

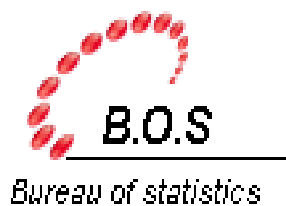


Central Bank of Lesotho

**REPORT ON THE
PRIVATE CAPITAL FLOWS SURVEY 2008**

Balance of Payments Section
Macroanalysis Division
Research Department

November 2009



PREPARED

BY

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FOREWORD

The Government of Lesotho, through the Lesotho National Development Corporation (LNDC), shifted its industrial development strategy from import substitution to labour-intensive manufacturing industries through attracting export oriented foreign direct investment in the 1980s. To pursue this objective, the LNDC marked Lesotho as an attractive investment destination through promotional visits. In addition, the LNDC offers various incentives to investors, including long term loans (the duration of which can be up to 10 years); serviced factory shells for rental, which is meant to reduce the initial investment costs; an export finance facility as well as facilitating access by investors to various services and facilities necessary for the establishment and smooth running of their business operations. These efforts have had a number of positive effects on the economy of Lesotho, including attracting foreign capital inflows.

In an endeavour to monitor and manage these foreign capital inflows, the Central Bank of Lesotho (CBL) has continued to conduct annual Private Capital Flows (PCF) surveys. This report presents the results of the third annual PCF survey, which was conducted from November 2008 to September 2009 to collect data relating to the year 2007 (called the PCF survey 2008). The survey covered a population of 230 enterprises, out of which 156 responded, representing a response rate of 67.8 per cent.

Information contained in this report is essential in improving Lesotho's macroeconomic statistics base; particularly, Lesotho's Balance of Payments (BOP) and the International Investment Position (IIP). These findings will benefit the private and public sectors in undertaking investment and other policy decisions. The first survey of this nature was conducted in 2006 and it was a success. The results of this survey and preceding ones are presented in survey reports that can easily be obtained from the Central Bank of Lesotho (CBL)'s library.

I would like to take this opportunity to convey our greatest appreciation of the cooperation of private business enterprises that participated in this survey by providing valuable information, which facilitated meaningful analysis and contributed to the validity of this report. The private sector is encouraged to continue participating in these surveys as this is the only channel through which external capital flows of the private sector can be captured.

We encourage and look forward to your continued cooperation in our efforts to monitor private capital flows and I am sure that the findings of this Report will be useful in formulating appropriate and timely sectoral policies.

M.P. Senaoana
Governor
Central Bank of Lesotho

ACRONYMS

BOP	Balance of Payments
BOS	Bureau of Statistics
CBL	Central Bank of Lesotho
CMA	Common Monetary Area
FDI	Foreign Direct Investment
FAL	Foreign Assets and Liabilities
GDDS	General Data Dissemination System
GDP	Gross Domestic Product
IP	Investors' Perceptions
IIP	International Investment Position
IMF	International Monetary Fund
LIEA	Lesotho Industrial Employers Association
LNDC	Lesotho National Development Corporation
LTEA	Lesotho Textiles Exporters' Association
MOFDP	Ministry of Finance and Development Planning
MOU	Memorandum of Understanding
NWG	National Working Group
PCF	Private Capital Flows
TOR	Terms of Reference

DEFINITIONS

Non-resident:

An individual, enterprise or other organisation ordinarily domiciled in a country other than Lesotho. Lesotho branches and subsidiaries of non-resident companies are residents of Lesotho. Similarly, foreign branches and subsidiaries of Lesotho companies are non-residents.

Foreign Direct Investment Enterprises:

Non-residents branches and subsidiaries of the enterprise or its subsidiaries

- Non-resident enterprises in which the enterprise or its subsidiaries have equity of 10 per cent.
- Subsidiaries or associates of the direct investment enterprises of the enterprise.

Non-resident direct investor:

A non-resident entity (or group of related non-residents) that owns equity of 10 per cent or more in this enterprise. Non-resident enterprises related to the non-resident direct investor are also considered non-resident direct investors in the enterprise. Common examples of non-resident direct investors are foreign head offices (for branches) and foreign parent companies (for subsidiaries). An enterprise may have more than one direct investor, and these direct investors may reside in different countries. An investor need not have the largest shareholding to be considered a direct investor.

Other non-residents

Are those that are not direct investors or direct investment enterprises.

Non-equity:

All other financial instruments including loans, bonds, money market instruments, currency and deposits

Foreign liabilities

Obligations to foreign entities/ enterprises/ institutions.

Foreign assets

Claims on foreign entities/ enterprises/ institutions.

Equity

Shares held in entities or the equivalent ownership interest in unincorporated entities. This includes stocks (shares) and other equity, such as investment in branches. Non-voting preferred stock (preference shares) should be recorded under *bonds*.

Trade credits

This refers to commercial credits extended by exporters to importers and prepayments made by importers to exporters.

Operating profit

This is profit from the operations of enterprises.

Financial Services

These services include fees for intermediation services such as lending, financial leasing, letters of credit, bankers acceptances, lines of credit, foreign exchange transactions and travellers' cheques transactions; commissions and fees associated with security brokerage, placements of issues, underwriting, redemptions, swaps, options, and commodity futures; and portfolio and other financial management fees.

Royalties and License Fees

These include fees associated with the use of (and purchases and sale of) patents, copyrights, trademarks, industrial processes, franchises, etc., and licensing agreements associated with manuscripts, paintings, sculptures, etc.

Trade-related Services

These services include commissions on goods and services associated with commodity brokerage, auction sales, sales of ships and aircraft, etc.

Operational Leasing

Operational leasing includes leasing of machinery and equipment—other than transportation equipment with crew—and excludes items under financial lease.

Advertising and Market Research

These activities include the design, creation, marketing, placement, and purchase of advertising; trade fair exhibition services; and promotion, market research, and public opinion polls.

Legal, Accounting, and Management Services

These services include legal advice, representation, and documentation; accounting, auditing, bookkeeping, and tax-related services; planning, organization, cost projecting, and human resource management; and public relations.

Architecture, Engineering, and Other Technical Services

These services include architectural design of urban and other development projects; planning, project design, and supervision of dams, bridges, airports, turnkey projects, etc.; and surveying, product testing and certification, and technical inspection services.

Computer and Information Services

These services include data base development, storage, and on-line time series facilities; data processing, tabulation, processing services (on a time-share or specific basis), and processing management services;

hardware consultancy' software design, development, and customized implementation and programming'; maintenance and repair of computers and peripheral equipment; and news agency services.

SYMBOLS

The following conventions used in this report have the following interpretations:

- Data not available
- 0.0 Negligible valued (Zero or values less than M1,000)

NOTE: All amounts are expressed in Maloti and in market values

EXECUTIVE SUMMARY

The Central Bank of Lesotho undertook a third survey of private capital, which commenced in November 2008 and ran until September 2009, named PCF survey 2008, to collect data relating to the year 2007. During this survey, questionnaires were distributed to 230 enterprises (the population size) out of which 156 responded, representing a response rate of 67.8 per cent. Nevertheless, only 73 enterprises out of the 156 had foreign assets and liabilities.

