially recorded as a liability, and the corresponding entry as the Holdings account under external assets.When the SDRs are utilised by the Government, the Holdings account decreases. The SDR Allocation account accrues interest expense at an average rate of 2.02% and the Holdings account earns interest income of 2.02%. Annually, the rights and IMF liabilities are translated at the ruling SDR rate and the difference on revaluation is taken to the SDR Revaluation Reserve.

1.19 IMF Funded PRGF Advances

This IMF loan was secured under the Poverty Reduction and Growth Facility. The Ministry of Finance tranche is now accounted for through the Bank's records to present the amount due to the IMF. The loan has been on-lent to the Government of Lesotho. The IMF loan is stated at amortised cost by using the effective interest rate method. Interest expense and exchange rate differences are borne by the Government of Lesotho.

1.20 Comparative figures

Where necessary, comparative figures have been reclassified to conform with changes in presentation in current year.

1.21 General Reserve

The General Reserve has been allocated in terms of Section 21(2)(b) of the Central Bank of Lesotho Act No. 2 of 2000.

Accounting Policies

1.22 Rand Compensatory Reserve

The Rand Compensatory Reserve represents amounts received by the Bank from the Government of Lesotho, being the Bank's share of the Rand Compensatory payments received by the Government, in terms of the Multilateral Monetary Agreement between the Government of Namibia, Swaziland, Lesotho and the Republic of South Africa. The Government has directed that this amount be treated as a reserve.

1.23 Foreign Exchange Revaluation Reserve Account

In terms of Section 54 of the Central Bank of Lesotho Act No. 2 of 2000, the gains and losses arising from any changes in the valuation of the Bank's assets or liabilities in, or denominated in, gold or foreign currencies, or Special Drawing Rights as a result of changes in the exchange rate for the Maloti or of any change in the values, parities or exchange rates of such assets with respect to the Maloti shall be carried to a special account called the Revaluation Reserve Account. The profits or losses arising from such change are included in the statement of comprehensive income and are then transferred from distributable reserves to a non-distributable Foreign Currency Revaluation Reserve in terms of Section 54 of the Central Bank of Lesotho Act No.2 of 2000.

1.24 SDR Revaluation Reserve

The SDR Revaluation Reserve represents unrealised gains and losses on the revaluation of SDR denominated balances.

1.25 Property Revaluation Reserve

The Property Revaluation Reserve represents unrealised gains and losses on the revaluation of Property, Plant and Equipment.

1.26 Bond/Unit Trust Revaluation Reserve

The Bond Revaluation Reserve represents unrealised gains and losses on the revaluation of Bonds and Unit Trusts held by the Bank.

Accounting Policies

1.27 Financial Risk Management

Financial risk factors

The Bank's activities expose it to a variety of financial risks. Taking risks is core to the financial business and sometimes losses are inevitable consequences. The Bank's aim is therefore to achieve a balance between risk and return and minimize potential adverse effects on its financial performance. There are written policies that address specific areas of risk, such as foreign exchange risk, interest rate risk and credit risk.

(a) Market Risk

(i) Foreign Exchange Risk

The Bank does business internationally, with some of its obligations in foreign currencies. This exposes it to the foreign exchange risk, which arises from future transactions, liabilities and investments which are denominated in a currency which is not the bank's functional currency.

In order to manage the foreign exchange risk exposure, the Bank holds functional currencies in which its obligations are denominated in the ratio of their historic cash flows. As of 31st December 2013, if the currency had weakened/strengthened by 5% against the functional currencies, the bank's foreign assets would have been 2.18% higher/lower as a result of foreign exchange losses/gains on valuation of foreign currency denominated assets.

(ii) Interest Rate Risk

Interest rate risk is the uncertainty associated with value of an interest paying asset due to the variability in interest rates. The Bank owns significant interest paying assets and this makes it exposed to interest rate risk.

In order to manage the interest rate risk, the Bank spreads its investments across the yield curve as per its risk profile. To introduce stability of the returns, the Bank makes investments in different proportions in maturity buckets, providing some degree of diversification.

As at 31st December 2013, if interest rates had fallen by 1%, the Bank's revenue would decline by 18%, based on the simulation performed. However, if rates had increased by 1%, revenue would increase by 24%.

(b) Credit risk

Credit risk arises from a possibility of counterparties failing to honour their obligations in favour of the Bank on financial instruments and deposit with them. The Bank has credit exposure to banks, sovereign and supranational institutions. Credit exposure to these institutions is monitored frequently with limits set for individual institutions. For banks, only independently rated institutions that are rated at least 'medium grade investment' (grade B), are accepted. During the period, no limits were exceeded and counterparties rating have been within acceptable grades.

(c) Liquidity risk

Liquidity risk is the risk that the Bank's liquid assets will be unable to provide for foreseen and unforeseen financial obligations. In managing this risk, the Bank sets aside and monitors closely a portion of reserves in the working capital tranche to cater for these obligations. The limits of this tranche were determined by the analysis of historical payment patterns over a period of time.

Refer to the Risk Management Statements on pages 81 to 97.

In terms of the Central Bank of Lesotho Act No.2 of 2000, in the case of any year at the end of which the general reserve of the Bank does not exceed the minimum paid-up capital of the Bank, one third of the net profits will be allocated to general reserve and in case where general reserve exceeds paid up capital but not less than four times, one sixth of the net profits will be allocated to general reserve. However, where the general reserve of the Bank exceeds four times the paid-up capital, with the approval of the Minister, further allocations may be made from time to time to the general reserve to increase it beyond four times the minimum paid-up capital. At the end of 2008 and 2009 the general reserve had reached more than four times the paid-up capital of the Bank and further allocations were not made to the general reserve. However, in 2010 and 2011, there was an increase in the issued share capital and further allocations were made.

Accounting Policies

1.28 IMF Currency Holding Account

The IMF Holdings of Maloti are represented by the Non-Interest Bearing Note of SDR18,045,087 (2012: SDR20, 439,573) issued by the Government of Lesotho in favour of the IMF. GOL chose to substitute non-interest bearing notes for a portion of the balance held in its Fund's No. 1 account and the securites substituted for currency are recorded in the Securities Account. GOL's holding in IMF SDR Department is posted in the No.1 account and is used for the Fund's operational transactions e.g. purchases and repurchases, whereas the No. 2 account is used for the payment of operational expenses incurred by the Fund in Maloti. The Bank revalues the IMF accounts in its Statement of Financial Position in accordance with the practices of the IMF Treasury Department. The revaluation of the SDR rates by the IMF is effected annually on 30 April, and whenever there are IMF transactions using the Maloti. The IMF accounts have been revalued using the latest prevailing SDR rates as revalued by the IMF.

1.29 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Bank makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Income taxes

The Bank recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

(b) Employee benefits

The present value of the severance pay and gratuity obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions.

The assumptions used in determining the net cost include future salary increases, future inflation rate, staff remaining in service up to date of retirement and the discount rate. Any changes in these assumptions will impact the carrying amount of the severance pay and gratuity obligations. The Bank determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the employment benefit obligations. In determining the appropriate discount rate, the Bank considers the interest rates of Government of Lesotho Treasury Bills that are denominated in the currency in which the benefits will be paid.

The assets and liabilities relating to the employees of the company cannot be seperately determined and is therefore treated as defined contribution plan. Refer to further disclosure in note 33.

(c) Fair values

All financial assets are disclosed at values approximating their fair values. The following bases are used in determining fair value:

i) Balances due to and from banks

The amounts include inter-bank placement and items in course of collection. The fair value of floating rate placements and overnight deposits is their carrying amount. Fixed deposits are shown at current value including accrued interest.

ii) Loans and advances

Loans and advances are shown net of provisions for impairment. The estimated fair value of loans and receivables represents the discounted amount of estimated future cash flows expected to be received. Where significant concentrations of non-market related loans exist appropriate impairment has been effected.

Accounting Policies

iii) Investment securities

Investment securities held as available for sale are shown at fair value. Other instruments such as treasury bills are based on the contracted value, including accrued discount, which is considered to approximate the current fair value.

(d) Impairment of available-for-sale financial assets

The Bank follows the guidance of IAS 39 to determine when an available-for-sale financial asset is impaired. This determination requires significant judgement. In making this judgement, the Bank evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

Notes to the Financial Statements

	2013 M '000	2012 M '000
2. Cash and balances with Banks		
Cash and cash equivalents		
Foreign cash on hand	1,421	1,113
Rand currency holding	30,372	11,670
Cash in transit	57,817	5,888
Total cash and cash equivalents	89,610	18,671
Current and Call Accounts:		
Foreign Banks	403,719	63,970
South African Banks	2,293,425	1,975,731
Total Current and Call Accounts	2,697,144	2,039,701
Fixed deposits (with maturity shorter than 3 months):		
Foreign Banks	1,465,578	1,281,601
South African Banks	1,099,518	797,725
Total Fixed deposits (with maturity shorter than 3 months)	2,565,096	2,079,326
Balances with banks (with maturity shorter than 3 months)	5,262,240	4,119,027
Total cash and balances with Banks	**5,351,850**	**4,137,698**

	2013 M '000	2012 M '000
3. Accrued interest due from Banks		
Accrued interest receivable:		
ZAR call accounts	355	320
ZAR fixed deposit accounts	9,159	4,516
Foreign call and fixed deposit accounts	140	145
	9,654	**4,981**

Notes to the Financial Statements

	2013 M '000	2012 M '000

4. Investment in unit trust

2013

	Available for sale	**Total**
Unit trusts at fair value	529,311	529,311

2012

	Available for sale	**Total**
Units trusts at fair value	425,765	425,765

The unit trusts were purchased from the Bank for International Settlement (BIS) in 2012. These are treated as available-for-sale instruments and changes in market values are recorded directly in the Bond/unit trust revaluation reserve. The number of units remained constant at 376,076 converted at 133.926213 (2012: 376,076 at 133.11009).

5. Treasury notes and bonds

2013

	At fair value through profit and loss	**Available-for-sale**	**Total**
US Bonds at fair value	1,054,905	610,142	1,665,047
ZAR Bonds at fair value	-	2,487,019	2,487,019
US Bonds accrued interest	933	977	1,910
ZAR Bonds accrued interest	-	55,467	55,467
	1,055,838	**3,153,605**	**4,209,443**

2012

	At fair value through profit and loss	**Available-for-sale**	**Total**
US Bonds at fair value	851,206	613,795	1,465,001
ZAR Bonds at fair value	-	2,018,728	2,018,728
US Bonds accrued interest	909	2,379	3,288
ZAR Bonds accrued interest	-	41,835	41,835
	852,115	**2,676,737**	**3,528,852**

The Treasury notes and bonds held by the Bank are treated as available-for-sale instruments and revaluations are done quarterly. However, Treasury notes and bonds managed by the World Bank, starting in 2008, through the Reserves Advisory Management Program (RAMP) are treated as held-for-trading instruments and are stated at fair value through profit and loss.

6. IMF Subcription Account

	2013	2012
Balance at beginning of year	419,094	372,444
Exchange revaluation	144,693	46,650
Balance at end of year	**563,787**	**419,094**

The Lesotho Government Quota in the International Monetary Fund (IMF) is SDR 34,900,000. The local currency equivalent of the subscription account in the statement of financial position is converted at the year end rate of 0.0619028 (2012: 34,900,000 at 0.0832748).

7. IMF Holding of Special Drawing Rights (SDR)

	2013 M '000	2012 M '000
Balance at beginning of year	455,132	376,875
Net transactions - increase in rights	130,808	31,051
Exchange revaluation	181,681	47,206
Balance at end of year	**767,621**	**455,132**

The value of SDR47,517,906 (2012: SDR 37 901 041) allocated by the International Monetary Fund less utilisation is converted at 0.0619028 (2012: 0.0832748).

8. IMF Funded PRGF Advances

	2013 M '000	2012 M '000
Balance at beginning of year	504,895	207,352
Paid during the year	(23,803)	(37,826)
Received during the year	154,517	309,397
Exchange revaluation	198,844	25,972
Balance at end of year	**834,453**	**504,895**

These are funds secured under the IMF Poverty Reduction and Growth Facility (PRGF) and on-lent to the Government of Lesotho. The SDR equivalents and translation thereof are shown in note 19.

9. Lesotho Government Securities

	2013 M '000	2012 M '000
Maturing within 1 month	36	15

Treasury bills are debt securities issued by the Lesotho Treasury Department for a term of three months, six months or a year. All bills are subject to fixed interest rate risk and are held to maturity.

10. Deferred currency expenditure

	2013 M '000	2012 M '000
Balance at beginning of year	-	13,796
Amortised during the year	-	(13,796)
Balance at end of year	**-**	**-**

Expenditure incurred in connection with printing, minting and issue of Maloti notes and coins is amortised over three years.

Notes to the Financial Statements

	2013 M '000	2012 M '000
11. Loans to staff		
Housing loans	20,163	17,604
Car loans	15,448	12,155
Furniture loans	1,110	1,254
Other loans and advances	14,086	10,972
	50,807	**41,985**
12. Other assets		
Cheques for collection and uncleared items	10,198	2,015
Other prepayments	14,469	2,527
Other receivables	8,617	3,183
	33,284	**7,725**

Other prepayments in the current year includes a prepayment of M11,475,002 relating to the order of currency to be printed at a total cost of M33,562,826. This currency will be delivered in 2014.

Notes to the Financial Statements

13. Property, plant and equipment

	2013 M '000			2012 M '000		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
CBL land and buildings	81,239	(11,304)	69,935	71,652	(10,184)	61,468
Lehakoe land and buildings	114,417	(12,375)	102,042	98,626	(10,855)	87,771
Residential land & buildings	13,491	(1,124)	12,367	11,309	(932)	10,377
Housing furniture	534	(479)	55	534	(463)	71
Office furniture	7,858	(5,863)	1,995	7,670	(5,608)	2,062
LRCC furniture	3,710	(3,208)	502	3,490	(2,855)	635
Motor vehicles	11,633	(7,125)	4,508	12,956	(7,970)	4,986
Office equipment	40,469	(32,839)	7,630	32,350	(24,218)	8,132
IT equipment	14,321	(10,943)	3,378	13,558	(9,684)	3,874
Sports and music	233	(233)	-	8,072	(6,232)	1,840
Housing equipment	190	(190)	-	190	(190)	-
Security equipment	16,950	(7,580)	9,370	7,819	(7,485)	334
Work in progress	25,593	-	25,593	36,404	-	36,404
Total	**330,638**	**(93,263)**	**237,375**	**304,630**	**(86,676)**	**217,954**

Notes to the Financial Statements

13. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Disposals	Transfers	Revaluations	Depreciation	Impairment loss	Total
CBL land and buildings	61,468	-	-	2,900	6,687	(1,120)	-	69,935
Lehakoe land and buildings	87,771	7	-	-	15,784	(1,520)	-	102,042
Residential land and buildings	10,377	-	-	-	2,182	(192)	-	12,367
Housing furniture	71	-	-	-	-	(16)	-	55
Office furniture	2,062	325	(2)	-	-	(390)	-	1,995
Motor vehicles	4,986	1,639	(212)	-	-	(1,905)	-	4,508
Office equipment	8,132	265	(290)	1,831	-	(2,308)	-	7,630
IT equipment	3,874	905	-	-	-	(1,401)	-	3,378
LRCC furniture	635	220	-	-	-	(353)	-	502
Sports and music equipment	1,840	-	-	(1,831)	-	(9)	-	-
Security equipment	334	106	-	9,025	-	(95)	-	9,370
Work in progress	36,404	2,396	-	(11,925)	-	-	(1,282)	25,593
	217,954	**5,863**	**(504)**	**-**	**24,653**	**(9,309)**	**(1,282)**	**237,375**

Fair values of residential buildings have been derived by using the income capitalization approach. This approch recognises an estimate, and deduction of expenses of operation to derive net operating income.

13. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2012

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
CBL land and buildings	61,100	1,467	-	-	(1,099)	61,468
Lehakoe land and buildings	89,155	189	-	(23)	(1,550)	87,771
Residential land and buildings	10,568	-	-	-	(191)	10,377
Housing furniture	93	-	-	-	(22)	71
Office furniture	2,347	133	(6)	-	(412)	2,062
Motor vehicle	3,640	3,306	(315)	-	(1,645)	4,986
Office equipment	1,422	100	-	8,835	(2,225)	8,132
IT equipment	4,328	969	-	-	(1,423)	3,874
LRCC furniture	960	88	(36)	-	(377)	635
Sports & music equipment	1,901	56	(80)	300	(337)	1,840
Security equipment	218	181	-	-	(65)	334
Work in progress	39,768	7,978	-	(11,342)	-	36,404
	215,500	**14,467**	**(437)**	**(2,230)**	**(9,346)**	**217,954**

14. Intangible assets

	2013			2012		
	Cost / Valuation	**Accumulated amortisation**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation**	**Carrying value**
Computer software	22,568	(20,877)	1,691	20,111	(15,493)	4,618

Reconciliation of intangible assets - 2013

	Opening balance	Additions	Amortisation	Total
Computer software	4,618	2,457	(5,384)	1,691

Notes to the Financial Statements

	2013 M '000	2012 M '000

14. Intangible assets (continued)

Reconciliation of intangible assets - 2012

	Opening balance	Additions	Amortisation	Total
Computer software	6,673	3,693	(5,748)	4,618

15. Notes and coins issued

	2013 M '000	2012 M '000
Notes	1,180,893	980,772
Coins	18,729	18,732
	1,199,622	**999,504**

The Bilateral Monetary agreement between the Government of the Republic of South Africa and the Government of the Kingdom of Lesotho states that both Rand currency issued by the South African Reserve Bank and Maloti currency issued by the Central Bank of Lesotho are legal tender within Lesotho and are convertible at par.

16. Deposits

	2013 M '000	2012 M '000
Deposits from Banks - Non-interest bearing		
Banks	442,211	328,672
Other Deposits - Non-interest bearing		
International Institutions	2,022	2,422
Parastatals and others	333,077	331,240
	777,310	**662,334**

17. IMF Maloti Currency Holding

	2013 M '000	2012 M '000
Securities account	291,507	245,447
General resources accounts	211,429	129,304
	502,936	**374,751**

18. IMF Special Drawing Rights Allocation

	2013 M '000	2012 M '000
Balance at beginning of year	394,816	350,868
Exchange revaluation	136,310	43,948
Balance at end of year	**531,126**	**394,816**

Lesotho's allocation by IMF of SDR32,878,186 is converted at 0.0619028 (2012:0.0832748)

19. IMF-PRGF Facility

	2013 M '000	2012 M '000
Balance at beginning of year	504,895	207,352
Paid during the year	(23,803)	(37,826)
Received during the year	154,517	309,397
Exchange revaluation	198,844	25,972
	834,453	**504,895**

This IMF loan was secured under the Poverty Reduction and Growth Facility. The Ministry of Finance tranche is accounted for through the Bank's records to present the amount due to the IMF. The balance due to the IMF amounted to SDR51,655,000, converted at 0.0619028 as at 31 December 2013 (2012: SDR 42,045,000 at 0.0832748). The loan has been on-lent as per note 8. Interest expense and exchange rate differences are borne by the Government of Lesotho.

Notes to the Financial Statements

	2013 M '000	2012 M '000
20. Taxation payable/(receivable)		
Balance at beginning of year	8,617	(25,699)
Paid during the year	(39,501)	-
Current year charge	40,473	34,316
Balance at end of year	**9,589**	**8,617**
21. Due to Government of Lesotho Consolidated Fund		
Balance at beginning of year	53,952	44,047
Paid during the year	(53,952)	(44,047)
Profit appropriations for the current year	105,847	53,952
Balance at end of year	**105,847**	**53,952**

The Foreign exchange differences which are not taxable, are eliminated from the Profit after tax, before a portion is transferred to the Government of Lesotho Consolidated Fund and the General Reserve account in terms of Section 21 of the Central Bank of Lesotho Act No.2 of 2000.

	2013 M '000	2012 M '000
Profit after tax appropriates as follows:		
Profit after tax	849,982	184,507
Gain on foreign exchange activities	(722,966)	(119,765)
Profit after tax net of gain on foreign exchange activities	127,016	64,742
Transfer to General Reserve	(21,169)	(10,790)
	105,847	**53,952**
22. Other liabilities		
Donations - Referral Hospital	46,207	44,177
Divisional cheques accounts	1,791	1,572
Other	3,591	897
Various accruals	14,675	10,155
	66,264	**56,801**

The donations account relates to the construction expenses meant for building a new hospital . The project started over 10 years ago. The money received was invested in a Bank account to earn interest.

	2013 M '000	2012 M '000
23. Long-term employee benefit obligation		
Provision for severance pay		
Opening obligation	21,758	15,453
Interest cost	1,695	1,371
Current service cost	2,696	1,358
Actuarial (loss)/gain	(876)	4,724
Benefits paid	(2,064)	(1,148)
Closing obligation	23,209	21,758
Provision for gratuity		
Opening obligation	67,415	52,737
Interest cost	5,057	4,623
Current service cost	5,278	3,712
Actuarial loss/(gain)	(8,238)	18,584
Benefits paid	(10,668)	(12,241)
Closing obligation	58,844	67,415
Total	**82,053**	**89,173**

Notes to the Financial Statements

	2013 M '000	2012 M '000

23. Long-term employee benefit obligation (continued)

Net expense recognised in profit and loss

	2013 M '000	2012 M '000
Current service cost	7,974	5,070
Interest cost	6,751	5,994
Actuarial losses/(gains)	(9,114)	23,308
	5,611	**34,372**

Key assumptions used

Assumptions used on last valuation on 31 December 2013.

Mortality and pre-retirement is determined based on the SA 85-90 Ultimate table.

Chance of withdrawal:

Age	Rate	Rate
20-24	15.0 %	15.0 %
25-29	10.0 %	10.0 %
30-34	7.0 %	7.0 %
35-39	4.0 %	4.0 %
40-44	2.0 %	2.0 %

	2013	2012
Discount rate	8.40 %	7.00 %
Inflation rate	6.42 %	5.50 %
Salary increase rate	7.67 %	6.75 %

24. Deferred taxation

The deferred tax assets and the deferred tax liability relate to income tax in the same jurisdiction, and the law allows net settlement. Therefore, they have been offset in the statement of financial position as follows:

	2013 M '000	2012 M '000
Deferred tax asset/(liability)	197	(21,473)

Reconciliation of deferred taxation

	2013 M '000	2012 M '000
Balance at beginning of year	(21,473)	(16,789)
Movements in profit and loss	(4,328)	10,595
Movements in equity	25,998	(15,279)
Balance at end of year	**197**	**(21,473)**

Reconciliation of deferred taxation

	2013 M '000	2012 M '000
Accelerated capital allowances for tax purposes	(1,161)	736
Liabilities for health care benefits care benefits accrued	(20,794)	22,700
Deffered expenses	4,000	(1,154)
Bond/Unit trust revaluation reserve	36,666	(30,410)
Property revaluation reserve	(18,514)	(13,345)
	197	**(21,473)**

Notes to the Financial Statements

	2013 M '000	2012 M '000
25. Share capital		
Authorised		
Authorised capital	100,000	100,000
Issued		
Issued and fully paid	100,000	100,000

The entire issued share capital is held by the Government of Lesotho.

26. Interest income

	2013 M '000	2012 M '000
Foreign currency deposits	195,685	122,286
Interest on treasury bills	460	1,254
Interest on bonds	176,603	152,217
	372,748	**275,757**

27. Interest expense

	2013 M '000	2012 M '000
Parastatal and Government deposits	13	13
Local bank deposits	93	27
IMF SDR allocation account	368	512
Interest on bonds	6,562	11,269
	7,036	**11,821**

28. Other income

	2013 M '000	2012 M '000
Rental income	157	127
Profit on sale of bonds	4,951	21,631
Interest on staff loans	848	633
Lehakoe proceeds	15,294	10,371
Other income	1,233	1,121
Gain on instruments designated as fair value through profit and loss	4,751	5,576
Profit on sale of fixed assets	2,005	2,413
	29,239	**41,872**

29. Operating costs and expense per nature

	2013 M '000	2012 M '000
Administration and other expenses	58,336	40,474
Auditor's remuneration	1,895	2,029
Deferred currency expense amortised	-	13,796
Intangible assets amortised	5,384	5,748
Depreciation and impairments	10,591	9,346
Property, plant and equipment maintenance expenses	13,147	11,208
Loss on revaluation of treasury notes and bonds	5,225	2,861
Personnel costs:		
Staff welfare expenses	11,792	11,086
Non-executive directors' fees	691	542
Executive directors' salaries	5,024	4,638
Key management (heads of departments)	6,653	5,124
Staff salaries and expenses	90,138	77,259
Pension fund contributions	4,934	4,820
Gratuity and severance pay	9,324	28,414
	223,134	**217,345**

Notes to the Financial Statements

30. Taxation

Major components of the taxation expense

	2013 M '000	2012 M '000
Current		
Normal taxation for the year	40,473	34,316
Deferred		
Deferred taxation arising on other profit and loss items	4,328	(10,595)
	44,801	**23,721**

Reconciliation of the taxation expense

	2013 M '000	2012 M '000
Chargeable profit (before foreign exchange gain/loss)	174,871	88,463
Statutory tax rate	25 %	25 %
Permanent differences:		
Donations	3.12 %	5.42 %
50 % Entertainment	0.32 %	0.25 %
Training expenses additional 25%	(0.83)%	(2.49)%
Other	(1.54)%	(1.37)%
Effective tax rate	**26.07 %**	**26.81 %**

31. Cash generated from operations

	2013 M '000	2012 M '000
Profit before taxation	894,783	208,228
Adjustments for:		
Depreciation	10,591	9,346
Deferred computer software amortised	(5,384)	(6,191)
Profit/loss on disposal of fixed assets	(2,005)	(2,413)
Interest income	(372,748)	(275,757)
Interest expense	7,036	11,821
Acturial losses	(9,114)	23,308
Deferred currency expenses amortised	-	13,796
Loss on revaluation of treasury notes and bonds	5,225	2,861
Unrealised exchange rate fluctuation	(444,731)	55,158
Movements in accrued interest	(4,673)	(1,180)
Deposits accounts	1,311,100	845,765
Changes in IMF Maloti currency holding	128,185	40,501
Changes in IMF subscription account	(144,693)	(46,650)
Other liabilities	46	(5,842)
Changes in IMF Special Drawing Rights Holding	136,310	(34,309)
Total cash generated from operations	**1,520,696**	**850,824**

Notes to the Financial Statements

	2013 M '000	2012 M '000

32. Commitments

	2013 M '000	2012 M '000
Contracted	45,500	600

These capital commitments are in respect of the Bank's extention which will be funded from internal resources in 2014. The 2013 capital commitments related to the banking process overview project and job analysis.

	2013 M '000	2012 M '000
Uncontracted	88,843	202,113

These capital commitments are in respect of the purchase of various capital assets which will be funded from internal resources. The main items relate to the extention of the Bank's Building Project and Software.

33. Post retirement obligations

	2013 M '000	2012 M '000
Total employer contributions	4,934	3,882

The Bank contributes towards a post retirement pension scheme that covers all permanent employees. This fund is a multi-employer plan and the assets are held in the Corporate Bodies Pension Scheme managed by Lesotho National Insurance Company and the appropriations to the different contributors are not performed. The assets and liabilities relating to the employees of the Bank cannot be seperately determined and is therefore treated as defined contribution plan.

34. Contingent Liability

There are industrial dispute against the Bank and the total amount being claimed amounts to M3.5 million. The Bank's lawyers and management hold a strong view that these cases levelled against the Bank are weak.

Notes to the Financial Statements

		2013 M '000	2012 M '000

35. Related parties

The Bank is owned by the Government of Lesotho.

A number of banking transactions are entered into with the Government as the Bank also acts as banker to the Government in the normal course of business.

The deposits with the Bank held by the Government is disclosed separately in the statement of financial position.

All payments relating to taxes, property rates and service utilisation are made to Government.

Loans to staff are disclosed in note 11.

		2013 M '000	2012 M '000
Gross advances made during the year to:			
Heads of Departments	Car loans	3,010	-
	Furniture loans	50	101
	Housing loans	-	-
Heads of Divisions	Car loans	1,190	524
	Furniture loans	37	83
	Housing loans	464	1,304
Balances due at end of December:			
Heads of Departments	Car loans	2,420	35
	Furniture loans	51	57
	Housing loans	404	1,388
Heads of Divisions:	Car loans	1,357	1,805
	Furniture loans	32	32
	Housing loans	4,478	5,827
Interest charged for the year:			
Heads of Departments	Car loans	39	5
	Furniture loans	1	1
	Housing loans	8	24
Heads of Divisions:	Car loans	17	52
	Furniture loans	2	2
	Housing loans	62	59

During the current year, Deputy Governor II was advanced a furniture loan amounting to M50,000. At year end, the loan was fully paid off.

No provisions have been recognised in respect of loans given to related parties.

The loans issued to directors and other key management personnel during the year are repayable monthly and have interest rates of 3% per annum.

The Bank however requires and accordingly has the following as collateral:
- terminal benefits
- title deeds and registered mortgages in relation to housing loans

Further, all short term and long term loans are covered by insurance policies to ensure recoveries in instances of death of employees.3

	2013 M '000	2012 M '000
Annual remuneration to key management which includes car allowances and housing allowances:		
Executive Directors' salaries	5,024	4,638
Key management salaries	6,653	5,124

36. Financial assets by category

The accounting policies for financial instruments have been applied to the line items below:

2013
M '000

Financial assets	Loans and receivables	Available for sale	Assets at fair value through profit and loss	Total
Cash and balances with Banks	5,351,850	-	-	5,351,850
Accrued interest due from Banks	9,654	-	-	9,654
Unit trusts	-	529,311	-	529,311
Treasury notes and bonds	-	3,153,605	1,055,838	4,209,443
IMF Subscription Account	563,787	-	-	563,787
IMF Holding of Special Drawing Rights	767,621	-	-	767,621
IMF Funded PRGF Advances	834,453	-	-	834,453
Lesotho Government Securities	36	-	-	36
Loans to staff	50,807	-	-	50,807
	7,578,208	**3,682,916**	**1,055,838**	**12,316,962**

2012
M '000

Financial assets	Loans and receivables	Available for sale	Assets at fair value through profit and loss	Total
Cash and balances with Banks	4,137,698	-	-	4,137,698
Accrued interest due from Banks	4,981	-	-	4,981
Treasury bills	-	425,765	-	425,765
Treasury notes and bonds	-	2,676,737	852,115	3,528,852
IMF Subscription Account	419,094	-	-	419,094
IMF Holding of Special Drawing Rights	455,132	-	-	455,132
IMF Funded PRGF Advances	504,895	-	-	504,895
Lesotho Government Securities	15	-	-	15
Loans to staff	41,985	-	-	41,985
	5,563,800	**3,102,502**	**852,115**	**9,518,417**

37. Financial liabilities by category

The accounting policies for financial instruments have been applied to the line items below:

2013
M '000

	Financial liabilities at amortised cost	Total
Notes and coins issued	1,199,622	1,199,622
Deposits	777,310	777,310
Lesotho Government Deposits	5,189,221	5,189,221
IMF Maloti Currency Holding	502,936	502,936
IMF Special Drawing Rights Allocation	531,126	531,126
IMF PRGF Facility	834,453	834,453
	9,034,668	**9,034,668**

Notes to the Financial Statements

37. Financial liabilities by category (continued)

2012
M '000

	Financial liabilities at amortised cost	Total
Notes and coins issued	999,504	999,504
Deposits	662,334	662,334
Lesotho Government Deposits	3,993,097	3,993,097
IMF Maloti Currency Holding	374,750	374,750
IMF Special Drawing Rights Allocation	394,816	394,816
IMF PRGF Facility	504,895	504,895
	6,929,396	**6,929,396**

38. Operating lease

Amount receivable within 12 months	151	144
Amount receivable within 13 to 24 months	332	302
	483	**446**

The above income is for the rental of houses owned by the Bank. The lease contracts are all for a period of 24 months.

