Central Bank of Lesotho

Annual Report

2014

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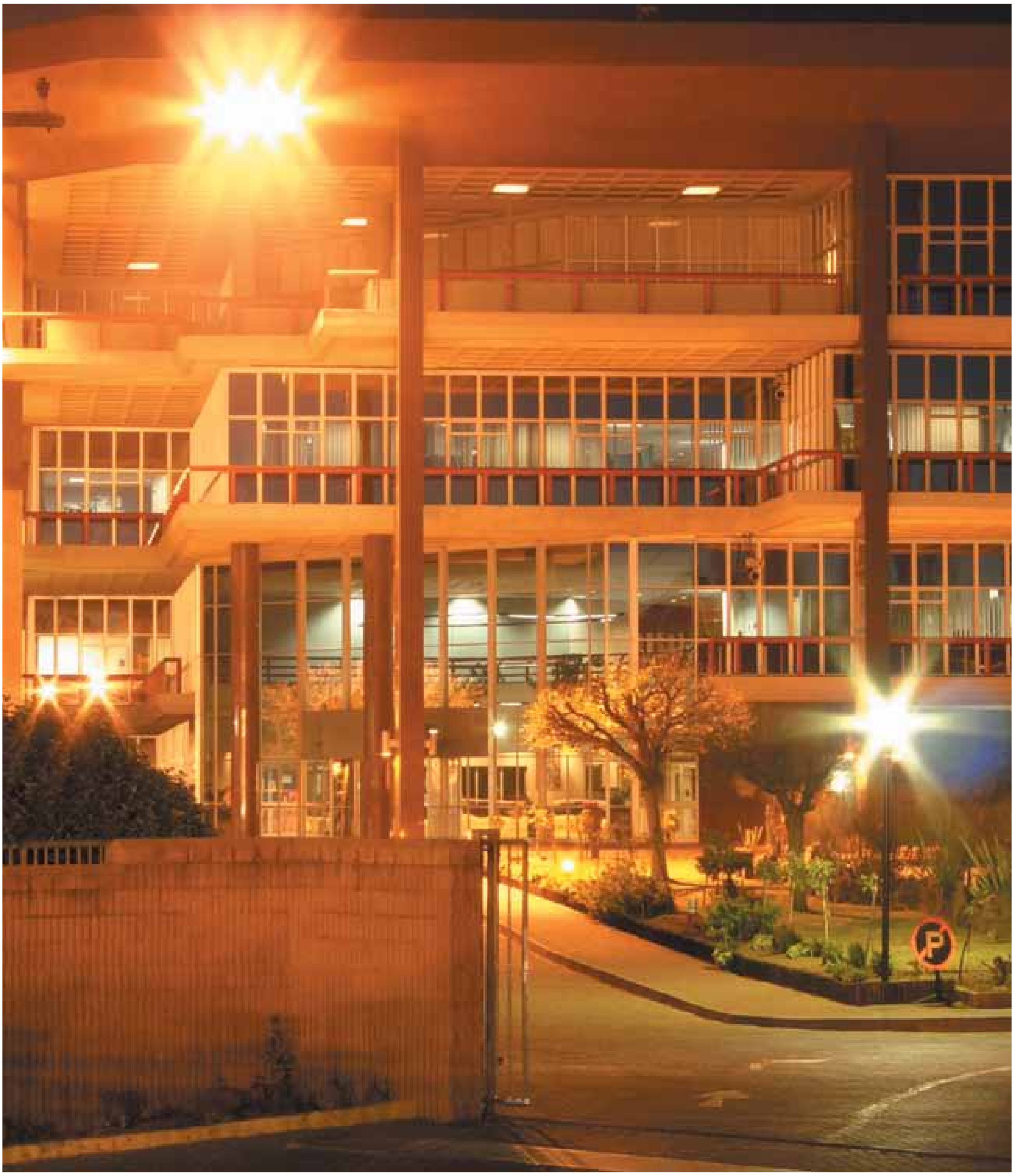
Maseru, March 2014