Foreign liabilities increased during the year 2007, reflecting that there were some inflows of capital into Lesotho from other countries. Enterprises within the manufacturing sub-sector had the highest value of liabilities to non-residents; followed by the mining and quarrying sub-sector and then the wholesale and retail sub-sector. Other sub-sectors had less than 10 per cent of total liabilities. The Maseru district is the hub of business in Lesotho and so it hosts most of the business enterprises in the country. Consequently, businesses located in Maseru had the largest share of liabilities to non-residents, followed by those located in the Northern region. The leading five source countries of liabilities, listed in order of significance, were the United Kingdom, Taiwan, South Africa, China and the Netherlands.

Foreign assets holdings by business entities resident in Lesotho also rose during the year. Enterprises within the manufacturing sub-sector had the highest value of investments abroad. This was followed by the wholesale and retail trade sub-sector. Like in the case of liabilities, enterprises based in Maseru had the largest share of claims on non-residents, followed by enterprises located in the Northern region. Enterprises in the Southern region reported negligible value of claims on non-residents. South Africa, China and Taiwan ranked as the leading three source countries of assets for Lesotho resident enterprises.

The bulk of the profits earned by resident business enterprises during the year were reinvested back into the companies by shareholders and only a small share was remitted as dividends. Enterprises within the wholesale and retail trade sub-sectors remitted the largest portion of total dividends to non-residents. These are followed by enterprises within the manufacturing sub-sector. Only enterprises that remitted dividends to South Africa and the Netherlands filled this part of the questionnaire.

Lesotho acquired more services from the rest of the world than it provided to non-residents, indicating that Lesotho is a net receiver of services. Most of Lesotho's transactions in services are with South Africa.

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CHAPTER 1: INTRODUCTION

1.1 Background

The PCF Survey is an annual exercise through which the CBL collects data on foreign assets and liabilities (FAL). This initiative started in 2006 and thus the PCF survey 2008 is the third cycle. These surveys are carried out under the memorandum of understanding between the CBL, Bureau of Statistics (BOS) and the LNDC. These series of surveys are aimed at collecting information for macroeconomic policy and investment decisions-making, and meeting international statistical standards. Like many developing countries, Lesotho faces the challenge of monitoring and managing PCFs for better macroeconomic policy management in general and price stability in particular. Empirical research has proved that PCFs make a significant contribution in economic growth but could have devastating effects if not well monitored and managed.

In the case of Lesotho, monitoring of the PCF is particularly important for various reasons. Firstly, private sector activity in the country has grown and continues to grow considerably. As a result, it is expected that foreign direct investment (FDI) and other capital flows would accompany this growth. Secondly, Lesotho's membership to the Common Monetary Area (CMA) (with South Africa, Namibia and Swaziland) which allows for free mobility of capital among member countries, increases statistical challenges for the country. Lastly, the CBL is following gradual reforms in the capital account in an endeavour to harmonise exchange control regulations and therefore be in a position to maintain the peg between the South African Rand and the Lesotho Loti. This is expected to stimulate the movement of capital between Lesotho and the rest of the world.

Reports of the previous surveys have been published and are accessible on the CBL's website (www.centralbank.org.ls).

1.2 Objectives of the Survey

The objectives of the PCF survey 2008 were as follows:

- a) To collect information on private capital flows, stocks and related income variables among entities in Lesotho, which have FAL.
- b) To meet international standards on compilation of BOP data.
- c) To strengthen policy making by providing timely and accurate statistics on PCF

1.3 Organisation of the Survey

The survey consisted of several activities which included, among others, training of enumerators and supervisors, sensitization campaigns, fieldwork, data analysis, report writing, and information dissemination.

1.3.1 Legal Mandate

The CBL has been mandated by the Bureau of Statistics (BOS) under the Statistics Act 2001 to take part in the compilation, analysis and dissemination of the Lesotho's BOP statistics. In addition, section 59 of the CBL Act 2000 states "...the Governor or any officer authorized by him, may require from any person any information, estimates, returns or particulars, subject to the same procedures and restrictions as are set out in the Statistics Act 1965". In order to ensure confidentiality, information generated by the survey is presented and published in aggregate form.

1.3.2 Institutional Coordination

As was the case with the previous survey, the PCF activities were coordinated by a National Working Group on Private Capital Flows (NWG-PCF). The working group had representatives from the CBL, BOS, LNDC, Lesotho Textiles Exporters' Association (LTEA) and the Ministry of Finance and Development Planning

(MoFDP). The NWG-PCF had Terms of Reference (TOR) and the Research Department of the CBL continued to coordinate the whole survey exercise and served as the Secretariat.

1.4 Organisation of the Report

A brief introduction to the report is provided in this chapter. The rest of the report is organised as follows; the second chapter deals with the methodology while chapter three presents survey analysis and findings. The conclusions of the PCF survey are presented in chapter four.

CHAPTER 2: METHODOLOGY

This chapter discusses the methodology used in the PCF 2008 Survey which includes population frame, survey instruments, data processing and analytical techniques.

2.1 Population Frame

The population frame for the PCF Survey 2008 was based on the population frame of the previous survey. During the PCF Survey 2007, a population of 200 enterprises was targeted. This was increased to 230 for the PCF survey 2008 by adding enterprises that were established either in 2006 or 2007 and were left out during the 2007 survey because they had operated for less than a year and so did not have data for the entire year.

2.2 Survey Tool and Techniques

Survey tools included a questionnaire, enumerators' manual and guidelines.

2.2.1 Survey Questionnaire

A similar questionnaire that was used in the previous survey was adopted.

2.2.2 Enumerators' and Supervisors' Manual

In addition to the questionnaire, a manual was designed for training of enumerators and supervisors to familiarize them with the objective of the survey, its methodology and underlying basic concepts.

2.3 Fieldwork

In order to carry out the field activities, ten enumerators were used. One staff member from the Department of Research supervised the entire work of enumerators. The fieldwork lasted twenty five working days starting from the 6th October 2008 and ending on the 7th November 2008.

2.3.1 Questionnaire Distribution

Distribution of questionnaires was carried out by enumerators and this activity lasted two weeks (10 working days). In all cases, interviewees were required to acknowledge receipt of the questionnaire. A total of 230 questionnaires compared to 200 in the previous survey were physically delivered to various enterprises as follows: Northern region (Berea, Leribe Butha-Buthe and Mokhotlong) 53, Southern region (Mafeteng, Mohale's Hoek and Quthing) 6, and Maseru 171. These compare with 30 for Northern region, 40 for Southern region and 130 for Maseru recorded in the previous PCF survey. Table 1 below shows the number of questionnaires dispatched and collected, by region, for both 2007 and 2008 PCF surveys.

Table 1: Questionnaire Distribution

	Northern Region		Southern Region		Maseru		Total	
	2007	2008	2007	2008	2007	2008	2007	2008
# Dispatched	30	53	40	6	130	171	200	230
# Collected	9	40	22	6	76	110	107	156
Response rate	30.0	75.5	55.0	100.00	58.5	64.3	53.5	67.8

2.3.2 Data Collection

A total of 156 questionnaires were collected from various enterprises as follows: Northern region 40, Southern region 6 and Maseru 115. To ensure completeness and consistency, further checking and editing was carried out by the supervisor and where need arose, additional follow-ups were made by the supervisor. Administrative measures, in the form of reminder letters, were issued to induce response from those entities that had not returned the questionnaires by the stipulated closing date.