39. Risk management

Risk is an inherent feature of the Bank's activities. The Bank is committed to managing these risks by applying appropriate structures, systems and procedures. These structures, systems and procedures evolve continuously in response to changes in the financial and economic environment in which the Bank operates.

Management structures

The organisational structure of the Bank is designed to ensure an appropriate allocation of responsibilities. This is supported by formal delegation of authority and segregation of duties to achieve sound internal controls.

Risk elements

The main risk elements in the Bank's activities are interest rate, market price, credit, market liquidity, operational, human resource, legal and reputational risks. These are discussed below:

39. Risk management (continued)

Market price risk

Market price risk is the risk of loss resulting from changes in market conditions and prices. In its monetary policy operations, the Bank may be obliged to accept certain market-related risks, which would not be fully compatible with pure commercial practice.

The Bank manages its market risks responsibly, utilising appropriate organisational structures and procedures. Exposures and limits are measured continuously and strategies are routinely reviewed by management on a regular basis.

The following table summarises the Bank's exposure to Foreign currency exchange rate fluctuations as at year end.

Currency 2013	Value of Currency M'000	Exchange Rate	Maloti Equivalent M'000
Cash and balances with Banks			
South Africa	3,933,621	1.0000	3,933,621
United States	90,463	10.5092	950,691
Botswana	134	1.2002	161
England	7,330	17.3692	127,321
European Union	24,192	14.4723	350,107
Switzerland	22	11.7992	259
Treasury notes, bonds and unit trusts			
South Africa	2,542,486	1.0000	2,542,486
United States	158,619	10.5092	1,666,957
Unit trust - US Dollar based	50,366	10.5092	529,311

Currency 2012	Value of Currency M'000	Exchange Rate	Maloti Equivalent M'000
Cash and balances with Banks			
South Africa	2,785,127	1.0000	2,785,127
United States	139,204	8.4860	1,181,281
Botswana	80	1.0901	87
England	11,307	13.7220	155,159
European Union	892	11.1962	9,996
Switzerland	17	9.2750	161
Treasury notes, bonds and unit trusts			
South Africa	2,060,563	1.0000	2,060,563
United States	173,025	8.4860	1,468,289
Unit trust - US Dollar based	50,173	8.4860	425,765

Market liquidity risk is the risk that the Bank will encounter difficulty in raising funds to meet commitments as they fall due.

The Bank maintains sufficient short-term liquid funds to meet obligations or commitments as they fall due. It also has sufficient reserves to absorb losses arising from market fluctuations.

Credit risk

Credit risk is the risk of loss due to the inability or unwillingness of a counterparty to meet its contractual obligations. Credit risk arises from advances to and deposits the Bank makes with other institutions, and the settlement of financial instruments.

Credit risk policies are formulated by the Investment Technical Committee (ITC), which sets counterparty limits and security.

39. Risk management (continued)

Operational risk

Operational risk is the risk of loss due to factors such as inadequate systems, management failure, ineffective internal controls, fraud, human error or other external events.

The Bank addresses these risks through comprehensive internal controls, back-up facilities, contingency planning and regular internal audit reviews.

Human resource risk

The particular nature of the Bank's activities necessitates specialised knowledge in certain areas.

In order to ensure an adequate knowledge base at all times, the Bank invests significantly in staff training and succession planning for key personnel.

Legal risk

Legal risk arises from any uncertainty of enforceability, whether through legal or judicial processes, of the obligations of the Bank's counterparties.

The Bank minimises such uncertainties through continuous consultation with internal and external legal advisers to better understand the nature of such risks and to improve the documentation and structure of transactions.

In addition, the Bank has put in place procedures designed to ensure compliance with all statutory and regulatory requirements.

Reputational risk

The Bank's objective of achieving and maintaining price stability in Lesotho exposes it to external scrutiny and possible criticism in the event of any failures. The Bank also strives for full compliance with the Basel Core Principles for effective banking supervision. The Bank adheres to best practice established in keeping with international standards and, to this end, it maintains close liaison with its regional peers.

Notes to the Financial Statements

39. Risk management (continued)

Credit risk analysis

The table below shows the investment spread of the funds of the Bank globally and the credit rating of such institutions.

2013

Cash	Carrying amount M'000	Maximum exposure M'000	Held in Deno-mination	Type of collateral held	Credit rating
ZAR	30,372	30,372	ZAR	none	n/a
USD	1,291	1,291	USD	none	n/a
EUR	130	130	EUR	none	n/a
	31,793	**31,793**			

Current and call accounts	Carrying amount M'000	Maximum exposure M'000	Held in Deno-mination	Type of collateral held	Credit rating
ABSA Bank	9,155	9,155	ZAR	none	P-2/Baa1
B.I.S	1,344	1,344	EUR		Supranational
B.I.S	894	894	GBP	none	Supranational
B.I.S	872	872	USD	none	Supranational
Bank of N.Y	8,337	8,337	ZAR	none	P-1/Aa2
Bank of England	26,837	26,837	GBP	none	P-1/Aa1
Bank of N.Y	865	865	USD	none	P-1/Aa2
Bank of N.Y RAMP	1,722	1,722	ZAR	none	P-1/Aa1
Banks Trust	435	435	USD	none	P-1/A2
Citi Bank SA	4,214	4,214	ZAR	none	P-2/A3
CITI N.Y	16,068	16,068	USD	none	P-2/A3
Commerz	157,433	157,433	EUR	none	P-2/Baa1
Crown Agents	135	135	GBP	none	F1/A Fitch
Crown Agents	549	549	USD	none	F1/A Fitch
Deutsche Bundesbank	191,200	191,200	EUR	none	P-1/A2
Federal Reserve Bank of N.Y	1,322	1,322	USD	none	Aaa
First Rand	6,667	6,667	ZAR	none	P-2/Baa1
Investec Bank	59,881	59,881	ZAR	none	P-2/Baa1
NedBank	3,187	3,187	ZAR	none	P-2/Baa1
South African Reserve Bank	2,201,819	2,201,819	ZAR	none	Baa1
Standard Chartered Botswana	161	161	BWP	none	n/a
Standard Chartered London	3,623	3,623	GBP	none	P-1/A1
Standard Merchant	165	165	ZAR	none	P-2/Baa1
Swiss Bank	259	259	CHF	none	Baa3
	2,697,144	**2,697,144**			

Fixed deposits	Carrying amount M'000	Maximum exposure M'000	Held in Deno-mination	Type of collateral held	Credit rating
ABSA Bank	279,260	279,260	ZAR	none	P-2/Baa1
Crown Agents	95,814	95,814	GBP	none	F2/BBB+
Crown Agents	300,000	300,000	ZAR	none	F2/BBB+
FedralReseve N.Y	106,143	106,143	USD	none	Aaa
Firstrand	52,546	52,546	USD	none	P-2/Baa1
Firstrand	200,000	200,000	ZAR	none	P-2/Baa1
Investec	382,619	382,619	ZAR	none	P-2/Baa1
NedBank	80,000	80,000	ZAR	none	P-2/Baa1
Standard Chartered London	346,848	346,848	USD	none	P-1/A1
Standard Bank SA	105,092	105,092	USD	none	P-2/Baa1
Standard Bank PLC	316,774	316,774	USD	none	P-2/Baa2
Standard Bank PLC	300,000	300,000	ZAR	none	P-2/Baa2
	2,565,096	**2,565,096**			

39. Risk management (continued)

Accrued interest due from Banks	Carrying amount M'000	Maximum exposure M'000	Held in Deno-mination	Type of collateral held	Credit rating
Citibank SA	1	1	ZAR	none	P-2/A3
Crown Agents	18	18	GBP	none	F2/BBB+
Crown Agents	2,375	2,375	ZAR	none	F2/BBB+
Firstrand	743	743	ZAR	none	P-2/Baa1
Nedbank	367	367	ZAR	none	P-2/Baa1
South African Reserve Bank	351	351	ZAR	none	Baa1
Firstrand	5	5	USD	none	P-2/Baa1
ABSA	1,301	1,301	ZAR	none	P-2/Baa1
Investec	2,154	2,154	ZAR	none	P-2/Baa1
Standard Bank SA	37	37	USD	none	P-2/Baa1
Standard Bank PLC	75	75	USD	none	P-2/Baa1
Standard Chartered London	47	47	USD	none	P-1/A1
Standard Bank PLC	2,180	2,180	ZAR	none	P-2/Baa1
	9,654	**9,654**			

Treasury notes, bonds and unit trusts	Carrying amount M'000	Maximum exposure M'000	Held in Deno-mination	Type of collateral held	Credit rating
South Africa	2,542,487	2,542,487	ZAR	none	Baa1
United States-BIS	529,311	529,311	USD	none	Supranation
United States-RAMP	1,055,838	1,055,838	USD	none	Aaa
United States	611,118	611,118	USD	none	Aaa
	4,738,754	**4,738,754**			

Loans to staff	Carrying amount M'000	Maximum exposure M'000	Held in Deno-mination	Type of collateral held	Credit rating
Housing Loans	20,163	20,163	LSL	Title deeds	n/a
Car Loans	15,448	15,448	LSL	Terminal Benefits	n/a
Furniture Loans	1,110	1,110	LSL	Terminal Benefits	n/a
Other Loans and Advances	14,086	14,086	LSL	Terminal Benefits	n/a
	50,807	**50,807**			

39. Risk management (continued)

2012

Cash	Carrying amount M'000	Maximum exposure M'000	Held in Deno-mination	Type of collateral held	Credit rating
ZAR	11,670	11,670	ZAR	none	n/a
USD	1,092	1,092	USD	none	n/a
EUR	21	21	EUR	none	n/a
	12,783	**12,783**			

Current and call accounts	Carrying amount M'000	Maximum exposure M'000	Held in Deno-mination	Type of collateral held	Credit rating
ABSA Bank	99,994	99,994	ZAR	none	P2/Baa1
B.I.S	1,040	1,040	EUR	none	Supranational
B.I.S	704	704	GBP	none	Supranational
B.I.S Basle	704	704	USD	none	Supranational
Bank of England	27,810	27,810	GBP	none	P-1/Aaa
Bank of N.Y	2,046	2,046	USD	none	P-1\Aa1
Bank of N.Y	8,344	8,344	ZAR	none	P-1\Aa1
BankTrust.N.Y	350	350	USD	none	P-1\A2
Citi Bank	4,029	4,029	ZAR	none	P-2/A3
CITI N.Y	17,293	17,293	USD	none	P-2\Baa1
Commerz	8,397	8,397	EUR	none	P-2\A3
Crown Agents	107	107	GBP	none	F1/A Fitch
Crown Agents	444	444	USD	none	F1/A Fitch
Deutsche Bundesbank	538	538	EUR	none	P-1\A2
Federal Reserve Bank of N.Y	1,258	1,258	USD	none	Aaa
First Rand	5,571	5,571	ZAR	none	P2/Baa1
Investec Bank	11,349	11,349	ZAR	none	P2/Baa1
Nedbank	3,052	3,052	ZAR	none	P2/Baa1
South African Reserve Bank	1,792,641	1,792,641	ZAR	none	Baa1
Standard Bank	82	82	ZAR	none	P2/Baa1
Standard Chartered Botswana	87	87	BWP	none	n/a
Standard Chartered London	3,032	3,032	GBP	none	P-1/A1
Standard Merchant	63	63	ZAR	none	P2/Baa1
Swiss Bank	161	161	CHF	none	Baa3
Investec /bank	45,605	45,605	ZAR	none	P2/Baa1
Special Rand Deposit	5,000	5,000	ZAR	none	Baa1
	2,039,701	**2,039,701**			

Fixed deposits	Carrying amount M'000	Maximum exposure M'000	Held in Deno-mination	Type of collateral held	Credit rating
ABSA Bank	100,000	100,000	ZAR	none	P2/Baa1
Crown Agents	123,506	123,506	GBP	none	F1/A Fitch
Crown Agents	300,000	300,000	ZAR	none	F1/A Fitch
Crown Agents	203,758	203,758	USD	none	F1/A Fitch
FedralReseve N.Y	59,402	59,402	USD	none	Aaa
Firstrand	280,000	280,000	ZAR	none	P2/Baa1
Investec	257,725	257,725	ZAR	none	P2/Baa1
NedBank	100,000	100,000	ZAR	none	P2/Baa1
Standard Bank	60,000	60,000	ZAR	none	P2/Baa1
Standard Bank SA	212,251	212,251	USD	none	P2/Baa1
Standard Bank PLC	382,684	382,684	USD	none	P2/Baa2
	2,079,326	**2,079,326**			

39. Risk management (continued)

Accrued interest due from Banks	Carrying amount M'000	Maximum exposure M'000	Held in Deno-mination	Type of collateral held	Credit rating
Citibank	1	1	ZAR	none	none
Crown Agents	1,303	1,303	ZAR	none	none
Crown Agents	14	14	GBP	none	none
Crown Agents	33	33	USD	none	none
Firstrand	1	1	ZAR	none	none
Firstrand	1,124	1,124	ZAR	none	none
Investec	1	1	ZAR	none	none
Nedbank	1	1	ZAR	none	none
South African Reserve Bank	88	88	ZAR	none	none
Standard Bank	221	221	ZAR	none	none
Nedbank	536	536	ZAR	none	none
Reserve Bank Special Rand	229	229	ZAR	none	none
ABSA	258	258	ZAR	none	none
Investec	702	702	ZAR	none	none
Investec	94	94	ZAR	none	none
Investec	187	187	ZAR	none	none
Standard Bank SA	90	90	USD	none	none
Standard Bank PLC	98	98	USD	none	none
	4,981	**4,981**			

Treasury notes, bonds and unit trusts	Carrying amount M'000	Maximum exposure M'000	Held in Deno-mination	Type of collateral held	Credit rating
South Africa	2,060,563	2,060,563	ZAR	none	Baa1
Unites States-BIS	425,765	425,765	USD	none	Aaa
United States-RAMP	852,114	852,114	USD	none	Aaa
United States	616,175	616,175	USD	none	Aaa
	3,954,617	**3,954,617**			

Loans to staff	Carrying amount M'000	Maximum exposure M'000	Held in Deno-mination	Type of collateral held	Credit rating
Housing Loans	17,604	17,604	LSL	Title deeds	n/a
Car Loans	12,155	12,155	LSL	Terminal Benefits	n/a
Furniture Loans	1,254	1,254	LSL	Terminal Benefits	n/a
Other Loans and Advances	10,972	10,972	LSL	Terminal Benefits	n/a
	41,985	**41,985**			

All financial assets were fully performing at year end.

AAA - Obligations rated AAA are judged to be of the highest quality, with minimal credit risk.

Aa - Obligations rated Aa are judged to be of high quality and are subject to very low credit risk.

A - Obligations rated A are considered upper-medium grade and are subject to low credit risk.

B - Obligations rated B are considered speculative and are subject to high credit risk.

P-1 - Issuers (or supporting institutions) rated Prime-1 have a superior ability to repay short-term debt obligations.

P-2 - Issuers (supporting institutions) rated Prime-2 have a strong ability to repay short-term debt obligations.

n/a - Cash and reserve banks do not have a credit rating.

Sensitivity Analysis for the year ended 31 December 2013

Notes to the Financial Statements

39. Risk management (continued)

The following tables below show the sensitivity of both currency and foreign investment risk should the exchange rate move either +5% or -5% directions and the overall impact on profit before tax and equity. However, unrealised gains and losses are only dealt with in equity in line with the Central Bank Act No.2 of 2000.