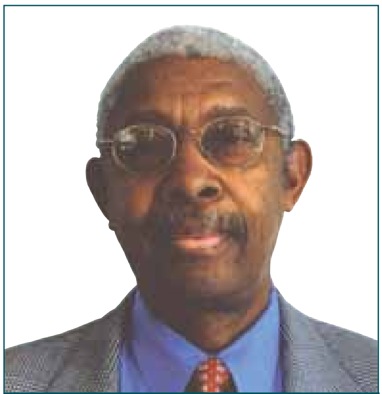


Central Bank of Lesotho


Dr. A. R. Matlanyane
Governor &
Chairman Board


Dr. M. P. Makhetha
Deputy Governor I


Ms. M. G. Makenete
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

EXECUTIVE MANAGEMENT

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. N. Rantsane (a.i)	- 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 (HEADS OF DIVISIONS)

Governor's Office

Mr. L. Masupha (a.i.)	- Security Services
Mrs. P. Tau (a.i.)	- Financial Stability Unit

Internal Audit Department

Ms. M. Nšoereng	- Operational and Financial Audits
Mrs. L. Rantšo	- IT Audits

Information and Communications Technology Department

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

Operations Department

Mr. F. Morokole	- Banking Operations
Mr. M. Lechesa	- National Payments System
Mr. J. Ntšekhe	- Currency Operations

Administration Department

Mrs. M. Morojele	- Human Resources
Mr. T. Malataliana	- General Services

Financial Markets Department

Mrs. M. Mochebelele	- Reserves Management
Mr. M. Thamae (a.i.)	- Market Development and Risk

Supervision Department

Ms. N. Sixishe	- Bank Supervision
Mrs. M. Mohasoa	- Deposit Protection
Mrs. N. Bereng (to 08/08/14)	- Non-Bank Financial Institutions
Mr. Q. Tšoafo	- Insurance and Investment Schemes

Research Department

Ms. L. Lephoto	- International Economics
Mr. M. Fuma	- Statistics
Dr. M. Seleteng	- Studies & Analysis
Mr. T. Molise (a.i.)	- Modelling & Forecasting

Corporate Affairs Department

Mr. T. Ntlhakana (a.i.)	- Corporate Governance
Mr. N. Rantsane	- Legal Services
Mr. E. Moremoholo	- Public Relations

Finance Department

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

Enterprise Risk Management Department

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

Lehakoe Recreation and Cultural Centre - CBL

Central Bank of Lesotho
P O Box 1184
MASERU 100
Lesotho

March 31, 2014

Honourable Minister
Ministry of Finance and Development Planning
P O Box 395
MASERU 100
Lesotho

Honourable Minister

I have the honour to transmit the Annual Report of the Central Bank of Lesotho for the year 2014, 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 2000:

i) the Bank's annual accounts for the year ended December 31, 2014, certified by Deloitte & Touche and LETACC; and

ii) a report on the Bank's operations and statement of affairs during 2014.

Yours faithfully

R. Matlanyane (PhD)
GOVERNOR

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PART I: PRIVATE INVESTMENT AND THE EASE OF DOING BUSINESS IN LESOTHO: THE ROLE OF FINANCIAL SECTOR REFORM

1.1 Introduction

The literature in economics is replete with both theoretical and empirical evidence that closely associates investment with the rate of economic growth. In fact, neoclassical investment theory propounds an accelerator-effect which suggests a positive relationship between real output growth and investment. Therefore, high output growth is usually related to high investment. The magnitude of the impact of investment on economic growth depends on the type of investment. In this connection, there is also empirical evidence that private investment has a greater effect on economic growth than public investment. This discovery gave impetus to policies that promote private sector-led growth. Private investment flourishes in a conducive macroeconomic and regulatory environment and government intervention is important for creation of an investment enabling climate. Too many restrictions and cumbersome regulations may erode the ease of doing business and suffocate private investment.