Follow-up visits were carried out for various reasons including non-response and further clarification on some concepts embedded within the questionnaire and this extended the survey period to September 2009.

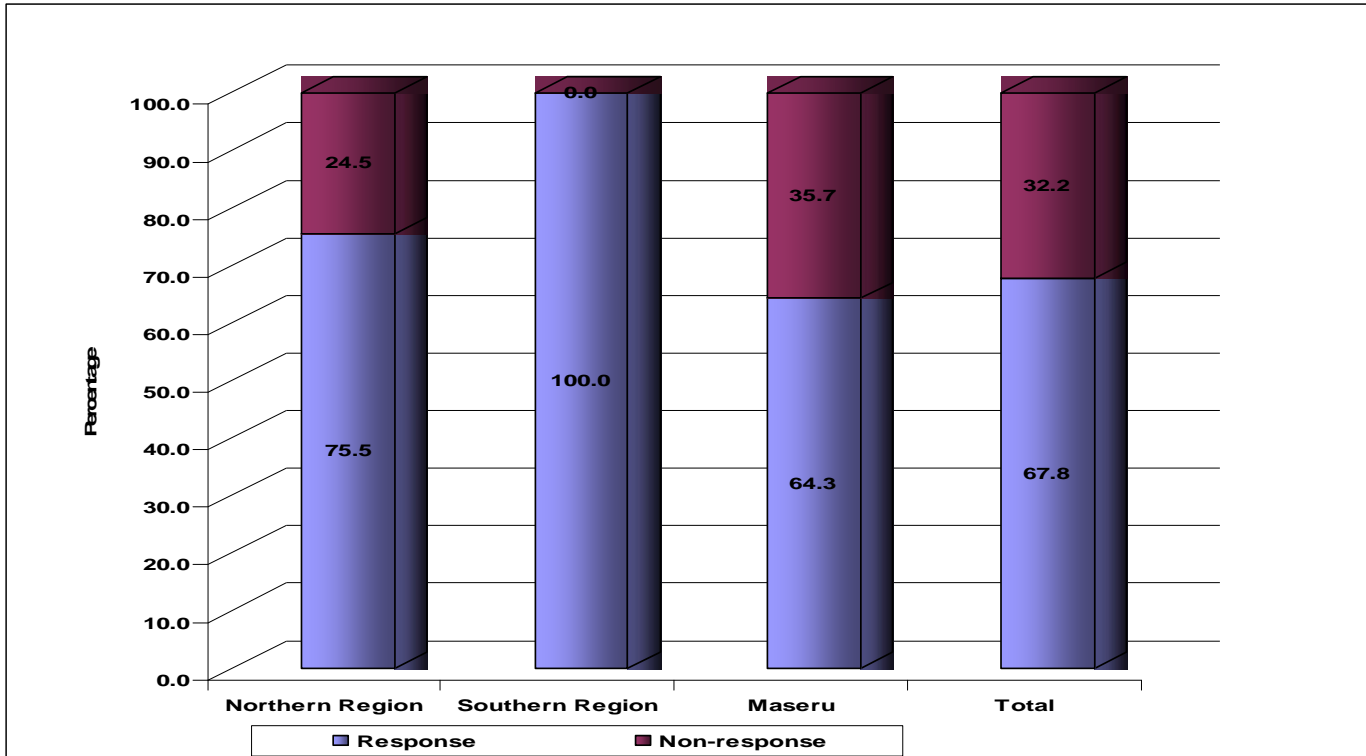
2.4 Data Processing

2.4.1 Response rate

Table 1 above depicts that out of the 230 enterprises served with the questionnaire during the survey, 156 responded, representing a response rate of 67.8 per cent compared with 53.5 per cent achieved by the PCF Survey 2007. Among the 156 enterprises that responded, 70.5 per cent were located in Maseru, 25.6 per cent in the Northern region and 3.9 per cent in the Southern region. Only 73 respondents were found to have significant FAL. Out of the 73 enterprises with FAL, 59 are located in Maseru, 13 in the Northern region and 1 in the Southern Region. The response rate improved somewhat compared to the previous survey, mainly as a result of intensive and extended follow-up that was embarked on following the official closing date for returns. Nevertheless, it still remains low, mainly reflecting lack of cooperation by some enterprises.

Figure 1 below shows that the Southern region recorded the highest response rate of 100.0 per cent, followed by the Northern region with 75.5 per cent while Maseru recorded 64.3 per cent. The high response rate in the Southern region is attributable to the the small number of enterprises. Most of the enterprises are located in Maseru, which is the capital city (hub of business) of Lesotho.

Figure 1: Response Rate by Region



CHAPTER 3: FINDINGS AND ANALYSIS

3.1 Presentation of Findings

The findings are presented in five sections: General information, liabilities to non-residents, claims on non-residents, retained earnings, international transactions in services and investor perceptions.

3.1.1 General Information

Table 2 below depicts the classification of enterprises with FAL according to the System of National Accounts (SNA).

Table 2: Industrial Classification

Industrial Classification	Number responded	
	2007	2008
Agriculture	0	0
Mining and Quarrying	2	5
Manufacturing	14	24
Building and Construction	3	2
Wholesale and Retail Trade	23	29
Catering	2	0
Transport and Communication	5	7
Finance and Insurance	6	3
Real Estate and Business Services	4	3
Ownership of Dwellings	0	0
Education	0	0
Health	1	0
Total	60	73

The results of the survey indicate that 39.7 per cent of enterprises with FAL in 2008 engaged in wholesale and retail trade compared with 38.3 per cent observed in 2007. The manufacturing sub-sector followed with 32.9 per cent, 9.6 percentage points higher than in 2007. The rest of the sub-sectors accounted for less than 10 per cent.

3.1.2 Liabilities to Non-Residents

This section gives information on the total liabilities and distribution of liabilities to non residents in relation to location, source and sector.

i) Total Liabilities to Non-Residents

The opening position of total foreign liabilities to non-residents, as at the beginning of 2007, amounted to M1091.23 million. However, due to the change in position during the year, the closing position as at December 2007 was recorded at M1511.15 million. The change in position is a reflection of inflows of foreign capital into Lesotho from the rest of the world during the survey period and this was mainly in the form of equity liabilities to non resident direct investors at 72.2 per cent.

Table 3: Liabilities to Non-residents (In Million Maloti)

	Opening Position	Change in Position	in Closing Position	Income Payable
To Non Resident Direct Investors	270.74	267.97	538.72	1.26
<i>Equity</i>	233.39	242.09	475.48	1.26
<i>Non-Equity</i>	37.35	25.89	63.24	0.00
To Other Non Resident Investors	717.99	52.80	770.79	1.69
<i>Equity</i>	36.61	0.18	36.79	0.23
<i>Non-Equity</i>	681.37	52.62	734.00	1.46
To Foreign Direct Investment Enterprises	102.50	50.25	152.75	0.43
<i>Equity</i>	73.07	10.50	83.57	0.38
<i>Non-equity</i>	29.43	39.75	69.18	0.05
Total Foreign Liabilities	1091.23	371.02	1462.26	3.39

Table 4 below presents the liabilities to non residents in terms of percentage of total. The opening position reflects that, as at the beginning of 2007, the largest contributor to the stock of foreign liabilities was non-equity liabilities to other non resident investors at 62.4 per cent, followed by equity liabilities to non-resident direct investors at 21.4 per cent. The main factor behind the change in the position was inflows of equity investment by non resident direct investors at 65.2 per cent. This has resulted in a closing position that has non-equity liabilities to other non resident investors as the main contributor but at a lower 50.73 per cent, followed by equity liabilities to non-resident direct investors at 31.5 per cent.