Data for currency and foreign investment risk (figures in original currencies)

	31 December 2013		31 December 2012	
Currency	**Portfolio level**	**Exchange rate**	**Portfolio level**	**Exchange rate**
ZAR	6,476,107	1.00	4,850,434	1.00
USD	299,446	10.51	362,427	8.49
EUR	24,192	14.47	893	11.20
GBP	7,330	17.37	11,308	13.72
BWP	134	1.20	80	1.09
CHF	22	11.80	17	9.28
SDR	47,518	16.18	37,901	13.04

Base case
Data for currency and foreign investment risk (figures in M '000)

		31 December 2013	
Currency	**Portfolio level**	**Portfolio level in %**	**Exchange rate**
ZAR	6,476,107	59.58 %	1.00
USD	3,146,963	28.95 %	10.51
EUR	350,107	3.22 %	14.47
GBP	127,321	1.17 %	17.37
BWP	161	- %	1.20
CHF	259	- %	11.80
SDR	769,030	7.07 %	16.18
	10,869,921	**100 %**	

Base case
Data for currency and foreign investment risk (figures in M '000)

		31 December 2012	
Currency	**Portfolio level**	**Portfolio level in %**	**Exchange rate**
ZAR	4,850,434	56.49 %	1.00
USD	3,075,556	35.82 %	8.49
EUR	9,996	0.12 %	11.20
GBP	155,173	1.81 %	13.72
BWP	87	- %	1.09
CHF	161	- %	9.28
SDR	494,305	5.76 %	13.04
	8,585,712	**100 %**	

Notes to the Financial Statements

39. Risk management (continued)

5% increase in exchange rate
Data for currency and foreign
investment risk (figures in M '000)

Currency	Portfolio level	Portfolio level in %	Level change	Exchange rate
	31 December 2013			
ZAR	6,476,107	58.40 %	-	1.00
USD	3,304,283	29.80 %	(157,347)	11.03
EUR	367,612	3.31 %	(17,505)	15.20
GBP	133,687	1.21 %	(6,366)	18.24
BWP	169	- %	(8)	1.26
CHF	272	- %	(13)	12.39
SDR	807,481	7.28 %	(38,451)	16.99
	11,089,611	**100 %**		

% Change 2.02%

5% increase in exchange rate
Data for currency and foreign
investment risk (figures in M'000)

Currency	Portfolio level	Portfolio level in %	Level change	Exchange rate
	31 December 2012			
ZAR	4,850,434	55.29 %	-	1.00
USD	3,229,334	36.81 %	(153,758)	8.91
EUR	10,495	0.12 %	(500)	11.76
GBP	162,931	1.86 %	(7,767)	14.41
BWP	92	- %	(4)	1.14
CHF	169	- %	(8)	9.74
SDR	519,021	5.92 %	(24,715)	13.69
	8,772,476	**100 %**		

% Change 2.86%

5% decrease in exchange rate
Data for currency and foreign
investment risk (figures in M '000)

Currency	Portfolio level	Portfolio level in %	Level change	Exchange rate
	31 December 2013			
ZAR	6,476,107	60.81 %	-	1.00
USD	2,989,589	28.07 %	157,347	9.98
EUR	332,602	3.12 %	17,505	13.75
GBP	120,955	1.14 %	6,366	16.50
BWP	153	- %	8	1.14
CHF	246	- %	13	11.21
SDR	730,578	6.86 %	38,451	15.37
	10,650,230	**100 %**		

% Change -2.02%

39. Risk management (continued)

5% decrease in exchange rate
Data for currency and foreign
investment risk (figures in M'000)

	31 December 2012			
Currency	**Portfolio level**	**Portfolio level in %**	**Level change**	**Exchange rate**
ZAR	4,850,434	57.75 %	-	1.00
USD	2,921,778	34.79 %	153,758	8.06
EUR	9,496	0.11 %	500	10.64
GBP	147,414	1.76 %	7,767	13.04
BWP	83	- %	4	1.04
CHF	153	- %	8	8.81
SDR	469,590	5.59 %	24,715	12.39
	8,398,948	**100 %**		

% Change -2.86%

39. Risk management (continued)

Interest rate risk

The table below indicates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Bank's profit.

2013

Currency	Cash 2013 M '000	0 to 6 Months 2013 M '000	6 months to 1 year 2013 M '000	1 year to 5 years 2013 M '000	More than 5 years 2013 M '000	Total 2013 M '000
ZAR	30,372	4,255,389	102,380	608,269	1,479,308	6,475,718
USD	1,290	1,160,374	261,247	1,724,178	-	3,147,089
EUR	130	349,977	-	-	-	350,107
GBP	-	127,320	-	-	-	127,320
Other	-	769,450	-	-	-	769,450
	31,792	**6,662,510**	**363,627**	**2,332,447**	**1,479,308**	**10,869,684**

Notes to the Financial Statements

39. Risk management (continued)

Base case yields	0-6 mnth	6 mnth - 1yr	1-5 yr	5yr+
ZAR	6.35 %	8.50 %	8.50 %	7.44 %
USD	0.75 %	0.40 %	0.46 %	- %
EUR	0.31 %	- %	- %	- %
GBP	0.60 %	- %	- %	- %
Rand	- %	- %	- %	- %

100 Basis points increase in yields	0-6 mnth	6 mnth - 1yr	1-5 yr	5yr+
ZAR	7.35 %	9.50 %	9.50 %	8.44 %
USD	1.75 %	1.40 %	1.46 %	1.00 %
EUR	1.31 %	- %	- %	- %
GBP	1.60 %	- %	- %	- %
Other	1.00 %	- %	- %	- %

100 Basis points decrease in yields	0-6 mnth	6 mnth - 1yr	1-5 yr	5yr+
ZAR	5.35 %	7.50 %	7.50 %	6.44 %
USD	- %	- %	- %	- %
EUR	- %	- %	- %	- %
GBP	- %	- %	- %	- %
Other	- %	- %	- %	- %

Nominal return in base case yields	0-6 mnth '000	6mnth-1yr M'000	1-5yr M'000	5yr+ M'000	Nominal Income	% Change
ZAR	270,217	8,702	51,703	110,024		
USD	8,698	1,035	7,968	-		
EUR	1,085	-	-	-		
GBP	769	-	-	-		
Other	-	-	-	-		
	-	-	-	-	460,201	-

Notes to the Financial Statements

39. Risk management (continued)

Nominal return in increasing yields	0-6 mnth M'000	6mnth-1yr M'000	1-5yr M'000	5yr+ M'000		
ZAR	312,771	9,726	57,786	127,817		
USD	20,301	3,648	25,210	-		
EUR	4,585	-	-	-		
GBP	2,042	-	-	-		
Other	7,695	-	-	-	**Nominal Income**	**% Change**
	-	-	-	-	568,579	24

Nominal return in decreasing yields	0-6 mnth M'000	6mnth-1yr M'000	1-5yr M'000	5yr+ M'000		
ZAR	227,663	7,679	45,620	95,230		
EUR	-	-	-	-		
GBP	-	-	-	-		
Other	-	-	-	-	**Nominal Income**	**% Change**
	-	-	-	-	376,192	(18)

Sensitivity: For a 1 percentage increase in yields, Income increases by 24 %

For a 1 percentage decrease in yields, income decreases by -18 %

Notes to the Financial Statements

39. Risk management (continued)

2012

Currency	Cash 2012 M '000	0 to 6 Months 2012 M '000	6 months to 1 year 2012 M '000	1 year to 5 years 2012 M '000	More than 5 years 2012 M '000	Total 2012 M '000
ZAR	11,670	2,778,201	360,207	746,472	953,884	4,850,434
USD	1,092	1,333,551	190,698	1,550,215	-	3,075,556
GBP	21	9,975	-	-	-	9,996
EUR	-	155,173	-	-	-	155,173
Other	-	494,553	-	-	-	494,553
Total	**12,783**	**4,771,453**	**550,905**	**2,296,687**	**953,884**	**8,585,712**

Base case yields	**0-6 mnth**	**6 mnth - 1yr**	**1-5 yr**	**5yr+**
ZAR	5.28 %	5.35 %	8.50 %	7.50 %
USD	0.90 %	0.77 %	0.23 %	- %
GBP	0.27 %	- %	- %	- %
EUR	0.60 %	- %	- %	- %
Other	- %	- %	- %	- %

100 Basis points increase in yields	**0-6 mnth**	**6 mnth - 1yr**	**1-5 yr**	**5yr+**
ZAR	6.28 %	6.35 %	9.50 %	8.50 %
USD	1.90 %	1.77 %	1.23 %	1.00 %
GBP	1.27 %	- %	- %	- %
EUR	1.60 %	- %	- %	- %
Other	1.00 %	- %	- %	- %

100 Basis points decrease in yields	**0-6 mnth**	**6 mnth - 1yr**	**1-5 yr**	**5yr+**
ZAR	4.28 %	4.35 %	7.50 %	6.50 %
GBP	- %	- %	- %	- %
EUR	- %	- %	- %	- %

Notes to the Financial Statements

39. Risk management (continued)

Nominal return in base case yields	**0-6 mnth M'000**	**6mnth-1yr M'000**	**1-5yr M'000**	**5yr+ M'000**		
ZAR	146,689	19,271	63,450	71,541		
USD	12,002	1,475	3,500	-		
GBP	26	-	-	-		
EUR	923	-	-	-		
	-	-	-	-	318,878	-

Nominal return in increasing yields	**0-6 mnth M'000**	**6mnth-1yr M'000**	**1-5yr M'000**	**5yr+ M'000**		
ZAR	174,471	22,873	70,915	81,080		
USD	25,337	3,382	19,002	-		
GBP	126	-	-	-		
EUR	2,475	-	-	-		
Other	4,943	-	-	-	**Nominal Income**	**% Change**
	-	-	-	-	404,611	27

Nominal return in decreasing yields	**0-6 mnth M'000**	**6mnth-1yr M'000**	**1-5yr M'000**	**5yr+ M'000**		
ZAR	118,907	15,669	55,985	62,002		
GBP	-	-	-	-		
EUR	-	-	-	-		
Other	-	-	-	-	**Nominal Income**	**% Change**
	-	-	-	-	252,564	(21)

Sensitivity: For a 1 percentage increase in yields, income increases by 27%

For a 1 percentage decrease in yields, income decreases by 21%

Notes to the Financial Statements

39. Risk management (continued)

Liquidity risk

The table below summarises the remaining contractual maturities of the Bank's financial liabilities based on undiscounted cash flows:

2013

	Redeemable on demand	Maturing within 1 month	Maturing after 1 but within 6 months	Maturing after 6 but within 12 months	Maturing after 1 but within 5 years	Maturing after 5 years	Total
Financial assets	M'000	M'000	M'000	M'000	M'000	M'000	M'000
Cash and balances with banks	2,786,016	2,317,264	248,570	-	-	-	5,351,850
Accrued interest due from Banks	355	9,282	17	-	-	-	9,654
Treasury Notes, Bonds and Unit trusts	529,311	505,133	126,284	294,661	1,389,116	1,894,249	4,738,754
IMF accounts	767,621	-	-	-	-	1,398,240	2,165,861
Lesotho Government Securities	-	-	36	-	-	-	36
Loans to staff	-	-	-	14,084	16,558	20,165	50,807
Total Financial Assets	**4,083,303**	**2,831,679**	**374,907**	**308,745**	**1,405,674**	**3,312,654**	**12,316,962**
Financial liabilities							
Notes & coins issued	1,199,622	-	-	-	-	-	1,199,622
Deposits	777,310	-	-	-	-	-	777,310
Lesotho Government Deposits	5,189,221	-	-	-	-	-	5,189,221
IMF Accounts	1,868,515	-	-	-	-	-	1,868,515
Total Financial liabilities	**9,034,668**	**-**	**-**	**-**	**-**	**-**	**9,034,668**
Net liquidity gap	**(4,951,365)**	**2,831,679**	**374,907**	**308,745**	**1,405,674**	**3,312,654**	**3,282,294**

Notes to the Financial Statements

39. Risk management (continued)

2012

	Redeemable on demand	Maturing within 1 month	Maturing after 1 but within 6 months	Maturing after 6 but within 12 months	Maturing after 1 but within 5 years	Maturing after 5 years	Total
Financial assets	**M'000**	**M'000**	**M'000**	**M'000**	**M'000**	**M'000**	**M'000**
Cash and balances with banks	2,068,849	1,779,210	289,639	-	-	-	4,137,698
Accrued interest due from Banks	-	4,835	146	-	-	-	4,981
Treasury Notes & Bonds and Unit trusts	-	53,277	219,766	33,298	2,235,684	1,412,592	3,954,617
IMF accounts	455,132	-	-	-	-	923,989	1,379,121
Lesotho Government Securities	-	15	-	-	-	-	15
Loans to staff	-	-	-	10,972	13,409	17,604	41,985
Total Financial Assets	**2,523,981**	**1,837,337**	**509,551**	**44,270**	**2,249,093**	**2,354,185**	**9,518,417**
Financial liabilities							
Notes & Coins issued	999,504	-	-	-	-	-	999,504
Deposits	662,334	-	-	-	-	-	662,334
Lesotho Government Deposits	3,993,097	-	-	-	-	-	3,993,097
IMF Accounts	1,274,462	-	-	-	-	-	1,274,462
Total Financial liabilities	**6,929,397**	**-**	**-**	**-**	**-**	**-**	**6,929,397**
Net liquidity gap	**(4,405,416)**	**1,837,337**	**509,551**	**44,270**	**2,249,093**	**2,354,185**	**2,589,020**

Notes to the Financial Statements

40. Fair value information

Levels of fair value measurements

Level 1

Assets

Available for sale financial assets			
Bonds	5	3,153,605	2,676,737
Unit trusts		529,311	425,765
Total available for sale financial assets		**3,682,916**	**3,102,502**
Financial assets designated at fair value through profit or loss			
Bonds	5	1,055,838	852,115
Total		**4,738,754**	**3,954,617**

Table A1

GROSS DOMESTIC PRODUCT BY KIND OF ECONOMIC ACTIVITY

(2004 = 100)

Million Maloti

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013*
Primary Sector:	**770.14**	**913.50**	**879.57**	**994.49**	**1099.16**	**1142.38**	**1278.83**	**1339.94**	**1460.81**	**1460.37**
Agriculture	702.13	711.87	638.47	632.60	735.05	697.83	816.68	791.74	798.36	827.19
Mining & Quarrying	68.01	201.63	241.10	361.89	364.12	444.55	462.15	548.20	662.45	633.18
Secondary Sector:	**2303.73**	**2172.96**	**2307.79**	**2356.43**	**2502.17**	**2440.13**	**2714.53**	**2542.03**	**2706.11**	**2833.37**
Manufacturing	1602.85	1411.05	1531.56	1563.45	1597.81	1494.20	1703.66	1503	1444	1472.27
Electricity & Water	335.87	382.60	402.21	416.15	419.11	435.95	429.72	437.36	453.56	461.62
Building & Construction	365.01	379.31	374.02	376.83	485.25	509.98	581.15	601.52	808.22	899.48
Tertiary Sector:	**4294.34**	**4399.85**	**4645.00**	**4834.99**	**5025.84**	**5324.90**	**5548.33**	**5880.48**	**6213.31**	**6408.19**
Wholesale and Retail Trade, repairs	519.91	555.55	580.04	615.45	663.31	667.22	715.24	762.49	856.11	874.47
Hotels and Restaurants	110.01	108.32	115.33	117.68	118.43	116.95	120.00	125.01	128.37	129.90
Transport & Communication	425.4	481.98	534.90	599.79	667.50	754.81	823.55	889.71	986.45	1037.75
Transport and Storage	226.88	248.40	250.06	257.27	272.31	281.71	293.85	304.21	316.15	328.17
Post and Telecommunicatios	198.53	233.57	284.84	342.52	395.19	473.10	529.70	585.51	670.30	709.58
Financial Intermediation	325.19	323.77	395.55	440.44	474.44	540.92	622.86	701.34	733.93	776.54
Real Estate & Business Services	1164.84	1168.03	1185.84	1218.51	1236.83	1312.96	1284.50	1319.68	1358.80	1395.00
Owner-occupied Dwellings	835.12	848.80	863.87	877.07	888.99	912.71	927.28	946.65	972.62	993.45
Other Real Estate & Business Services	329.72	319.23	321.97	341.45	347.84	400.25	357.22	373.03	386.18	401.54
Public Administration	866.38	873.93	916.09	946.80	974.18	962.39	967.07	968.24	960.91	982.06
Education	637.65	640.49	662.59	641.55	631.84	695.87	736.31	747.87	741.03	754.95
Health & Social Work	149.43	151.23	155.45	153.83	156.46	169.81	174.19	258.32	336.43	342.75
Community, Social & Personal Services	95.53	96.57	99.21	100.93	102.84	103.96	104.62	107.83	111.28	114.77
GDP at Factor Cost (unadjusted)	**7368.21**	**7486.32**	**7832.37**	**8185.90**	**8627.17**	**8907.42**	**9541.70**	**9762.45**	**10380.23**	**10701.93**
Less: Imputed Bank Serv. Charg.	-67.37	-56.23	-78.45	-106.82	-137.10	-162.68	-193.03	-213.60	-219.33	-232.07
GDP at Factor Cost	**7300.85**	**7430.09**	**7753.92**	**8079.09**	**8490.07**	**8744.74**	**9348.66**	**9548.85**	**10160.89**	**10469.86**
Plus: Indirect taxes, Net	671.83	758.06	786.93	866.05	967.93	1030.85	1120.14	1217.15	1305.92	1344.77
GDP at Market Prices	**7972.68**	**8188.15**	**8540.86**	**8945.13**	**9458.00**	**9775.59**	**10468.81**	**10766.00**	**11466.81**	**11814.64**