Nevertheless, tedious regulatory requirements and procedures that are costly to comply with in terms of time and resources and make it difficult for entrepreneurs to start and grow their businesses. In an effort to assess the status of business environment in more than 180 countries around the world, the World Bank has developed the ease of doing business indicators. This part of the report unpacks the status of two ease of doing business indicators, in the context of Lesotho, with a view of assessing how financial sector reform can contribute to an improved investment climate.

1.2 Private Investment and Financial Development in Lesotho

As mentioned in the foregoing, private investment plays a more direct and significant role in the growth of an economy than public investment. Nevertheless, public investment may complement the growth-enhancing impact of private investment. Government creates conditions that have a strong influence on private investment such as provision of both physical and institutional infrastructure. For example, provision of physical infrastructure such as roads, telecommunication, and schools as well as institutional infrastructure such as institutions for protection of private property, augments the impact of private investment on economic growth.

Financial development plays a crucial role in boosting private investment. Ndikumana (2000) provides evidence that financial development predicts domestic investment in Sub-Saharan Africa. He concludes that financial development can bolster economic growth through capital accumulation. This conclusion is based on the conviction that financial development provides an effective conduit of funds from savers to high return investment and eliminates liquidity constraints that inhibit entrepreneurship. Consequently, private investment depends on the structure of the financial system. In the context of Lesotho, it has been discovered that real money balances are positively associated with accumulation of physical capital. This finding implies that due to limited access to credit, firms choose to build ample real money balances prior to embarking on investment projects. Recently, commercial banks' ability to convert deposits into credit has been on an upward trajectory. This is reflected by an increase in credit to deposit ratio from 58 per cent in 2013 to 63.2 per cent in 2014. Nevertheless, economic activity in Lesotho continues to depend on significant external financing. In fact, Table 1 shows that, despite the financial sector reforms of the late 1990s such as credit and interest rate liberalization, private sector credit as a percentage of GDP declined from an average of 19 per cent for the period 1994-2003 to an average of 11.9 per cent for the period 2004-2013. The decline in private sector credit was accompanied by a fall in private investment during the same period. Conversely, in Botswana and South Africa, private sector credit as a percentage of GDP increased between the two decades with positive spillover effects on private investment in the two countries albeit to a smaller degree in South Africa.

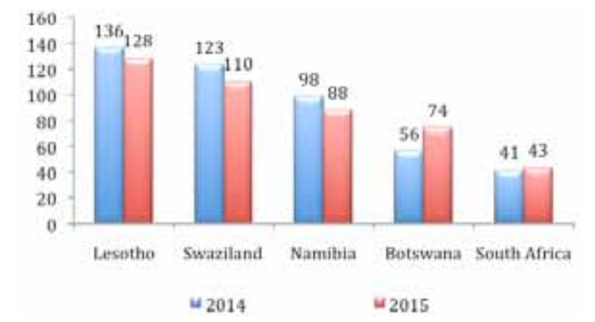
Table 1				
PRIVATE SECTOR CREDIT AND PRIVATE INVESTMENT (% OF GDP)				
	Private Credit		*Private Investment*	
	1994-2003	*2004-2013*	*1994-2003*	*2004-2013*
Lesotho	19.0	11.9	40.1	18.3
Swaziland	13.8	21.7	12.5	6.5
Botswana	13.6	25.0	13.8	19.4
South Africa	63.7	72.7	12.9	13.2
Source: World Economic Indicators				

The nexus between financial development and private investment can be undermined by structural and institutional impediments which deter credit extension. Credit constraints can be caused by market imperfections in the form of asymmetric information and agency problems which complicate credit screening and extension to the detriment of private capital formation. The challenge is associated with difficulties of sharing credit data as well as the complexities of resolving insolvency. The ease of doing business reflects a good investment climate and bolsters private investment.