Table 4: Liabilities to Non-residents (Percentage of Total)

	Opening Position	Change in Position	in Closing position	Income payable
To Non Resident Direct Investors	24.81	72.23	36.84	37.38
<i>Equity</i>	21.39	65.25	32.52	37.32
<i>Non-Equity</i>	3.42	6.98	4.32	0.06
To Other Non Resident Investors	65.80	14.23	52.71	50.04
<i>Equity</i>	3.35	0.05	2.52	6.82
<i>Non-Equity</i>	62.44	14.18	50.20	43.22
To Foreign Direct Investment Enterprises	9.39	13.54	10.45	12.58
<i>Equity</i>	6.70	2,83	5.71	11.07
<i>Non-equity</i>	2.70	10.71	4.73	1.51

ii) Sectoral Distribution of Total Liabilities to Non-Residents

Most of the liabilities to non-residents were in the manufacturing sub-sector and they amounted to 53.4 per cent at the end of 2007. The mining and quarrying sub-sector was second at 33.3 per cent followed by wholesale and retail trade sub-sector at 8.4 per cent. Transport and communication came fourth at 3.0 per cent. The respective values are presented in Table 5 below.

Table 5: Sectoral Distribution of Liabilities (Million Maloti)

	Opening position	Change in Position	Closing position	closing position (Per cent)	Income payable
Mining & Quarrying	244.70	241.75	486.45	33.27	0.00
<i>Equity</i>	239.42	242.29	481.72		0.00
<i>Non-Equity</i>	5.27	-0.54	4.73		0.00
Manufacturing	736.80	44.42	781.22	53.43	0.70
<i>Equity</i>	82.62	6.02	88.64		0.65
<i>Non-Equity</i>	654.18	38.39	692.58		0.05
Building & Construction	16.14	-12.78	3.35	0.23	0.00
<i>Equity</i>	0.00	0.00	0.00		0.00
<i>Non-Equity</i>	16.14	-12.78	3.35		0.00
Wholesale & Retail Trade	67.98	54.80	122.78	8.40	2.68
<i>Equity</i>	12.11	4.20	16.30		1.22
<i>Non-Equity</i>	55.88	50.60	106.48		1.46
Transport & Communication	17.18	26.14	43.32	2.96	0.00
<i>Equity</i>	8.93	0.24	9.17		0.00
<i>Non-Equity</i>	8.25	25.90	34.15		0.00
Finance and Insurance	5.37	15.89	21.26	1.45	0.00
<i>Equity</i>	0.00	0.00	0.00		0.00
<i>Non-Equity</i>	5.37	15.89	21.26		0.00
Real Est. & Bus. Services*	3.06	0.80	3.86	0.26	0.00
<i>Equity</i>	0.00	0.00	0.00		0.00
<i>Non-Equity</i>	3.06	0.80	3.86		0.00
Total	1091.23	371.02	1462.25	100.00	3.39

*Real estate and business services

The revelation that a large proportion of liabilities to non-residents emanated from the manufacturing sub-sector is in line with the fact that the manufacturing sub-sector is among the largest contributors to GDP in the country. Furthermore, a large portion of these manufacturing enterprises (especially textiles and clothing firms) are foreign owned.

iii) Liabilities to Non-Residents by Location

88.1 per cent of the liabilities to non-residents were concentrated in Maseru, followed by the Northern and Southern regions at 7.4 and 4.5 per cent, respectively. The regional distribution of liabilities is shown in Table 6 below.

Table 6: Liabilities to non-residents by location

	Opening Position	Change in Position	Closing Position	Closing Position (Per cent)	Income Payable
Maseru	957.46	331.13	1288.59	88.12	3.39
<i>Equity</i>	335.91	248.16	584.07		1.87
<i>Non-Equity</i>	621.55	82.97	704.52		1.52
Northern	68.92	38.85	107.78	7.37	0.00
<i>Equity</i>	7.17	4.59	11.76		0.00
<i>Non-Equity</i>	61.75	34.26	96.02		0.00
Southern	64.86	1.03	65.89	4.51	0.00
<i>Equity</i>	0.00	0.00	0.00		0.00
<i>Non-Equity</i>	64.86	1.03	65.89		0.00
Total	1091.23	371.02	1462.26	100.00	3.39

iv) Source Countries of Liabilities

Table 7: Sources of Liabilities (Million Maloti)

	Opening Position	Change in Position	Closing Position	Closing Position (Per cent)	Income Payable
South Africa	250.60	116.44	367.04	25.10	3.39
<i>Equity</i>	39.46	6.67	46.13		1.87
<i>Non-Equity</i>	211.14	109.77	320.91		1.52
United Kingdom	231.49	241.10	472.59	32.32	0.00
<i>Equity</i>	231.49	241.10	472.59		0.00
<i>Non-Equity</i>	0.00	0.00	0.00		0.00
United States	18.89	10.85	29.75	2.03	0.00
<i>Equity</i>	9.98	0.00	9.98		0.00
<i>Non-Equity</i>	8.91	1.85	19.77		0.00
Taiwan	455.30	-15.51	439.80	30.08	0.00
<i>Equity</i>	11.22	0.15	11.40		0.00
<i>Non-Equity</i>	444.09	-15.69	428.40		0.00
Belgium	0.80	3.03	3.84	0.26	0.00
<i>Equity</i>	0.80	0.21	1.01		0.00
<i>Non-Equity</i>	0.00	2.83	2.83		0.00
Netherlands	42.53	10.32	52.85	3.61	0.00
<i>Equity</i>	19.99	1.17	21.16		0.00
<i>Non-Equity</i>	22.54	9.15	31.69		0.00
China	74.18	-1.59	72.59	4.96	0.00
<i>Equity</i>	35.59	0.55	36.14		0.00
<i>Non-Equity</i>	38.59	-2.14	36.45		0.00
Germany	0.53	0.00	0.53	0.04	0.00
<i>Equity</i>	0.04	0.00	0.04		0.00
<i>Non-Equity</i>	0.50	0.00	0.49		0.00
Switzerland	16.89	6.37	23.26	1.59	0.00
<i>Equity</i>	-5.50	2.87	-2.63		0.00
<i>Non-Equity</i>	22.40	3.49	25.89		0.00
Total	1091.23	371.02	1462.25	100.00	3.39

At the end of 2007 the following were the leading five source countries of liabilities for Lesotho resident companies; United Kingdom, Taiwan, South Africa, China and the Netherlands. Out of the total reported value, the shares from the above-mentioned countries were 32.3 per cent, 30.1 per cent, 25.1 per cent, 5.0 per cent and 3.6 per cent, respectively as depicted in Table 7 above.

3.1.3 Claims on Non-Residents

This section gives information on the total foreign assets and their distribution in relation to location, source as well as sector.

i) Total Assets on Non-Residents

Foreign assets rose by 19.7 per cent during the survey year indicating that residents increased their investments abroad. The opening position at the beginning of 2007 was M314.8 million, the bulk of which came from non-equity assets holdings with other non resident investors at M212.00 million. The positive change in the position, resulting mainly from transactions led to a higher closing position of M376.8 million at the end of 2007. (See Table 8 below).