Source: Bureau of Statistics
* CBL Projections

Table A2

GROSS DOMESTIC PRODUCT BY KIND OF ECONOMIC ACTIVITY

(2004 = 100)

Percentage Changes

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013*
Primary Sector:	**2.28**	**18.62**	**-3.71**	**13.07**	**10.53**	**3.93**	**11.94**	**4.78**	**9.02**	**-0.03**
Agriculture	-0.97	1.39	-10.31	-0.92	16.19	-5.06	17.03	-3.05	0.84	3.61
Mining & Quarrying	54.56	196.48	19.57	50.10	0.61	22.09	3.96	18.62	20.84	-4.42
Secondary Sector:	**0.69**	**-5.68**	**6.20**	**2.11**	**6.18**	**-2.48**	**11.25**	**-6.35**	**6.45**	**4.70**
Manufacturing	5.94	-11.97	8.54	2.08	2.20	-6.48	14.02	-11.77	-3.91	1.93
Electricity & Water	3.99	13.91	5.13	3.47	0.71	4.02	-1.43	1.78	3.70	1.78
Building & Construction	-19.25	3.92	-1.39	0.75	28.77	5.10	13.95	3.51	34.36	11.29
Tertiary Sector:	**2.39**	**2.46**	**5.57**	**4.09**	**3.95**	**5.95**	**4.20**	**5.99**	**5.66**	**3.14**
Wholesale and Retail Trade, repairs	0.76	6.85	4.41	6.11	7.78	0.59	7.20	6.61	12.28	2.14
Hotels and Restaurants	8.92	-1.54	6.47	2.04	0.64	-1.25	2.61	4.17	2.69	1.19
Transport & Communication	8.52	13.30	10.98	12.13	11.29	13.08	9.11	8.03	10.87	5.20
Transport and Storage	3.60	9.49	0.67	2.88	5.85	3.45	4.31	3.53	3.93	3.80
Post and Telecommunicatios	14.76	17.65	21.95	20.25	15.38	19.72	11.96	10.53	14.48	5.86
Financial Intermediation	16.14	-0.44	22.17	11.35	7.72	14.01	15.15	12.60	4.65	5.81
Real Estate & Business Services	-0.27	0.27	1.52	2.76	1.50	6.16	-2.17	2.74	2.96	2.66
Owner-occupied Dwellings	1.72	1.64	1.77	1.53	1.36	2.67	1.60	2.09	2.74	2.14
Other Real Estate & Business Services	-4.98	-3.18	0.86	6.05	1.87	15.07	-10.75	4.43	3.53	3.98
Public Administration	2.60	0.87	4.82	3.35	2.89	-1.21	0.49	0.12	-0.76	2.20
Education	-1.29	0.44	3.45	-3.18	-1.51	10.13	5.81	1.57	-0.91	1.88
Health & Social Work	-2.64	1.21	2.80	-1.04	1.71	8.53	2.58	48.30	30.24	1.88
Community, Social & Personal Services	2.72	1.09	2.74	1.73	1.90	1.09	0.63	3.07	3.20	3.13
GDP at Factor Cost (unadjusted)	**1.84**	**1.60**	**4.62**	**4.51**	**5.39**	**3.25**	**7.12**	**2.31**	**6.33**	**3.10**
Less: Imputed Bank Serv. Charg.	-13.68	-16.53	39.51	36.17	28.35	18.66	18.66	10.66	2.68	5.81
GDP at Factor Cost	**2.01**	**1.77**	**4.36**	**4.19**	**5.09**	**3.00**	**6.91**	**2.14**	**6.41**	**3.04**
Plus: Indirect taxes, Net	5.47	12.83	3.81	10.05	11.76	6.50	8.66	8.66	7.29	2.98
GDP at Market Prices	**2.29**	**2.70**	**4.31**	**4.73**	**5.73**	**3.36**	**7.09**	**2.84**	**6.51**	**3.03**

Source: Bureau of Statistics

* CBL Projections

Table A3

GROSS DOMESTIC PRODUCT BY KIND OF ECONOMIC ACTIVITY

(At Current Prices)

Million Maloti

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013*
Primary Sector:	**770.14**	**1021.63**	**1128.40**	**1618.15**	**2137.16**	**1940.23**	**2219.85**	**2997.58**	**2673.41**	**2797.20**
Agriculture	702.13	721.01	708.68	790.34	991.87	1025.08	1289.70	1313.53	1402.89	1536.259
Mining & Quarrying	68.01	300.62	419.72	827.80	1145.29	915.15	930.15	1684.05	1270.51	1260.942
Secondary Sector:	**2303.73**	**2346.81**	**2757.55**	**2874.86**	**3475.98**	**3367.88**	**3424.72**	**3616.01**	**4104.93**	**4456.90**
Manufacturing	1602.85	1550.38	1887.91	1956.94	2350.49	2115.33	1929.61	1915.86	1968.99	2029.321
Electricity & Water	335.87	413.18	459.30	476.81	510.39	531.82	655.71	787.01	841.54	906.405
Building & Construction	365.01	383.25	410.34	441.12	615.10	720.73	839.39	913.14	1294.40	1521.179
Tertiary Sector:	**4294.34**	**4691.26**	**5194.61**	**5986.89**	**7061.15**	**8243.83**	**8785.98**	**9705.15**	**10584.12**	**11540.79**
Wholesale and Retail Trade, repairs	519.91	593.81	688.56	800.49	1017.05	1018.30	1143.50	1327.04	1611.37	1728.22
Hotels and Restaurants	110.01	111.96	128.31	144.79	162.91	156.26	182.27	202.41	188.63	198.07
Transport & Communication	425.40	519.82	580.12	660.30	757.34	851.58	982.51	1085.27	1225.20	1350.38
Transport and Storage	226.88	279.05	293.46	321.70	369.71	404.11	441.24	468.04	531.08	578.84
Post and Telecommunicatios	198.53	240.77	286.66	338.60	387.63	447.47	541.27	617.23	694.13	771.54
Financial Intermediation	325.19	363.20	462.37	632.82	818.43	899.49	950.58	1033.47	1075.55	1172.14
Real Estate & Business Services	1164.84	1207.72	1296.88	1433.07	1606.66	1818.03	1839.31	1984.70	2148.01	2314.94
Owner-occupied Dwellings	835.12	877.78	947.55	1039.55	1166.51	1281.43	1340.37	1436.80	1565.97	1679.50
Other Real Estate & Business Services	329.72	329.94	349.33	393.52	440.15	536.60	498.95	547.90	582.04	635.44
Public Administration	866.38	935.82	1014.81	1136.27	1354.30	1745.04	1767.29	1788.60	1898.52	2167.96
Education	637.65	701.29	744.78	871.58	1005.07	1332.96	1473.13	1696.93	1714.36	1833.90
Health & Social Work	149.43	158.64	172.44	186.96	205.06	276.25	291.92	422.14	545.04	583.05
Community, Social & Personal Services	95.53	99.00	106.33	120.61	134.34	145.90	155.45	164.59	177.44	192.15
GDP at Factor Cost (unadjusted)	**7368.21**	**8059.70**	**9080.55**	**10479.90**	**12674.30**	**13551.94**	**14430.55**	**16318.74**	**17362.46**	**18794.90**
Less: Imputed Bank Serv. Charg.	-67.37	-58.88	-90.05	-170.10	-269.84	-303.92	-297.18	-304.45	-467.52	-519.3977
GDP at Factor Cost	**7300.85**	**8000.82**	**8990.50**	**10309.80**	**12404.46**	**13248.02**	**14133.37**	**16014.30**	**16894.94**	**18275.50**
Plus: Indirect taxes, Net	671.83	700.95	684.98	945.06	1066.85	1231.57	1795.30	2046.70	2219.48	2401.312
GDP at Market Prices	**7972.68**	**8701.76**	**9675.48**	**11254.86**	**13471.31**	**14479.58**	**15928.68**	**18061.00**	**19114.42**	**20676.81**

Source: Bureau of Statistics

* CBL Projections

Table A4

SUPPLY AND DEMAND FOR RESOURCES

(At Current Prices)

Million Maloti

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013*
Supply										
GDP at Market Prices	7972.68	8701.76	9675.48	11254.86	13471.31	14479.58	15928.68	18061.00	19114.42	20676.81
Imports of Goods & Services	10347.16	10518.15	11523.46	13280.98	16237.01	16347.76	17837.99	18959.85	20192.50	21625.53
Total supply	**18319.84**	**19219.91**	**21198.93**	**24535.84**	**29708.32**	**30827.34**	**33766.67**	**37020.85**	**39306.92**	**42302.35**
Demand										
Consump. Expenditure	11698.46	12736.55	13870.73	15879.84	18767.39	20624.35	22431.989	24438.496	26240.867	27899.483
Gross Fixed Capital Formation	2108.38	1837.57	2083.45	2471.42	3756.05	3695.51	4087.9214	4331.0396	5602.5518	5533.5765
Changes in Stocks	13.34	74.93	-84.93	253.44	-35.60	-8.40	328.52	-521.87	-701.12 -	
Exports of Goods & Services	4493.52	4253.02	5181.21	5863.67	7546.79	6632.22	7106.5873	8864.0023	8596.8993	8869.2887
Total Demand	**18313.71**	**18902.07**	**21050.45**	**24468.36**	**30034.63**	**30943.68**	**33955.01**	**37111.67**	**39739.20**	**42302.35**

Source: Bureau of Statistics

* CBL Projections

Table A5

INCOME AND OUTLAY ACCOUNT
(At Current Prices)
Million Maloti

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013*
Income										
Dom. Factor Incomes	7300.85	8000.82	8990.50	10309.80	12404.46	13248.02	14133.37	16014.30	16894.94	18275.50
Plus: Indirect taxes, Net	671.83	700.95	684.98	945.06	1066.85	1231.57	1795.30	2046.70	2219.48	2401.31
GDP at Market Prices	7972.68	8701.76	9675.48	11254.86	13471.31	14479.58	15928.68	18061.00	19114.42	20676.81
Factor Income from abroad, Net	3627.72	3186.38	3001.67	3010.24	3301.20	3383.93	3062.85	2411.07	4378.44	4478.05
Gross National Income	11600.40	11888.15	12677.15	14265.11	16772.51	17863.52	18991.52	20472.07	23492.86	25154.86
Transfers from abroad, Net	2888.81	3180.34	4549.72	5100.75	5743.93	6150.73	4916.73	4554.37	7176.12	7985.66
Gross National Disposable Income	14489.21	15068.48	17226.87	19365.86	22516.43	24014.25	23908.26	25026.44	30668.98	33140.52
Outlay										
Consumption	11698.46	12736.55	13870.73	15879.84	18767.39	20624.35	22431.99	24438.50	26240.87	27899.48
Gross Saving	2790.75	2331.93	3356.14	3486.02	3749.05	3389.90	1476.27	587.95	4428.11	5241.04
Gross National Disposable Income	14489.21	15068.48	17226.87	19365.86	22516.43	24014.25	23908.26	25026.44	30668.98	33140.52
Saving - GNI ratio (%)	24.06	19.62	26.47	24.44	22.35	18.98	7.77	2.87	18.85	20.84
Saving - GNDI ratio (%)	19.26	15.48	19.48	18.00	16.65	14.12	6.17	2.35	14.44	15.81

Source: Bureau of Statistics
* CBL Projections

Table A6

ESTIMATED AREA PLANTED AND SHARE HARVESTED FOR THE MAIN CROPS

(Area planted in hectares; share harvested in percentage)

	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Maize										
Area planted	129436	120011	132542	149242	146862	141862	151717	146985	97711	114543
Share harvested	98.60	93.58	93.18	82.86	93.39	96.83	93.16	78.53	82.17	91.6
Sorghum										
Area planted	29378	30643	29037	37352	36572	19090	35614	35102	14151	24661
Share harvested	99.37	96.88	96.78	86.14	97.22	92.12	93.07	76.60	80.03	93
Wheat										
Area planted	16031	11794	9166	9453	15522	21500	14088	17888	13677	11259
Share harvested	97.93	88.27	99.78	96.96	99.25	99.37	97.19	98.32	88.23	96.9
Beans										
Area planted	9261	11465	24716	26461	13594	8453	30364	22201	18626	18855
Share harvested	92.53	76.62	90.18	87.19	90.06	94.32	88.55	81.66	84.41	63.5
Peas										
Area planted	2709	2803	1973	2456	2382	3990	3131	1862	4089	2641
Share harvested	96.94	66.68	100.00	75.37	91.77	100.00	67.28	70.03	57.91	56.4

Source: Bureau of Statistics

+Preliminary Estimates

Table A7

ESTIMATED PRODUCTION [1] AND AVERAGE YIELD [2] OF MAIN CROPS

	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11/01	2011/12	2012/13
Maize										
Production	81.00	100.72	76.91	60.31	59.65	57.13	128.21	83.95	42.47	86.33
Yield	0.63	0.66	0.62	0.49	0.44	0.42	0.91	0.73	0.53	0.82
Sorghum										
Production	11.48	18.53	12.19	7.84	10.19	10.51	23.83	13.55	4.67	20.41
Yield	0.39	0.60	0.43	0.21	0.29	0.60	0.72	0.50	0.41	0.89
Wheat										
Production	11.65	2.05	2.98	1.26	2.41	4.90	20.12	16.3	10.52	12.77
Yield	0.73	0.17	0.33	0.14	0.16	0.23	1.47	0.91	0.77	1.27
Beans										
Production	4.83	2.46	0.75	1.31	4.39	3.45	8.90	1.56	5.53	3.36
Yield	5.22	2.15	0.24	0.39	1.00	0.34	0.33	0.20	0.35	0.28
Peas										
Production	1.50	0.95	0.88	0.25	0.49	0.54	1.37	2.90	5.53	0.59
Yield	5.53	3.37	4.31	1.96	3.40	0.36	0.65	0.24	0.28	0.71

Source: Bureau of Statistics

(1) Production of summer crops in thousand tons

(2) Average yield means output in 100kg per hectare

+ Preliminary Estimates

Table A8

NUMBER OF BASOTHO MINEWORKERS EMPLOYED IN RSA
(and average earnings)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Average number employed	58009	52042	54105	54729	50686	45276	41555	41427	37051	33513.00
Change over previous year (%)	-5.54	-10.29	3.96	1.15	-7.39	-10.67	-8.22	-0.31	-10.56	-9.55
Remittances	131793	167387	48885	10054	19895	32018	42184	57924	71242	228477
Change over previous year (%)	11.37	27.01	-70.80	-79.43	97.88	60.94	31.75	37.31	22.99	220.71

(1) Represents annual average earnings rate, including overtime, per mineworker, supplied by Chamber of Mines.