1.3 Ease of Doing Business in Lesotho

The World Bank's ease of doing business indicators assess the business environment in a country in terms of ten specific areas: starting a business, dealing with construction permits, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts, resolving insolvency and getting electricity. In a nutshell, the indicators assess the status of the business regulatory environment. A country with a good business regulatory environment enjoys a number of benefits. For example, Klapper et al. (2009) find that efficient and cost-effective business registration procedures and better governance support entrepreneurial activity. Moreover, using a sample of 172 countries, Haidar (2012) discover a direct positive relationship between regulatory reform and economic growth. He estimates that each business regulatory reform is associated with an improvement of 0.15 percent in GDP growth rate. Figure 1 shows that the business environment in Lesotho has improved from a rank of 136 out of 189 countries in 2014 to a rank of 128 in 2015. Despite the improvement, the business environment in Lesotho remains poor compared to other members of the Southern African Customs Union (SACU). For example, in 2015, South Africa enjoyed the best business environment in SACU as reflected by a rank of 43 out of 189 countries, followed by Botswana with a rank of 74. Namibia and Swaziland rank 88 and 110, respectively. Nevertheless, the business environment in Botswana and South Africa has deteriorated between 2014 and 2015.

Figure 1: Business environment (Rank out of 189 countries)



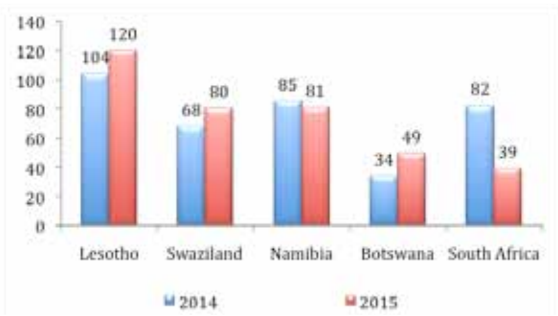
Source: World Economic Indicators

In order to improve the business environment in Lesotho, it is important for the authorities to invest in reforms that simplify business regulations and procedures. Two aspects of the regulatory reforms that can be singled out due to their bearing on the operations of the financial sector are the ease of resolving insolvency and getting credit. The *ease of resolving insolvency* assesses the time taken and costs incurred when recovering an asset as well as the average recovery rate in a country[1]. Figure 2

[1] OECD countries have the most efficient systems for resolving insolvency where proceedings take 1.7 years and cost 9 per cent of the value of total assets of the debtor's estate. The average recovery rate is 85 cents per United States dollar.

shows that out of 189 countries, Lesotho ranks 120 in 2015. Relative to 2014, this represents a deterioration of 16 ranks in the ease of resolving insolvency. The cost of insolvency proceedings is estimated at 20 per cent of the debtor's estate in 2015 and the outcome is a piecemeal sale. On the one hand, the assets-recovery period remained unchanged at 2.6 years between 2014 and 2015. On the other hand, the average recovery rate increased from 28.6 cents per United States dollar in 2014 to 29 cents in 2015. In the context of SACU, only Namibia and South Africa improved their efficiency of insolvency proceedings between 2014 and 2015.

Figure 2: Resolving insolvency (Rank out of 189 countries)



Source: World Economic Indicators

The Doing Business indicators on ease of getting credit endeavor to measure two types of institutions and systems with the capacity to improve both access and allocation of credit. The first type examines the legal rights of borrowers and lenders in secured transactions involving bankruptcy laws that promote credit availability and reduce the risk associated with accepting movable assets as collateral by establishing collateral registries. The second type focuses on effective sharing of credit information through credit bureaus and registries. As a result, they reduce information asymmetries and improve borrower discipline and credit risk-monitoring. In 2015, Lesotho takes position 151 out of 189 countries. Among the SACU countries, getting credit is easiest in South Africa which ranks 52 out of 189 countries in 2015, followed by Swaziland, Namibia and Botswana which occupy position 61. Even though all five countries have comparable scores for the strength of legal rights for both debtors and creditors, Lesotho performs poorly with respect to sharing of credit information. In fact, Lesotho is the only country in SACU without an operational credit bureau.