Table 8: Claims on Non-residents (In Million Maloti)

	Opening Position	Change in Position	Closing Position	Income Receivable
On Foreign Direct Investment Enterprises	90.35	37.98	128.32	1.08
<i>Equity</i>	13.28	8.82	22.10	0.00
<i>Non-Equity</i>	77.07	29.16	106.23	1.08
On Other Non-resident Investors	224.41	25.29	248.48	0.07
<i>Equity</i>	12.41	-1.19	11.22	0.00
<i>Non-Equity</i>	212.00	26.48	237.27	0.07
On Foreign Direct Investors	0.04	0.03	0.07	0.00
<i>Equity</i>	0.00	0.00	0.00	0.00
<i>Non-equity</i>	0.04	0.03	0.07	0.00
Total Foreign Assets	314.79	63.30	376.88	1.15

Table 9 below presents claims on non residents in terms of percentage of total. The opening position depicts that at the beginning of 2007, foreign assets holdings by residents were mainly in the form of non-equity claims on other non-resident investors at 67.3 per cent followed by non-equity claims on foreign direct investment enterprises at 24.5 per cent. The transactions and other changes that took place during the year did not result in a change in the order of significance of the different components but only in the percentage contributions so that the bulk of asset holdings by residents of Lesotho continued to be in the form of non-equity claims on other non-resident investors but at a lower share of 62.9 per cent followed by non-equity claims on FDI enterprises at a higher 28.2 per cent.

Table 9: Claims on Non-residents (Percentage of total)

	Opening Position	Change in Position	Closing Position	Income Payable
On Foreign Direct Investment Enterprises	28.70	60.00	34.05	94.31
<i>Equity</i>	4.22	13.93	5.86	0.00
<i>Non-Equity</i>	24.48	46.07	28.19	94.31
On Other Non-resident Investors	71.29	39.95	65.93	5.69
<i>Equity</i>	3.94	-1.88	2.98	0.00
<i>Non-Equity</i>	67.35	41.84	62.96	5.69
On Foreign Direct Investors	0.01	0.05	0.02	0.00
<i>Equity</i>	0.00	0.00	0.00	0.00
<i>Non-equity</i>	0.01	0.05	0.02	0.00

ii) Sectoral Distribution of Total Assets to Non-Residents

Most of the claims on non-residents were in the manufacturing sub-sector and they amounted to M330.51 million (87.7 per cent of total assets) at the end of 2007. Wholesale and retail came second at M23.21 million (6.2 per cent of total assets). In the third position was finance and insurance sub-sector at M14.88 million (3.95 per cent of total assets). The respective values are presented in Table 10 below.

Table 10: Sectoral Distribution of Assets (Million Maloti)

	Opening Position	Change in Position	Closing Position	Closing Position %	Income Payable
Manufacturing	272.29	58.22	330.51	87.42	0.00
<i>Equity</i>	24.71	7.62	32.34		0.00
<i>Non-Equity</i>	247.58	50.59	298.17		0.00
Building & Construction	0.45	0.28	0.73	0.19	0.00
<i>Equity</i>	0.00	0.00	0.00		0.00
<i>Non-Equity</i>	0.45	0.28	0.73		0.00
Wholesale & Retail Trade	18.34	4.86	23.21	6.14	1.08
<i>Equity</i>	0.98	0.00	0.98		0.00
<i>Non-Equity</i>	17.36	4.86	0.23		1.08
Transport & Communication	6.28	1.87	8.15	2.15	0.00
<i>Equity</i>	0.00	0.00	0.00		0.00
<i>Non-Equity</i>	6.28	1.87	8.15		0.00
Finance and Insurance	17.38	-2.50	14.88	3.94	0.07
<i>Equity</i>	0.00	0.00	0.00		0.00
<i>Non-Equity</i>	17.38	-2.50	14.88		0.07
Real Est. & Bus. Services	0.05	0.57	0.61	0.16	0.00
<i>Equity</i>	0.00	0.00	0.00		0.00
<i>Non-Equity</i>	0.05	0.57	0.61		0.00
Total	314.79	63.30	378.09	100.00	1.15

iii) Claims on Non-Residents by Location

More than 82 per cent of the claims on non-residents were concentrated in Maseru, followed by the Northern region at 16.2 per cent. The value of assets on non-residents reported by enterprises in the southern region was negligible. The regional distribution of assets on non-residents is shown in Table 11 below.

Table 11: Claims on Non-Residents by Location (Million Maloti)

	Opening Position	Change in Position	Closing Position	Closing Position %	Income Payable
Maseru	282.52	28.04	309.45		1.15
<i>Equity</i>	25.20	7.35	32.56	82.08	0.00
<i>Non-Equity</i>	257.32	20.69	276.79		1.15
Northern	32.72	29.67	61.94		0.00
<i>Equity</i>	0.49	0.27	0.76	16.24	0.00
<i>Non-Equity</i>	31.78	29.40	61.19		0.00
Southern	0.00	5.59	5.59		0.00
<i>Equity</i>	0.00	0.00	0.00	1.48	0.00
<i>Non-Equity</i>	0.00	5.59	5.59		0.00
Total	314.79	63.30	376.88	100.00	1.15

iv) Source Countries of Assets

At the end of 2007, South Africa, China and Taiwan were ranked the leading three source countries of assets for Lesotho residents. Out of the total reported value, the shares from the above countries were 34.8 per cent, 28.9 per cent and 28.5 per cent, respectively. These were followed by Switzerland, Netherlands and Belgium at 3.7 per cent, 3.6 per cent and 0.5 per cent, respectively. Table 12 below shows details about the claims' source countries.

Table 12: Claims' Source Countries (Million Maloti)

	Opening Position	Change in Position	Closing Position	Closing Position %	Income Payable
South Africa	93.34	38.41	131.76	34.85	1.08
<i>Equity</i>	1.47	0.34	1.81		0.00
<i>Non-Equity</i>	91.87	38.07	129.94		1.08
Taiwan	109.59	-1.75	107.84	28.52	0.00
<i>Equity</i>	11.49	8.75	20.24		0.00
<i>Non-Equity</i>	98.10	-10.50	87.60		0.00
Belgium	1.86	-0.16	1.70	0.45	0.00
<i>Equity</i>	0.00	0.00	0.00		0.00
<i>Non-Equity</i>	1.86	-0.16	1.70		0.00
Netherlands	13.48	0.06	13.55	3.58	0.07
<i>Equity</i>	0.00	0.00	0.00		0.00
<i>Non-Equity</i>	13.48	0.06	13.55		0.07
China	85.21	24.18	109.39	28.93	0.00
<i>Equity</i>	12.32	-1.46	10.86		0.00
<i>Non-Equity</i>	72.89	25.64	98.53		0.00
Switzerland	11.31	2.56	13.87	3.67	0.00
<i>Equity</i>	0.40	0.00	0.40		0.00
<i>Non-Equity</i>	10.91	2.56	13.47		0.00
Total	314.79	63.30	378.09	100.00	1.15

3.1.4 Reinvested Earnings and Dividends Paid

Some enterprises reported profits while other enterprises reported losses. The net profit position for all entities combined amounted to M431.38 million. Out of the net profit of M431.38 million, a total of M131.32 million was paid as taxes and M6.50 million was remitted to non-residents as dividends while M293.57 was reinvested back into the businesses by shareholders.