Table A8.1

TOTAL NUMBER OF GOVERNMENT EMPLOYEES

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Total Number of Employees	36555	37908	39065	40649	42352	43259	43781	43742	43282	44246
Change over previous year (%)	1.13	3.70	3.05	4.05	4.19	2.14	1.21	-0.09	-1.05	2.23

EMPLOYEES IN LNDC ASSISTED COMPANIES*

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Total number of employees	50607	43131	47462	46633	47204	46386	45595	40861	45006	47971
Change over previous year (%)	-1.13	-14.77	10.04	-1.75	1.22	-1.73	-1.71	-10.38	10.14	6.59

* The numbers include textile firms

Table A9

LESOTHO CONSUMER PRICE INDICES

(All Urban Households)
April 1997 = 100
(Period Average)

Item	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
All Items	63.35	72.13	77.30	85.00	92.70	100.60	108.45	117.83	125.05	133.70
Food, Beverages & Tobacco	62.73	69.23	73.60	83.80	91.80	100.30	109.30	118.20	124.75	133.15
Clothing & Footwear	71.58	83.30	83.00	86.90	94.40	101.40	110.20	120.90	126.40	133.88
Water, Fuel & Power	50.13	54.70	79.88	79.83	88.15	99.95	106.35	109.98	115.55	129.63
Furniture & Household Equipment	67.58	78.03	80.00	85.00	93.50	101.10	109.30	122.30	130.80	139.08
Transport & Communication	63.28	68.98	82.70	83.20	96.80	101.00	103.90	111.00	125.88	141.50
Other Goods & Services	63.98	85.15	84.20	88.90	94.00	100.10	105.00	111.50	115.90	120.95
% Change from the previous year										
All Items	17.04	13.85	7.18	9.96	9.06	8.50	7.80	8.64	6.13	6.92
Food, Beverages & Tobacco	23.54	10.36	6.32	13.86	9.55	9.26	8.97	8.14	5.54	6.73
Clothing & Footwear	17.92	16.38	-0.36	4.70	8.63	7.42	8.68	9.71	4.55	5.91
Water, Fuel & Power	2.24	9.13	46.02	-0.06	10.43	13.39	6.40	3.41	5.07	12.18
Furniture & Household Equipment	11.97	15.46	2.53	6.25	10.00	8.13	8.11	11.89	6.95	6.33
Transport & Communication	2.97	9.01	19.90	0.60	16.35	4.34	2.87	6.83	13.40	12.41
Other Goods & Services	13.73	33.10	-1.12	5.58	5.74	6.49	4.90	6.19	3.95	4.36

Source: Bureau of Statistics

Table A10

LESOTHO CONSUMER PRICE INDICES

March 2010 = 100

(Period Average)

Item	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
All Items	69.13	71.51	75.85	81.93	90.71	97.20	100.86	105.95	112.43	118.01
Food and non-alcoholic beverages	60.94	62.54	68.16	77.81	90.01	97.97	93.57	108.16	118.78	125.16
Alcoholic beverages & Tobacco	69.66	73.77	78.31	82.63	87.11	93.16	101.89	108.31	115.77	122.26
Clothing & footwear	78.97	81.41	83.41	85.84	91.35	96.55	100.30	101.80	102.81	104.45
Housing, electricity gas & other fuels	68.78	74.01	80.21	86.68	99.45	100.27	102.49	114.39	123.89	137.02
Furniture, households equipment & routine maintenance of house	80.94	82.90	86.29	87.68	91.22	96.99	100.73	104.98	107.13	111.17
Health	92.81	94.81	95.96	94.69	96.19	97.81	100.78	102.80	102.70	103.30
Transport	71.20	76.69	79.65	82.41	91.03	96.51	100.20	103.26	110.37	114.89
Communication	95.15	96.71	98.63	100.00	100.00	100.00	100.57	101.70	101.19	101.14
Recreation and culture	89.76	90.01	91.25	90.49	92.32	97.80	100.81	102.47	104.52	105.46
Education	86.17	87.08	87.91	90.04	92.33	94.73	99.99	100.81	101.73	115.42
Restaurant & Hotels	59.05	61.45	66.52	78.97	89.49	97.05	102.31	106.65	106.28	107.12
Miscellaneous goods & services	79.41	81.63	83.74	86.28	91.31	97.29	100.97	103.46	105.81	108.74
% Change from the previous year										
All Items	5.02	3.44	6.07	8.01	10.72	7.16	3.77	5.05	6.11	4.97
Food and non-alcoholic beverages	4.12	2.64	8.98	14.15	15.68	8.84	-4.49	15.58	9.82	5.37
Alcoholic beverages & Tobacco	9.19	5.89	6.16	5.52	5.41	6.95	9.38	6.30	6.89	5.60
Clothing & footwear	2.88	3.09	2.45	2.92	6.42	5.69	3.88	1.50	1.00	1.59
Housing, electricity gas & other fuels	5.49	7.61	8.37	8.07	14.73	0.83	2.21	11.61	8.30	10.60
Furniture, households equipment & routine maintenance of house	4.16	2.42	4.09	1.61	4.04	6.32	3.86	4.22	2.04	3.77
Health	3.44	2.15	1.22	-1.32	1.58	1.69	3.03	2.01	-0.10	0.59
Transport	6.43	7.72	3.86	3.46	10.47	6.02	3.82	3.05	6.88	4.10
Communication	15.27	1.64	1.98	1.39	0.00	0.00	0.57	1.12	-0.50	-0.05
Leisure, entertainment & Culture	4.82	0.27	1.38	-0.83	2.02	5.94	3.08	1.65	2.00	0.90
Education	4.22	1.06	0.95	2.43	2.54	2.60	5.55	0.82	0.91	13.47
Restaurant & Hotels	2.80	4.07	8.24	18.73	13.32	8.45	5.43	4.24	-0.35	0.79
Miscellaneous goods & services	4.30	2.79	2.59	3.03	5.83	6.54	3.79	2.47	2.27	2.77

Source: Bureau of Statistics, Lesotho

Note: Compilation methodology changed in January 2002
(for both coverage and classification)

Table A11

SUMMARY OF BALANCE OF PAYMENTS
(Million Maloti)

	2004	2005	2006	2007	2008	2009	2010	2011	2012+	2013*
I CURRENT ACCOUNT	**637.65**	**1041.22**	**1973.85**	**2624.48**	**2767.26**	**524.68**	**-1199.98**	**-1096.55**	**-1945.76**	**-404.74**
Goods, Services and Income	-4387.82	-4086.90	-4192.47	-4620.60	-5795.03	-8799.42	-9012.57	-8597.32	-12079.65	-8390.40
a) GOODS	-5875.45	-6270.98	-6536.48	-7111.50	-8205.33	-10359.45	-10921.26	-10172.82	-13457.77	-12868.45
Merchandise Exports f.o.b.	4271.95	4038.36	4901.27	5839.07	7196.34	6124.69	6392.68	8457.4	7999.13	8181.3
Merchandise Imports f.o.b.	-7962.64	-8189.77	-9162.08	-10602.07	-12508.48	-13238.76	-14395.68	15581.69	-18456.33	-18121.17
b) SERVICES	-2184.76	-2119.57	-2275.67	-2348.50	-2893.19	-3245.39	-2918.26	-3048.53	-3000.57	-2928.59
c) INCOME	3672.39	4303.65	4619.68	4839.40	5303.49	4805.42	4826.95	4624.03	4378.69	4478.05
Labour Income	4003.65	3768.82	4094.17	4448.64	4652.41	4536.01	4417.26	4647.76	4496.18	4410.38
Other	-331.26	534.83	525.51	390.76	651.08	269.41	409.69	-23.73	-117.49	67.67
d) CURRENT TRANSFERS	2840.71	3008.55	3890.65	4896.58	5669.10	6078.71	4894.33	4452.23	7133.32	7985.66
Government, net	1995.75	2152.21	2944.70	4002.92	4670.13	4966.57	3712.67	3159.09	5785.32	6571.07
SACU Receipts	1773.43	2007.91	2834.65	3826.21	4548.24	4827.41	3230.75	2518.39	5076.27	5945.94
Other	222.32	144.30	110.05	176.71	121.89	139.16	481.92	640.70	709.05	625.13
Other Sectors	844.96	856.34	945.95	893.66	998.96	1112.14	1181.67	1293.15	1348.00	1414.59
II CAPITAL AND FINANCIAL ACCOUNT	**-940.41**	**-692.81**	**-1920.11**	**-665.83**	**-1130.08**	**734.90**	**-353.20**	**1614.02**	**3088.33**	**1652.48**
e) CAPITAL ACCOUNT	144.73	93.03	46.51	170.79	148.97	592.48	990.85	1379.35	1611.49	1085.32
f) FINANCIAL ACCOUNT	-1085.14	-785.84	-1966.62	-836.62	-1279.05	142.42	-1344.05	234.67	1476.84	567.16
III RESERVE ASSETS	**-75.57**	**-274.75**	**-1294.30**	**-1867.56**	**-2202.99**	**643.90**	**1211.38**	**-588.75**	**-1221.23**	**-2400.82**
IV ERRORS AND OMISSIONS (1)	**543.42**	**-166.56**	**878.34**	**31.40**	**-366.33**	**-742.73**	**605.08**	**-645.62**	**-341.61**	**527.74**
of which Valuation Adjustment	-165.09	92.90	362.22	-122.49	932.14	-1160.75	-263.28	716.90	420.00	625.34

(1) Including Valuation Adjustments
+ Revised Estimates
* CBL Projections

Table A12

VALUE OF EXPORTS BY S.I.T.C. SECTION

(Million Maloti)

	2004	2005	2006	2007+	2008	2009	2010	2011	2012+	2013*
Food and Livestock	89.61	90.04	115.20	194.48	302.66	227.48	182.77	216.39	247.37	266.13
Beverages and Tobacco	210.00	245.38	167.45	295.84	285.36	333.38	463.64	743.53	632.69	666.50
Crude Materials,Inedible	199.45	445.46	602.39	1138.81	1605.30	1146.45	1339.13	2643.84	2530.20	2320.62
Minerals and Related Products	0.13	1.14	6.03	1.56	3.43	1.99	3.20	3.43	6.74	2.02
Chemicals and Related Products	18.98	11.94	35.70	3.80	6.40	8.49	3.28	15.97	8.38	33.21
Manufactured Goods (classified by material)	38.09	50.78	131.43	85.95	171.06	176.06	449.03	499.86	217.14	246.55
Machinery and Transport Equipment	168.36	263.93	414.64	510.06	994.87	809.64	926.34	998.06	814.53	891.57
Miscellaneous and Manufactured Goods	3547.33	2929.69	3428.43	3608.57	3827.26	3421.20	3025.29	3336.32	3542.08	3754.70
Commodities										
TOTAL	**4271.95**	**4038.36**	**4901.27**	**5839.07**	**7196.34**	**6124.69**	**6392.68**	**8457.40**	**7999.13**	**8181.30**

Source : Bureau of Statistics and Customs Department
+ Revised Estimates
* CBL Projections

Table A13

DIRECTION OF TRADE - EXPORTS F.O.B.

(Million Maloti)

Region	2004	2005	2006	2007	2008	2009	2010	2011	2012+	2013*
World	**4271.95**	**4038.36**	**4901.27**	**5839.07**	**7196.34**	**6124.69**	**6392.68**	**8457.40**	**7999.13**	**8181.30**
Africa	396.15	716.36	1409.41	1914.45	2889.94	2782.53	2829.46	3391.92	3255.81	3008.98
SACU	360.85	617.36	1309.86	1729.41	2767.76	2709.67	2703.01	3293.22	3204.9	2919.65
SADC **	0.00	0.00	13.58	7.68	21.57	9.42	84.13	65.62	29.62	47.24
Other	35.30	99.00	85.97	177.36	100.61	63.44	42.32	33.08	21.29	42.09
Europe	695.00	710.40	631.41	1186.44	1742.49	1139.98	1346.62	2591.84	2297.97	2276.97
EU	692.00	710.40	631.41	1186.41	1742.49	1138.92	1346.31	2572.69	2297.97	2276.97
Other	3.00	0.00	0.00	0.03	0.00	1.06	0.31	19.15	0.00	0.00
North America	3168.60	2597.80	2842.27	2709.78	2536.68	2179.99	2150.70	2417.89	2340.01	2819.68
Asia	12.20	13.80	18.18	27.57	24.18	16.54	53.24	42.94	86.47	51.06
Oceania	0.00	0.00	0.00	0.83	3.05	5.65	12.66	12.81	18.87	24.61

Source : Bureau of Statistics and Cus

+ Revised Estimates

* CBL Projections

** SADC member states, excluding SACU

Table A14

DIRECTION OF TRADE - IMPORTS C.I.F.
(Million Maloti)

Region	2004	2005	2006	2007	2008	2009	2010	2011	2012+	2013*
World	**7962.64**	**8189.77**	**9162.08**	**10602.07**	**12508.48**	**13238.76**	**14395.68**	**15581.69**	**18456.33**	**18121.17**
Africa	5554.74	6631.76	6932.02	7923.65	8873.89	8793.18	10809.70	13359.09	16991.62	16729.70
SACU	5510.44	6593.26	6856.12	7833.02	8775.97	8531.30	10703.15	13305.75	16926.01	16667.37
SADC **	38.20	36.70	64.30	77.16	84.03	248.56	105.47	52.69	64.81	61.57
Other	6.10	1.80	11.60	13.47	13.89	13.32	1.08	0.65	0.8	0.76
Europe	73.20	56.70	71.50	86.95	329.12	150.65	45.38	15.01	64.82	61.58
EU	70.40	53.00	55.70	67.36	247.59	149.92	45.07	12.37	61.97	58.87
Other	2.80	3.70	15.80	19.59	81.53	0.73	0.31	2.64	2.85	2.71
North America	97.50	32.80	25.60	30.62	93.20	19.52	25.60	53.52	65.83	62.54 0
Asia	2183.50	1462.71	2103.66	2525.33	3129.53	4227.86	3499.98	2143.46	1323.21	1257.0495
Oceania	53.70	5.80	29.30	35.52	82.74	47.55	15.02	10.61	10.85	10.31

Source : Bureau of Statistics and Customs Department
+ Revised Estimates
* CBL Projections
** SADC member states, excluding SACU

Table A15

FOREIGN EXCHANGE RATES

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Botswana Pula	1.3690	1.2550	1.1630	1.1406	1.2051	1.1754	1.0770	1.0596	1.0772	1.1980
Euro	7.9320	7.9150	8.5200	8.5310	12.0714	11.6921	9.7116	10.0976	10.5530	12.8301
German Mark	4.0550	4.0480	4.3530	4.4965	6.1697	5.9993	4.9669	5.1631	5.3959	6.5811
Japanese Yen	0.0610	0.0580	0.0580	0.0574	0.0802	0.0943	0.0858	0.0913	0.1030	10.1212
Saudi Riyal	1.6910	1.6990	1.8050	1.7640	2.2043	2.2479	1.9512	1.9364	2.2140	3.7489
SDR	9.4150	9.4120	9.9760	9.9904	13.0197	12.9608	11.1650	11.4539	12.5774	14.6161
Swidish Kronor	0.8700	0.8530	0.9210	0.9442	1.2526	1.1012	1.0330	1.1197	1.2179	0.7217
Swiss Franc	5.1450	5.1150	5.4090	5.4489	7.6134	7.7429	7.0379	8.1982	8.7528	10.4465
UK Pound	11.7420	11.5770	12.5070	12.7035	15.1093	13.1038	11.3173	11.6336	13.0172	15.0970
US Dollar	6.3260	6.3710	6.7800	6.6260	8.2671	8.4197	7.3198	7.2599	8.2120	9.6492