Table 13: Retained Earnings during 2007 (In Million Maloti)

Category	2007
Operating Profit	431.38
Taxes	131.32
Dividends	6.50
Retained Earnings	293.57

(i) Dividends Paid to Non-residents by Sector

Only two sectors, 'manufacturing' and 'wholesale and retail trade' reported dividends remitted during the year 2008. Wholesale and retail trade sector remitted 60.0 per cent of total dividends, estimated at M3.90 million.

Table 14: Dividends paid to non residents by sector (Million Maloti and Sectoral Percentage Contributions)

Industrial Classification	Amount Paid	Percentage
Manufacturing	2.60	40.00
Wholesale and Retail Trade	3.90	60.00
Total	6.50	100.00

(ii) Dividends by Country of Destination

In 2007, a large portion of dividends paid to non-residents was concentrated in South Africa. South Africa continued to be the largest recipient of Lesotho's dividends because most enterprises with FAL in Lesotho are owned by South African enterprises or individuals. It received 90.2 per cent and the rest went to the Netherlands.

Table 15: Destination of dividends paid to non-residents (Million Maloti)

Country	Amount	Percentage
Netherlands	0.05	0.80
South Africa	6.45	90.20
Total	6.50	100.00

3.1.5 International Transactions in Services

(i) Services provided to non residents

The value of services provided to non-residents during 2007 amounted to M21.16 million of which M13.41 million was provided to South African enterprises. Services provided to countries other than South Africa were valued at M7.75 million.

Table 16: Value of Services provided to non-residents (Million Maloti)

	SA	Other	Total
Financial Services	0.00	0.00	0.00
Royalties	1.28	0.00	1.28
Trade-related	11.13	0.78	11.91
Operational Leasing	0.14	0.00	0.14
Advertising ^a ...	0.07	0.00	0.07
Legal ^b ...	0.03	0.00	0.03
Architecture ^c ...	0.00	0.00	0.00
Computers ^d ...	0.76	0.00	0.76
Other	0.00	6.97	6.97
Total	13.41	7.75	21.16

^a: Advertising and market research

^b: Legal, accounting and management consulting

^c: Architecture, engineering, and other technical services

^d: Computers and information services

(ii) Services acquired from non-residents

The residents of Lesotho acquired services to the value of M117.22 million from the rest of the world during 2007. About, M60.96 million (52.0 per cent) represented the value of services bought from SA and the remainder (M56.26 million) from other countries. Table 17 below depicts the value of services acquired from non-residents for 2007.

Table 17 Services acquired from non-residents (Million Maloti)

	SA	Other	Total
Financial Services	0.47	0.98	1.45
Royalties	0.07	0.00	0.07
Trade-related	5.35	54.50	59.85
Operational Leasing	3.17	0.00	3.17
Advertising ^a ...	2.59	0.00	2.59
Legal ^b ...	12.78	0.57	13.35
Architecture ^c ...	1.13	0.00	1.13
Computers ^d ...	0.76	0.05	0.81
Other	34.64	0.16	34.80
Total	60.96	56.26	117.22

(iii) Net value of services with non-residents

The value of services acquired by residents of Lesotho from the rest of the world is higher than the value of services provided by residents to non-residents. This means that Lesotho is a net importer of services. The net value of transactions in services is minus M96.06 million of which M47.55 was paid to SA and M48.51 to other countries.

Table 18: Net value of transactions in services (Million Maloti)

	SA	other	Total
Financial Services	-0.47	-0.98	-1.45
Royalties	1.21	0.00	1.21
Trade-related	5.78	-53.72	-47.94
Operational Leasing	-3.03	0.00	-3.03
Advertising ^a ...	-2.52	0.00	-2.52
Legal ^b ...	-12.75	-0.57	-13.32
Architecture ^c ...	-1.13	0.00	-1.13
Computers ^d ...	0.00	-0.05	-0.05
Other	-34.64	6.81	-27.83
Total	-47.55	-48.51	-96.06

CHAPTER 4: CONCLUSIONS

This chapter presents conclusions drawn from the findings. Based on the results of the survey, the following conclusions were made:

4.1 Liabilities to non-residents

- The bulk of liabilities to non-residents were in the form of non-equity. These accounted for 59.25 per cent of total liabilities, whereas equity liabilities to non-residents accounted for about 40.75 per cent of the total.
- Enterprises within the manufacturing sub-sector had a high value of liabilities to non-residents, amounting to 53.4 per cent followed by the mining and quarrying sub-sector at 33.3 per cent.
- Enterprises based in Maseru had the largest share of liabilities to non-residents at 88.1 per cent, followed by those located in the Northern region at 7.4 per cent.
- United Kingdom, Taiwan, South Africa, China and the Netherlands ranked as the leading five source countries of liabilities for Lesotho resident enterprises.

4.2 Claims on non-residents

- Similar to the case of liabilities, a large portion of claims on non-residents were in the form of non-equity. These accounted for 91.2 per cent of total assets, whereas equity assets to non-residents accounted for 8.8 per cent of the total.
- Enterprises within the manufacturing sub-sector had a high value of claims on non-residents, amounting to 87.7 per cent followed by the wholesale and retail trade sub-sector at 6.2 per cent.
- Enterprises based in Maseru had the largest share of claims on non-residents, followed by those enterprises located in the Northern region.
- South Africa, China and Taiwan were the leading three source countries of assets for Lesotho resident enterprises.

4.3 Dividends

- M6.50 million was remitted by resident enterprises as dividends while M293.57 million was reinvested back into business enterprises by shareholders.

4.4 Transactions in Services

- Lesotho is a net importer of services from abroad.
- Services acquired by resident enterprises from the rest of the world amounted to M117.22 million while those provided by resident enterprises to non resident once totaled M21.16 million.

Reporting instructions: This form should be completed by the enterprise (and any subsidiaries in Lesotho)—unless different arrangements have been made with the CBL.

Reporting period: This questionnaire asks for data on a calendar year basis; (i.e. from 1st January to 31st December 2007). If your enterprise's accounts are prepared other than on calendar year basis, please indicate this period on the form.

Units of reporting: Please report all data in actual amounts. For example, enter four million two hundred and thirty five thousand as 4,235,000 (and not 4.235m). **(IN OTHER WORDS, PLEASE DO NOT ROUND-OFF THE FIGURES)**

Obligation for compliance: Enterprises are legally bound to provide the information requested and should be encouraged to comply voluntarily. However, failure to do so could result in legal and/or administrative action being taken in extreme cases under the Lesotho Bureau of Statistics Act (2001), Lesotho National Development Corporation Act (1990) and the Central Bank of Lesotho Act (2000).

Due date: The due date for return of the completed questionnaire to the Director, Research Department, Central Bank of Lesotho, P. O. Box 1184, Maseru 100 is within fifteen (15) working days after the dispatch. You are supposed to acknowledge receipt of the questionnaire and hand it over to the enumerator. If you are having problems in meeting the due date, please call us as soon as possible before the deadline. Otherwise, the enumerator will collect the duly filled questionnaire on the due date or earlier as agreed.

Estimates: If some of the data requested are not readily available from your records, **careful estimates** will suffice, should be indicated as such. **Enterprises are requested to provide the copies of their financial statement to be used for cross checking.**

Assistance: For queries or assistance regarding this form, please call 22232062 for Mrs. Selloane Khoabane or Mr. Lebusetsa Matela on 22232058.

Retain a copy: After you complete this form, please retain a copy for your records.

Person in your organisation who should be contacted if any queries arise regarding this form:

NAME:..... Telephone No:

POSITION: Facsimile No:.....

SIGNATURE: Email address.....

ALTERNATIVE CONTACT PERSON

NAME: Telephone No:

POSITION: Facsimile No:.....

SIGNATURE:..... Email address:.....

B. DEFINITIONS

Unincorporated Branch: A division of the main enterprise that is not formed into a legal corporation.

Proprietorship/Individual Ownership: The enterprise is wholly owned by one person.

Proprietary (limited company): A private company whose owners are legally responsible for its debts only to the extent of the amount of capital they invested.

Partnership: An enterprise that is owned by two or more people as partners.

Subsidiary: An enterprise that is controlled by the parent company and in which the parent company holds more than 50 percent of ordinary shares.

Associate: An enterprise in which the one being interviewed/ responding to the questions owns 50 percent or less of ordinary shares.

Non-resident equity interest: Shares or ownership interest in non-resident enterprises.

Branch: An unincorporated enterprise that is a division of the main enterprise and is wholly or jointly owned by the main enterprise.

Foreign liabilities: Obligations to foreign enterprises/ institutions.

Foreign assets: Claims on foreign enterprises/ institutions.

Other Foreign Transactions: Any other foreign transactions, except those that result in foreign assets and liabilities. These include transactions in goods and services.

Statutory body: Either an individual or a collective body of a legal entity authorized to act on its behalf. The statutory body of a limited liability company could be, for example, one or more authorized representatives.

Non-equity: All other financial instruments including loans, bonds, money market instruments, currency and deposits

Structure of Questionnaire

This form collects annual information regarding the financial claims of your enterprise and its subsidiaries on non-residents and the liabilities of your enterprise and its subsidiaries to non-residents. The form requests data on financial liabilities to non-residents, related financial transactions, reconciliation items (other changes in positions), and income (Part A), similar data for assets (Part B), valuation of direct investment equity (Part C) profits and retained earnings (Parts D and E), international transactions in selected services (Part F), and investors' perception (Part G).

Valuation

All values should be reported in thousands of maloti. Please convert amounts expressed in foreign currencies to maloti, and state the exchange rate used.

Country classification

Country refers to the country of residence of the creditor or debtor.

Relationships Between Data Items

Information reported in parts A and B should reflect the following relationships:

closing position = opening position + change in position
change in position = net financial transactions + other changes
net financial transactions = *increases* (transactions relating to the acquisition of assets or liabilities) –
decreases (transactions relating to the disposal of assets or liabilities)
other changes = valuation changes (caused by exchange rate changes, market price changes, and write-downs)
+ residuals (caused by reclassification of items and arithmetical errors)

Positions, Transactions, Other Changes, and Income

Opening position refers to the value of the liabilities (part A) and assets (part B) of your enterprise and its subsidiaries at the beginning of the year. The **closing position** refers to the value of the claims and liabilities of your enterprise and its subsidiaries at the end of the year.

Positions denominated in foreign currencies should be converted to maloti at the **midpoint** of the appropriate buy and sell exchange rates applicable on the reference dates.

All valuations should be made at *market values*. For valuing equity positions at market value, one of the following methods, which are listed in order of preference, may be used:

- the midpoint of the stock market buy and sell rates on the reference date
- a recent transaction value
- directors' value
- net asset value

Net asset value equals total assets, including intangibles, less liabilities and the paid-up value of non-voting stock. Assets and liabilities should be recorded at current, rather than historical, values.

Financial transactions are transactions relating to the acquisition or disposal of your enterprise's financial claims on, or liabilities to, non-residents. Purchases of stock made by your enterprise (and its subsidiaries) in non-resident companies, purchases of your enterprise's shares by non-residents, issuances and purchases of bonds, increased deposits in bank accounts, and drawdowns of loans are examples of transactions that increase assets or liabilities. Sales of stock by your enterprise (and its subsidiaries) in non-resident companies, sales of your enterprise's shares by non-residents, redemptions and sales of bonds, withdrawals from bank accounts, and repayments of loans are examples of transactions that decrease assets or liabilities.

Income refers to: (1) income receivable by your enterprise from its ownership of claims on non-residents; and (2) income payable by your enterprise as a result of its liabilities to non-residents. The most common forms of income are *dividends*, *remittances of profit*, and *interest*.

Dividends and *remittances of profit* refer to income earned from the ownership of stock (shares) or equivalent equity interest in enterprises. These amounts should be recorded on the basis of dividend (or remittance)

payments dates. *Interest* relates to income earned from the ownership of financial assets other than equity assets. Income includes discounts. A discount is the difference between the value of a financial instrument when it issued and its final redemption value. Interest should be recorded on an accrual basis. The difference between income accrued and income payable should be recorded as a financial transaction in the instrument to which the interest relates. Any interest in arrears should be recorded as a financial transaction in the **other** category of financial instruments.

For direct investment (see definition provided in Part A), income relating to reinvested earnings should be excluded from parts A and B. This type of income is reported in parts D and E.

Financial transactions and **income** denominated in foreign currencies should be converted to maloti by using the **midpoint** of the appropriate buy and sell rates applicable on the date of the transaction. Financial transactions and income should be recorded on a *gross basis*—that is, before the deduction of commissions, brokerage fees, and withholding taxes.

GENERAL INFORMATION

A. Industrial Classification. Give a brief description of the major activities of the reporting entity and its subsidiaries:

.....

B. List names of all subsidiaries of your enterprise which are resident in Lesotho

.....

C. List names, countries of location and percentages of equity held by each non-resident enterprise or other foreign entity that owns 10% or more equity interest in your enterprise:

<u>Name of non-resident enterprise</u>	<u>Country of Location</u>	<u>Percentage of equity held</u>
.....
.....
.....

D. List names, countries of location and percentages of equity held by your enterprise in any foreign entity in which your enterprise owns 10% or more of the equity, and any foreign branches of your enterprise:

<u>Name of non-resident enterprise</u>	<u>Country of Location</u>	<u>Percentage of equity held</u>
.....
.....
.....

Part A: Liabilities to Non-residents

(Report in Thousands of Maloti)

Liability Item	Opening Position at 1 January 2007 A	Change in Position During Period		Closing Position at 31 December 2007 D = (A+B+C)	Investment Income payable during 2007 E
		Net Transactions B	Other Changes C		
		[Show decreases with a minus sign]			
LIABILITIES TO NON-RESIDENT DIRECT INVESTORS					
1. Equity
2. Other
3. Sub-total (1+2)
of which:					
to South Africa
to other countries
LIABILITIES TO OTHER NON-RESIDENT INVESTORS					
4. Equity
5. Bonds and money/market instruments
6. Long-term loans
7. Short-term loans
8. Trade credits
9. Other
10. Sub-total (4 to 9)
of which:					
to South Africa
to other countries
LIABILITIES TO FOREIGN DIRECT INVESTMENT ENTERPRISES					
11. Equity
12. Other
13. Sub-total (11+12)
of which:					
South Africa
Other countries
14. Total foreign Liabilities (3+10+13)

A *non-resident* is any individual, enterprise, or other organization ordinarily domiciled in a country other than Lesotho. Lesotho branches and subsidiaries of non-resident companies are *residents* of Lesotho. Similarly, foreign branches and subsidiaries of Lesotho companies are non-residents.