Loti per unit of foreign currency, annual average
EURO - from 1999

Table A16

BALANCE SHEET OF THE CENTRAL BANK OF LESOTHO

(Million Maloti:End of period)

A - ASSETS

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
FOREIGN ASSETS	**3351.53**	**3625.55**	**4918.69**	**6786.26**	**8989.2398**	**8345.35**	**6749.51**	**7297.58**	**8545.23**	**9805.76**
Cash and Balances	2437.03	1920.65	2129.78	2848.21	4081.90	4560.22	3028.04	3310.27	4154.20	5372.69
Investments	366.93	1335.64	2239.75	3362.37	3913.731	2882.8	3368.82	3553.64	3935.34	3867.60
IMF Accounts	34.55	36.02	40.12	39.14	52.43	41.91	37.15	45.18	47.47	58.91
Holdings of SDRs	3.60	3.73	2.28	0.43	0.58	0.46	0.41	0.50	0.52	0.65
Reserve Tranche	30.95	32.28	37.84	38.71	51.85	41.45	36.75	44.68	46.95	58.26
Other Foreign Assets	513.03	333.25	509.05	536.54	941.18	861.42	315.5	388.50	408.21	506.56
CLAIMS ON GOVERNMENT	**183.51**	**222.16**	**257.56**	**263.48**	**529.86**	**308.33**	**250.07**	**211.11**	**461.92**	**634.90**
CLAIMS ON PRIVATE SECTOR	**16.30**	**19.48**	**20.10**	**22.19**	**26.11**	**27.03**	**27.08**	**32.63**	**42.26**	**50.91**
UNCLASSIFIED ASSETS	**217.65**	**260.43**	**222.18**	**279.26**	**281.92**	**250.61**	**368.24**	**251.67**	**257.07**	**285.04**
Fixed Assets	130.63	133.66	175.50	177.71	182.70	169.43	172.47	181.89	222.17	218.75
Other Assets	87.02	126.77	46.67	101.55	99.23	81.18	195.77	69.79	34.89	66.28
TOTAL	**3768.99**	**4127.6263**	**5418.53**	**7351.19**	**9827.1238**	**8931.32**	**7394.91**	**7792.99**	**8844.57**	**10776.60**

Note: From December 1998, Claims on Government includes IMF loans to Government

Table A16 (continued)

BALANCE SHEET OF THE CENTRAL BANK OF LESOTHO
(Million Maloti:End of period)

B - LIABILITIES

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
FOREIGN LIABILITIES	**497.02**	**549.33**	**541.45**	**608.95**	**738.21**	**680.46**	**610.64**	**545.36**	**374.77**	**1058.37**
IMF Deposits	313.52	327.29	283.91	345.51	385.28	398.32	346.59	334.25	374.75	423.47
IMF Accounts	183.48	222.02	257.52	263.42	352.90	282.12	250.07	211.09	0.00	634.87
Trust Fund Loans/ PRGF	183.48	222.02	257.52	263.42	352.90	282.12	250.07	211.09	0.00	634.87
Use of Fund Credit/SAF	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other Foreign Liabilities	0.02	0.02	0.02	0.02	0.03	0.02	13.98	0.02	0.02	0.03
RESERVE MONEY	**379.40**	**574.78**	**490.62**	**535.05**	**580.32**	**819.61**	**875.07**	**1016.36**	**1186.52**	**1500.19**
Maloti in Circulation Outside CBL	256.93	297.97	377.71	402.22	481.25	584.24	637.79	843.59	998.55	1197.97
Rand Notes and Coins	7.71	29.47	33.30	47.72	70.37	50.49	39.38	27.16	10.57	28.72
Bankers Deposits	114.76	247.34	112.91	132.83	99.07	235.37	237.28	172.77	187.97	302.22
DEPOSIT LIABILITIES	**1599.22**	**1610.85**	**2421.55**	**4144.42**	**4900.59**	**4858.07**	**4063.36**	**3085.89**	**4280.85**	**5471.93**
Government	1411.84	1422.01	2231.49	3992.30	4762.46	4661.68	3889.75	2931.05	4137.82	5334.88
Official Entities	175.9	176.72	178.25	140.38	126.66	136.37	140.23	121.72	126.02	130.94
Private Sector	11.48	12.12	11.81	11.74	11.473	60.02	33.38	33.13	17.01	6.12
CAPITAL ACCOUNTS	**1204.22**	**1338.41**	**1859.09**	**1962.43**	**3149.37**	**1752.19**	**1403.15**	**2246.80**	**2669.99**	**2711.06**
UNCLASSIFIED LIABILITIES	**89.15**	**83.73**	**105.82**	**100.33**	**459.18**	**821.00**	**442.69**	**898.59**	**332.43**	**35.06**
other liabilities and payables	89.15	83.73	105.82	100.33	459.18	821.00	442.69	898.59	332.43	35.06
TOTAL	**3769.01**	**4157.10**	**5418.53**	**7351.19**	**9827.124**	**8931.32**	**7394.91**	**7792.99**	**8844.57**	**10776.60**

Table A17

CONSOLIDATED BALANCE SHEET OF COMMERCIAL BANKS

(Million maloti: End of Period)

A - ASSETS

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
RESERVES	**172.46**	**275.41**	**238.32**	**233.93**	**210.76**	**347.29**	**371.52**	**387.31**	**526.69**	**677.39**
Rand Notes and Coins	7.71	20.26	59.25	44.95	56.35	65.87	58.44	95.25	107.46	144.34
Maloti Notes and Coins	52.40	85.19	68.29	62.91	79.17	97.06	98.83	154.90	229.50	244.64
Balances due from CBL	112.36	169.95	110.77	126.07	75.24	184.36	214.25	137.16	189.73	288.41
FOREIGN ASSETS	**1253.79**	**1241.81**	**1845.39**	**2273.70**	**3013.726**	**3297.17**	**3917.5**	**3242.09**	**2418.75**	**3453.35**
CLAIMS ON PRIVATE SECTOR	**441.18**	**772.17**	**784.64**	**1162.03**	**1437.043**	**1832.758**	**2166.75**	**2665.64**	**3746.50**	**4516.91**
CLAIMS ON STATUTORY BODIES	**52.16**	**33.37**	**17.39**	**51.47**	**43.826**	**0.00**	**2.98**	**1.37**	**0.00**	**0.00**
CLAIMS ON GOVERNMENT	**543.43**	**461.65**	**598.26**	**559.28**	**453.96**	**384.12**	**466.31**	**712.30**	**829.19**	**663.90**
UNCLASSIFIED ASSETS	**885.39**	**1139.65**	**689.96**	**705.44**	**1005.289**	**1498.70**	**1368.40**	**1392.78**	**1294.31**	**2268.30**
TOTAL	**3348.42**	**3924.07**	**4173.95**	**4985.85**	**6164.60**	**7360.031**	**8293.46**	**8401.49**	**8815.45**	**11579.84**

Table A17 (continued)

CONSOLIDATED BALANCE SHEET OF COMMERCIAL BANKS

(Million maloti: End of Period)

B - LIABILITIES

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
DEMAND DEPOSITS	**1255.16**	**1599.62**	**2308.316**	**2723.12**	**3525.972**	**3518.013**	**4296.01**	**4383.27**	**4786.77**	**5530.12**
Private Sector	968.40	1024.96	1712.146	1968.79	3128.15	3420.01	4007.54	4281.89	4709.28	3879.97
Government	57.66	171.75	121.12	151.20	191.36	25.18	22.59	20.61	19.29	1588.42
Statutory Bodies	229.11	402.90	475.05	603.13	206.46	72.82	265.88	80.78	58.20	61.74
TIME DEPOSITS	**275.12**	**284.71**	**403.96**	**685.79**	**582.14**	**941.53**	**918.00**	**889.19**	**845.78**	**1411.60**
Private Sector	190.88	193.68	299.60	556.89	445.16	929.68	916.55	887.85	845.14	1399.94
Government	0.05	0.00	0.01	0.04	0.03	0.03	0.02	0.02	0.02	11.66
Statutory Bodies	84.20	91.03	104.35	128.87	136.95	11.82	1.42	1.32	0.63	0.00
SAVINGS DEPOSITS	**463.42**	**437.25**	**417.10**	**407.59**	**425.73**	**627.69**	**672.49**	**671.45**	**715.72**	**658.61**
Private Sector	463.34	437.10	415.15	403.94	422.95	626.02	670.74	669.97	114.55	22.74
Government	0.06	0.13	1.95	3.55	2.68	1.559	1.65	1.39	1.30	2.38
Statutory Bodies	0.02	0.03	0.00	0.10	0.11	0.11	0.11	0.10	599.87	633.49
DEFERRED PAY FUND	**45.19**	**38.70**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**1.00**
FOREIGN LIABILITIES	**135.90**	**106.86**	**72.94**	**73.36**	**92.67**	**310.48**	**117.69**	**181.37**	**82.82**	**390.69**
CAPITAL ACCOUNTS	**345.75**	**403.83**	**312.32**	**413.07**	**464.69**	**631.69**	**713.59**	**815.27**	**954.99**	**1117.44**
UNCLASSIFIED LIABILITIES	**827.88**	**1053.10**	**659.31**	**681.93**	**1072.40**	**1330.63**	**1575.68**	**1459.94**	**1429.37**	**2470.37**
TOTAL	**3348.42**	**3924.07**	**4173.95**	**4985.85**	**6164.602**	**7360.031**	**8293.46**	**8401.49**	**8815.45**	**11579.84**

Table A18

MONETARY SURVEY
(Million Maloti: End of Period)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Foreign Assets, Net	**3934.13**	**4211.18**	**6149.69**	**8377.64**	**11172.63**	**10651.58**	**9938.69**	**9812.95**	**10506.39**	**11810.05**
Commercial Banks	1117.90	1134.95	1772.44	2200.34	2921.06	2986.69	3799.81	3060.72	2335.93	3062.66
Central Bank of Lesotho	2816.23	3076.23	4377.24	6177.30	8251.57	7664.89	6138.87	6752.22	8170.46	8747.39
o/w Rands with Commercial Banks	7.71	20.26	59.25	44.95	56.35	65.87	58.44	95.25	107.46	144.34
Central Bank of Lesotho*	35.74	29.47	33.30	47.72	70.37	50.49	39.38	27.16	10.57	28.72
Domestic Credit	**-202.44**	**-85.05**	**-676.63**	**-2071.06**	**-2465.73**	**-2136.21**	**-1000.82**	**669.99**	**459.40**	**-1070.72**
Claims on private sector & Statutory Bodies	509.64	825.03	822.13	1235.69	1506.98	1859.79	2196.81	2699.64	3788.61	4567.81
Claims on Government,net of deposits	-712.08	-910.08	-1498.76	-3324.32	-3972.70	-3996.00	-3197.63	-2029.65	-3329.21	-5638.53
Money Supply (M2)	**2373.05**	**2590.01**	**3505.77**	**4154.15**	**4880.99**	**5744.03**	**6574.81**	**6766.44**	**7239.60**	**7180.93**
Narrow Money (M1)	**1589.42**	**1829.48**	**2686.68**	**3063.36**	**3874.83**	**4176.40**	**4985.99**	**5206.20**	**5679.56**	**5032.09**
Maloti with public	204.54	212.78	309.42	339.31	402.08	487.18	538.96	688.70	769.05	953.33
Demand and call deposits	1208.98	1439.98	2199.00	2583.66	3346.09	3552.85	4306.80	4395.79	4784.49	3947.83
Official entities deposits with CBL	175.90	176.72	178.25	140.38	126.66	136.37	140.23	121.72	126.02	130.94
Quasi-money	**783.63**	**760.54**	**819.10**	**1090.79**	**1006.16**	**1567.63**	**1588.82**	**1560.24**	**1560.03**	**2148.83**
Time deposits	320.27	323.41	403.95	686.75	583.11	941.50	917.97	890.17	599.72	725.15
Savings deposits	463.36	437.13	415.15	404.04	423.06	626.13	670.85	670.07	960.31	1423.68
Other items,net	**1358.64**	**1536.12**	**1967.28**	**2152.43**	**3825.91**	**2771.34**	**2363.05**	**3716.50**	**3726.19**	**3558.41**

* Prior to 2004 the monetary survey did not separate rand holdings by the CBL and Commercial Banks.

Table A19

DOMESTIC CREDIT
(Million Maloti: End of Period

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Private Sector Total	**457.48**	**791.66**	**799.98**	**1098.96**	**1353.31**	**1758.117**	**2127.93**	**2643.35**	**3698.36**	**4399.21**
Business Enterprises	162.04	316.63	409.53	494.78	601.22	851.13	993.41	1140.19	1378.45	1386.74
Households	256.64	369.28	390.45	603.18	752.09	905.99	1134.51	1502.17	2317.91	3009.47
Other*	38.80	105.75	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Statutory bodies	**52.16**	**33.37**	**17.39**	**51.47**	**43.83**	**0.00**	**2.98**	**1.37**	**-0.15**	**0.00**
Government (net)	**-712.08**	**-910.08**	**-1498.76**	**-3324.32**	**-3972.70**	**-3996.00**	**-3197.63**	**-2029.65**	**-3329.21**	**-5638.53**
Grand Total	**-202.44**	**-85.05**	**-681.39**	**-2173.89**	**-2575.567**	**-2237.886**	**-1066.72**	**615.08**	**369.00**	**-1239.32**

* Following the merger of Lesotho bank and Standard Bank this figure disappeared in consolidation.

Table A20

BANKING SYSTEM'S NET FOREIGN ASSETS

(Million Maloti: End of Period)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Commercial Banks	**1117.90**	**1134.95**	**1772.44**	**2200.34**	**2921.057**	**2986.692**	**3799.81**	**3060.72**	**2335.93**	**3062.66**
Assets	1253.79	1241.81	1845.39	2273.70	3013.726	3297.17	3917.5	3242.09	2418.75	3453.35
Liabilities	-135.90	-106.86	-72.94	-73.36	-92.67	-310.48	-117.69	-181.37	-82.82	-390.69
Central Bank	**2816.23**	**3076.23**	**4377.24**	**6177.30**	**8251.571**	**7664.892**	**6138.87**	**6752.22**	**8170.46**	**8747.39**
Assets	3343.82	3625.55	4918.69	6786.26	8989.24	8345.352	6749.51	7297.58	8545.23	9805.76
Liabilities	-527.59	-549.33	-541.45	-608.95	-737.67	-680.46	-610.64	-545.36	-374.77	-1058.37
Net Foreign Assets	**3934.13**	**4211.18**	**6149.69**	**8377.64**	**11172.63**	**10651.58**	**9938.69**	**9812.95**	**10506.39**	**11810.05**

Table A21

BANKING SYSTEM'S CLAIMS ON GOVERNMENT

(Million Maloti:End of Period)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Commercial Banks	**485.67**	**289.77**	**475.17**	**404.50**	**259.90**	**357.35**	**442.05**	**690.29**	**808.59**	**-938.56**
Claims	543.43	461.65	598.26	559.28	453.96	384.12	466.31	712.30	829.19	663.90
Less Deposits	57.76	171.88	123.09	154.79	194.06	26.77	24.26	22.01	20.61	1602.45
Central Bank	**-1197.75**	**-1199.85**	**-1973.93**	**-3728.814**	**-4232.60**	**-4353.35**	**-3639.68**	**-2719.94**	**-4137.80**	**-4699.97**
Claims	214.09	222.16	257.56	263.48	529.86	308.33	250.07	211.11	0.02	634.90
Less Deposits	1411.84	1422.01	2231.491	3992.30	4762.46	4661.68	3889.75	2931.05	4137.82	5334.88
Net Total	**-712.08**	**-910.08**	**-1498.76**	**-3324.32**	**-3972.70**	**-3996.00**	**-3197.63**	**-2029.65**	**-3329.21**	**-5638.53**
Memorandum Items: Securities held byBanks #										
Commercial Banks	542.38	461.11	598.26	559.28	453.96	384.12	466.31	712.30	829.19	663.90
Central Bank	0.03	0.14	0.04	0.06	176.96	26.21	0.00	0.02	0.02	0.04
Total	**542.41**	**461.25**	**598.30**	**559.34**	**630.92**	**410.33**	**466.31**	**712.32**	**829.21**	**663.93**

Figures at cost value

Table A22

HOLDINGS OF TREASURY BILLS

(Million Maloti)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Total holdings	**532.3**	**530.20**	**576.40**	**560.20**	**544.62**	**573.76**	**623.89**	**497.69**	**561.16**	**539.35**
Banking system (1)	**427.90**	**359.90**	**497.99**	**470.62**	**485.78**	**473.12**	**604.18**	**377.13**	**456.33**	**402.54**
Central Bank	0.00	0.00	0.00	0.32	0.32	0.32	0.125	0.55	0.91	0.01
Commercial Banks	427.90	359.90	497.99	470.3	485.46	472.8	604.06	376.58	455.42	402.52
Non-Bank Sector	**104.40**	**170.30**	**78.36**	**89.61**	**58.84**	**100.64**	**19.71**	**120.56**	**104.83**	**136.81**
NBFIs (2)	33.90	108.30	0.46	0.31	0.96	63.41	18.50	59.88	23.56	14.81
Other entities	70.50	62.00	77.90	89.30	57.88	37.23	1.21	60.68	81.27	122.00
Memorandum Item										
Yield	8.27	7.27	7.05	9.33	10.71	6.95	5.60	5.34	5.44	5.25

(1) Excludes government securities issued to Lesotho Bank (1999) Ltd on privatisation of the Old Lesotho Bank, amounting to M575.7 million.
(2) NBFIs = Non-bank financial institutions.

Table A23

MAJOR MONEY MARKET INTEREST RATES
(Per cent per annum: End of Period)

	2004	2005	2006	2007	2008	2009	2010	2011	2012
Central Bank (1)									
91-Day T-Bill Rate	7.86	6.95	6.76	8.82	10.05	6.66	5.52	5.27	5.37
Call rate	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
31 days	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Commercial Banks									
Time deposits									
31 days	3.10	3.50	3.50	4.88	5.54	1.65	1.21	1.21	0.91
1 year	4.00	4.75	6.50	8.00	7.57	3.35	2.78	2.78	2.34
Savings deposits - (range)	0.96-	0.97-	1.00-	3.00-	3.64-	0.75-	0.75-	0.75-	0.68-
	1.35	2.00	5.00	6.75	7.25	5.00	1.75	1.75	1.75
Prime lending	12.17	11.50	13.50	15.43	16.58	11.67	10.50	10.50	9.92
South Africa (2)									
91-Day T-Bill Rate	7.32	6.80	8.26	9.96	10.84	7.14	5.60	5.47	4.95
Prime lending	11.00	10.50	12.00	14.50	15.00	10.50	9.00	9.00	8.50
Call deposits (3)	7.70-	6.00-	7.50-	10.00-	11.00	6.50	5.00	5.00	5.00
	8.72	6.50	8.50	10.50	---	---	---	---	---
Repo	7.50	7.00	8.50	10.50	11.50	7.00	5.50	5.50	5.50

(1) In September 2001, the Central Bank introduced indirect instruments of monetary policy and also ceased to remunerate banks deposits

(2) **Source**: Financial Mail

(3) Maximum rate for deposits of R100,000+

Table A24

SUMMARY OF BUDGETARY OPERATIONS

(Million Maloti)

	2004	2005	2006	2007	2008	2009	2010	2011	Revised* 2012	Projections 2013
Classification of Revenue	**4,157.91**	**4,406.71**	**5,583.85**	**7,901.73**	**8,377.50**	**9,377.01**	**8,804.86**	**9,221.20**	**12,624.41**	**13,035.53**
1. Tax revenue	**1,649.75**	**1,653.84**	**1,883.49**	**2,260.67**	**2,653.92**	**2,999.80**	**3,292.15**	**4,015.03**	**4,681.57**	**4,749.06**
1.1. Taxes on income, profits, and capital gains	927.66	906.72	977.66	1,147.68	1,409.83	1,765.22	1,867.73	2,133.01	2,566.59	2,516.59
1.3. Taxes on property	0.01	0.01	58.62	66.46	74.58	0.00	95.70	105.52	144.92	173.28
1.4. Taxes on goods and services	713.05	721.34	799.80	941.92	1,042.42	1,142.64	1,341.43	1,459.67	1,842.82	1,887.18
O/W Value-added tax	649.85	636.60	716.99	821.12	945.74	1,008.55	1,203.95	1,287.25	1,624.02	1,741.79
1.5. Taxes on international trade and transactions	5.98	22.89	41.76	97.30	117.48	85.44	-14.51	291.76	126.67	166.44
1.6. Other taxes	3.06	2.88	5.66	7.31	9.62	6.49	1.80	25.08	0.57	5.56
2. Social Contributions	**0.02**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
3. Grants	**162.79**	**163.56**	**235.96**	**285.61**	**461.82**	**590.45**	**881.88**	**1,605.61**	**1,700.62**	**1,284.79**
3.1.1. Recurrent	0.00	0.00	0.00	0.00	68.20	0.00	97.97	564.00	196.40	296.68
3.1.2. Capital	162.79	163.56	235.96	285.61	393.62	590.45	783.91	1,041.60	1,504.22	988.11
4. Other revenue	**480.62**	**383.53**	**542.35**	**590.59**	**627.22**	**873.07**	**1,313.82**	**995.67**	**1,079.31**	**969.18**
5. SACU	**1,864.73**	**2,205.78**	**2,922.05**	**4,764.87**	**4,634.53**	**4,913.69**	**3,317.01**	**2,604.89**	**5,162.91**	**6,032.49**
Economic Classification of Expense	**-3,387.54**	**-3,723.40**	**-4,323.71**	**-5,321.43**	**-6,339.11**	**-7,617.57**	**-7,776.24**	**-8,353.98**	**-8,926.95**	**-9,363.65**
1. Compensation of Employees	**-1,378.61**	**-1,479.63**	**-1,582.74**	**-1,798.56**	**-2,208.43**	**-3,015.77**	**-2,987.02**	**-3,591.77**	**-3,753.27**	**-4,155.75**
1.1. Wages and salaries	-1,226.56	-1,312.94	-1,456.34	-1,639.96	-2,032.27	-2,533.68	-2,777.97	-3,074.94	-3,167.87	-3,617.45
1.2. Employer contributions	-152.05	-166.69	-126.40	-158.61	-176.16	-482.08	-209.05	-516.83	-585.40	-538.29
2. Purchases of goods and services	**-1,117.16**	**-1,206.54**	**-1,436.87**	**-1,684.23**	**-2,226.52**	**-2,307.95**	**-2,321.63**	**-1,908.67**	**-2,493.21**	**-2,413.85**
4. Interest Payments	**-166.97**	**-235.43**	**-94.79**	**-522.25**	**-136.21**	**-119.26**	**-108.26**	**-134.63**	**-156.69**	**-189.21**
5. Subsidies	**0.00**	**0.00**	**0.00**	**0.00**	**-148.53**	**-247.36**	**-247.66**	**-233.22**	**-249.84**	**-246.42**
6. Grants	**-414.32**	**-447.59**	**-633.42**	**-742.74**	**-868.84**	**-888.92**	**-863.01**	**-960.18**	**-859.16**	**-870.24**
O/W To other general government units	-401.26	-434.49	-618.15	-719.17	-848.49	-870.91	-850.06	-959.86	-845.92	-870.24
7. Social benefits	**-11.65**	**-106.78**	**-176.57**	**-204.50**	**-230.56**	**-531.70**	**-519.90**	**-596.26**	**-593.50**	**-736.13**
8. Other expense	**-298.81**	**-247.43**	**-399.33**	**-369.14**	**-520.02**	**-506.62**	**-728.75**	**-929.27**	**-821.29**	**-752.06**
O/W Household - students	-211.98	-234.20	-330.26	-280.00	-332.50	-428.03	-595.99	-786.25	-698.09	-173.66
Net Cash Inflow From Operating Activities	**770.37**	**683.30**	**1,260.13**	**2,580.30**	**2,038.39**	**1,759.43**	**1,028.63**	**867.22**	**3,697.47**	**3,671.88**
Transactions in Nonfinancial Assets	**-332.24**	**-170.77**	**-448.38**	**-492.25**	**-1,179.27**	**-1,662.90**	**-2,031.09**	**-1,916.59**	**-3,614.38**	**-2,977.11**
3.1.1. Fixed Assets	-332.25	-170.77	-448.38	-492.25	-1,179.43	-1,663.92	-2,031.09	-1,916.59	-3,614.38	-2,977.11
3.1.4. Nonproduced assets	0.00	0.00	0.00	0.00	0.17	1.03	0.00	0.00	0.00	0.00
Cash deficit(-)/surplus(+)	**438.13**	**512.53**	**811.76**	**2,088.05**	**859.12**	**96.54**	**-1,002.47**	**-1,049.37**	**83.08**	**694.77**
Net Cash Inflow From Financing Activities	**-691.68**	**-522.89**	**-916.34**	**-1,724.72**	**-528.01**	**-730.72**	**-739.07**	**-1,203.50**	**68.33**	**837.24**
3.2. Financial assets	**-181.30**	**-116.48**	**-750.34**	**-1,783.14**	**-805.63**	**264.47**	**-774.44**	**-808.81**	**910.14**	**1,209.49**
O/W Domestic	-181.30	-112.96	-749.93	-1,781.80	-804.29	268.09	-774.44	-808.81	910.08	1,209.49
3.3. Liabilities	**-510.38**	**-406.41**	**-166.00**	**58.42**	**277.61**	**-995.19**	**35.37**	**394.69**	**841.82**	**372.25**
3.3.1. Domestic	-463.98	-7.91	96.70	-38.12	130.29	-1,066.89	-139.23	331.01	321.04	100.45
3.3.2. Foreign	-46.40	-398.50	-262.70	96.54	147.32	71.70	174.60	63.68	520.77	271.80
Statistical Discrepancy	-253.55	-10.35	-104.59	363.33	331.11	-634.19	-263.40	154.12	14.75	-142.47

* All historical years have been revised based on the GFSM 2001 methodology

Source: Ministry of Finance and CBL Projections

Table A26

DEBT INDICATORS
(Percentage Shares)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
C. MEMORANDUM ITEMS (In Million Maloti)										
8. GDP	7,972.68	8,701.76	9,675.48	11,254.86	13,471.31	14,479.58	15,928.68	18,061.00	19,114.42	20,676.81
9. GNI	11,645.07	13,005.41	14,295.16	16,094.26	18,774.80	19,285.01	20,755.62	22,685.03	23,492.86	25,154.86
10.Foreign debt service	527.00	704.08	333.70	649.11	303.10	216.90	263.50	270.20	202.40	363.84
11.Exports of goods & services, incl. factor services	8,723.70	8,311.08	9,599.23	11,141.51	12,999.54	11,768.14	11,568.82	13,875.37	13,373.33	13,607.75
12.Exports of goods & non-factor services	4,271.95	4,038.36	4,901.27	5,839.07	7,196.34	6,124.69	6,392.68	8,457.40	7,999.13	8,181.30
Ratios										
Total debt as a % of GDP	55.92	51.36	51.18	47.15	54.99	40.12	37.10	36.85	40.55	40.05
External debt as a % of GDP	48.31	44.25	44.61	41.21	49.90	36.10	31.40	31.27	34.67	35.08
Domestic debt as a % of GDP	7.61	7.11	6.58	5.94	5.09	4.02	5.70	5.58	5.88	4.97
External debt as a % of total	86.39	86.16	87.15	87.40	90.74	89.97	84.60	84.86	85.49	87.59
Domestic debt as a % of total	13.61	13.84	12.85	12.60	9.26	10.03	15.40	15.14	14.51	12.41
Concessional as a % of external debt	78.52	83.72	84.40	93.56	96.97	94.65	93.70	90.60	85.86	89.79
Total Debt to Revenue	109.15	102.11	80.53	71.28	82.41	69.84	78.19	86.86	70.73	63.53
Total Debt to Exports	111.42	115.31	105.92	91.71	98.89	92.28	89.67	79.87	100.92	101.22
Total Debt to GNI	44.14	42.56	39.54	35.70	39.80	29.40	29.80	32.56	36.67	32.92
Debt service (1)	7.13	10.50	4.70	2.60	3.30	2.06	1.10	1.95	1.48	3.42
Debt service(2)	11.62	16.60	7.80	4.30	5.30	4.70	1.80	2.94	2.33	5.69

Source: Ministry of Finance
(1) Ratio of debt service to exports of goods and services, including factor income.
(2) Ratio of debt service to exports of goods and non-factor services.

Table A25

OUTSTANDING PUBLIC DEBT

(Million Maloti)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
A. EXTERNAL DEBT	**4,112.84**	**4,011.64**	**4,514.32**	**4,680.60**	**6,457.10**	**5,143.10**	**4,951.40**	**5,732.10**	**6,901.40**	**7,253.10**
1. Bilateral Loans	***531.44***	***396.94***	***386.94***	***296.30***	**390.60**	**239.70**	**213.70**	**239.30**	**340.60**	**370.00**
Concessional	432.02	369.87	327.06	250.60	348.24	239.70	213.70	239.30	281.70	307.11
Non-concessional	99.42	27.07	59.88	45.70	42.36	-	-	-	58.90	62.89
2. Multilateral Loans	***3,183.68***	***3,399.11***	***3,968.44***	***4,220.80***	**5,932.60**	**4,635.60**	**4,439.30**	**5,158.50**	**6,119.50**	**6,397.50**
Concessional	2,737.38	2,985.93	3,480.73	4,099.30	5,891.98	4,609.10	4,410.40	4,954.10	5,643.50	6,205.59
Non-concessional	446.30	413.18	487.71	121.50	40.62	28.50	28.90	204.40	476.00	191.91
3. Financial Institutions	***315.78***	***141.51***	***101.13***	***98.80***	**75.70**	**71.90**	**70.70**	**66.50**	**62.00**	**59.80**
Concessional	60.06	2.56	2.33	29.40	21.46	19.00	17.80	-	-	-
Non-concessional	255.72	138.95	98.80	69.40	54.24	52.90	52.90	66.50	62.00	59.80
4. Suppliers' Credit	**81.94**	**74.08**	**57.81**	**64.70**	**58.20**	**195.90**	**227.70**	**267.80**	**379.30**	**425.80**
B. DOMESTIC DEBT	**648.11**	**644.62**	**665.51**	**674.56**	**659.27**	**573.40**	**780.60**	**1,022.90**	**1,171.42**	**1,027.99**
5. Banks	***543.61***	***474.32***	***587.95***	***584.96***	***600.44***	***472.80***	***606.70***	***751.90***	***856.60***	***709.78***
Long-term	114.66	114.66	114.66	114.66	114.66	-	126.40	374.80	401.20	307.25
Short-term	428.95	359.66	473.29	470.30	485.78	472.80	480.30	377.10	455.40	402.52
o/w treasury bills	427.90	359.90	473.29	470.30	485.78	472.80	480.30	377.10	455.40	402.52
6. Non-bank	**104.50**	**170.30**	**77.56**	**89.60**	**58.84**	**100.60**	**173.90**	**271.10**	**314.82**	**318.21**
Short-term	104.50	170.30	77.56	89.60	58.84	100.60	113.00	120.60	104.12	136.81
Long-term							60.90	150.50	210.70	181.40
7. TOTAL (A + B)	**4,760.95**	**4,656.26**	**5,179.83**	**5,355.16**	**7,116.37**	**5,716.50**	**5,732.00**	**6,755.00**	**8,072.82**	**8,281.09**

Source: Ministry of Finance