Foreign direct investment enterprises are:

Non-resident branches and subsidiaries of your enterprise or its subsidiaries

Non-resident enterprises in which your enterprise or its subsidiaries have equity of 10 percent or more

subsidiaries or associates of the direct investment enterprises of your enterprise.

A **non-resident direct investor** is a non-resident entity (or group of related non-residents) that owns equity of 10 percent or more in this enterprise. Non-resident enterprises related to the non-resident direct investor are also considered non-resident direct investors in your enterprise. Common examples of non-resident direct investors are foreign head offices (for branches) and foreign parent companies (for subsidiaries). An enterprise may have more than one direct investor, and these direct investors may reside in different countries. An investor need not have the largest shareholding to be considered a direct investor.

Other non-residents are those that are not direct investors or direct investment enterprises.

Part B: Claims on Non-residents

(Report in Thousands of Maloti)

<i>Asset Item</i>	Opening Position at 1 January 2007 A	Change in Position During Period		Closing Position at 31 December 2007 D = (A+B+C)	Investment Income receivable during 2007 E
		Net Transactions B	Other Changes C		
		[Show decreases with a minus sign]			
CLAIMS ON FOREIGN DIRECT INVESTMENT ENTERPRISES					
1. Equity
2. Other
3. Sub-total (1+2)
of which:					
on South Africa
on other countries
CLAIMS ON OTHER NON-RESIDENT INVESTORS					
4. Equity
6. Bonds and money/market instruments
6. Long-term loans
7. Short-term loans
8. Trade credits
9. Other
10. Sub-total (4 to 9)
of which:					
on South Africa
on other countries
CLAIMS ON FOREIGN DIRECT INVESTORS					
11. Equity
12. Other
13. Sub-total (11+12)
of which:					
on South Africa
on Other countries
14. Total foreign assets (3+10+13)

Financial Instruments

Equity: Shares held in entities or the equivalent ownership interest in unincorporated entities. This includes stocks (shares) and other equity, such as investment in branches. Non-voting preferred stock (preference shares) should be recorded under *bonds*.

Bonds and money market instruments include bonds, debentures, commercial paper, promissory notes, certificates of deposit, and other tradable non-equity securities other than financial derivatives. Bonds include instruments issued with original maturities of more than 12 months. Instruments with original maturities of 12 or fewer months are included in money market instruments. In parts A and B, bonds and money market instruments should be included in the **bonds, etc.** category. Also include in this category **financial derivatives** – these include all tradable derivatives or secondary market instruments such as options, futures, and forward contracts

Loans include loans and financial leases. Long-term loans are those with original maturities of 12 months or more. Short-term loans are those with original maturities of less than 12 months.

Trade credits are commercial credits extended by exporters to importers and prepayments made by importers to exporters.

Other includes all other financial assets and liabilities, such as arrears.

Part C. Valuation of Direct Investment Equity

Please record the method of valuation (e.g., stock market valuation of shares, a recent transactions value, directors' valuations, net asset value based on current values, net asset value based on book values) used in parts A and B, item 1D.

.....

Part D. Retained Earnings of Foreign Direct Investment Enterprises

(For all items except 5, report in thousands of maloti.)

	Total
1. Operating profit plus net income during the year	
2. Taxes (on profits) due for payment during the year	
3. Dividends paid or profits remitted during the year	
4. Retained earnings (1 – 2 – 3)	
5. Percentage of equity owned by direct investors at end of period (%)	
6. Retained earnings attributable to reporting enterprise (5 % of	

Retained earnings)	27	
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Part E. Retained Earnings of Reporting Enterprises

(For all items except 5, report in thousands of maloti.)

This section should be completed only by enterprises having direct investors.

	Total
1. Operating profit plus net income during the year	
2. Taxes (on profits) due for payment during the year	
3. Dividends paid or profits remitted during the year	
4. Retained earnings (1 – 2 – 3)	
5. Percentage of equity owned by direct investors at end of period (%)	
6. Retained earnings attributable to reporting enterprise (5 % of Retained earnings)	

Operating profit is profit from the operations of enterprises. When operating profit is calculated, depreciation should be determined on the basis of replacement cost. Exchange rate gains and losses, special tax provisions (such as accelerated depreciation), and any extraordinary items should be excluded from the calculation.

Net income received equals interest, dividends, and any undistributed profits from the ownership of subsidiaries and associates attributable to the enterprise(s) concerned, less interest payable by the enterprise(s).

Taxes on profits should be recorded when due and without penalty.

Part F – International Transactions in Services²

(Report in thousands of maloti)

Services Item	Services provided to non-residents			Services acquired from non-residents		
	SA	Other	Total	SA	Other	Total
Financial services						
Royalties and License fees						
Trade-related services						
Operational Leasing						
Advertising and market research						
Legal, Accounting and Management consulting						
Architecture, engineering and other technical services						
Computer and information systems						
Other services (please specify)						
TOTAL						

2. Exclude transportation and travel-related services, which are collected via other sources; also exclude insurance services arranged through resident insurers or their resident agents or brokers (although insurance placed directly with non-resident insurers should be included above).

Definitions of Services Items above

Financial Services. These services include fees for intermediation services such as lending, financial leasing, letters of credit, bankers acceptances, lines of credit, foreign exchange transactions and travellers' cheques transactions; commissions and fees associated with security brokerage, placements of issues, underwriting, redemptions, swaps, options, and commodity futures; and portfolio and other financial management fees.

Royalties and License Fees. These include fees associated with the use of (and purchases and sale of) patents, copyrights, trademarks, industrial processes, franchises, etc., and licensing agreements associated with manuscripts, paintings, sculptures, etc.

Trade-related Services. These services include commissions on goods and services associated with commodity brokerage, auction sales, sales of ships and aircraft, etc.

Operational Leasing. Operational leasing includes leasing of machinery and equipment—other than transportation equipment with crew—and excludes items under financial lease.

Advertising and Market Research. These activities include the design, creation, marketing, placement, and purchase of advertising; trade fair exhibition services; and promotion, market research, and public opinion polls.

Legal, Accounting, and Management Services. These services include legal advice, representation, and documentation; accounting, auditing, bookkeeping, and tax-related services; planning, organization, cost projecting, and human resource management; and public relations.

Architecture, Engineering, and Other Technical Services. These services include architectural design of urban and other development projects; planning, project design, and supervision of dams, bridges, airports, turnkey projects, etc.; and surveying, product testing and certification, and technical inspection services.

Computer and Information Services. These services include data base development, storage, and on-line time series facilities; data processing, tabulation, processing services (on a time-share or specific basis), and processing management services; hardware consultancy' software design, development, and customized implementation and programming; maintenance and repair of computers and peripheral equipment; and news agency services.