1.4 Government Initiatives for Better Investment Climate

The foregoing demonstrates that for Lesotho to attain high rates of economic growth, it needs to encourage investment. One way of doing so is to boost financial development by adopting reforms that ease getting credit and resolving insolvency. To this end, the Government of Lesotho (GoL) has developed the National Strategic Development Plan (NSDP) and the Central Bank of Lesotho (CBL) has developed the Financial Sector Development Strategy (FSDS). In an effort to attain the aspirations of the NSDP, the GoL has embarked on a reform process through the establishment of the Investment Climate Reforms Secretariat hosted by the Ministry of Development Planning. The Secretariat coordinates the work of several task teams that drive the reform process. A relevant task team with respect to access to credit is The Getting Credit and Resolving Insolvency Task Team. The CBL plays a key role in this particular task team which focuses on the following aspects of reform:

- The credit bureau which has already been established and on course to commence operations in order to facilitate information-sharing and deal with the information asymmetry problem;
- In order to improve the efficiency of the credit bureau, there is need to create synergies between the credit bureau and the Ministry of Home Affairs. This will make it possible for the credit bureau to utilize the data in the national population register;
- The insolvency reform will involve review of the insolvency proclamation and drafting of the new insolvency legislation

with a view to ease asset recoveries during insolvencies.

Different task teams drive other reforms around the ease of doing business indicators such as dealing with construction permits, access to land and registering property, starting a business, protecting investors and residence and work permits, trading across borders, paying taxes, trade and investment facilitation infrastructure and getting utilities, trade and investment policy, contract enforcement. It is perceived that the outcome of the reform process will be an improved investment climate which will encourage private investment and by extension economic activity in Lesotho.

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Klapper, L., Lewin, A. and J. Q. Delgado (2009), "The impact of the business environment on the business creation process," World Bank policy research working paper No. 4937, Washington DC, USA.

Ndikumana, L. (2000), "Financial determinants of domestic investment in Sub-Saharan Africa: Evidence from panel data," *World Development*, 28(2): 381-400

PART II: WORLD ECONOMIC DEVELOPMENTS AND THEIR IMPLICATIONS FOR THE ECONOMY OF LESOTHO

2.1 Introduction

The global economy continued to expand at a moderate and uneven pace during 2014. This indicates that a prolonged recovery process was still faced with some on-going post-financial crisis challenges and risks such as the heightened geopolitical conflicts in various areas of the world. The observed growth was shaped up by a number of developments which occurred both in the first and the second half of the year.

During the first half of the year, growth was weaker than expected, driven by the slump in the United States (US) economic growth, a slowdown in economic activity in China, capital reversals as well as political uncertainty in some parts of the world. In the second half of 2014, a boost from the falling oil prices coupled with continuing recovery in the US led to a pickup in the global economic growth. These improvements were, however, offset by continuing slowdown in China, weakness in the Euro Area, stagnation in Japan and fragilities in the Emerging Market Economies (including South Africa). Some oil exporting countries also experienced a major setback due to a sharp decline in oil prices, which reduced their revenue levels and hence growth.

The preliminary estimates from IMF World Economic Outlook (January update 2015) have indicated that the world grew at an annual rate of 3.3 per cent in 2014 unchanged from 2013 growth. Economic growth in the advanced countries picked up to 1.8 per cent in 2014 relative to 1.3 per cent in 2013, while it moderated from 4.7 per cent to 4.4 per cent in the Emerging Market Economies (EMEs).

2.2 Industrialized Countries

2.2.1 The United States (US)

The US economy remained very strong in 2014 and recovered to its pre-crisis peak level. Although extremely harsh winter during the first half of the year impacted negatively on growth, recovery remained strong boosted by higher consumption spending, improved housing activity, higher growth in fixed business investment, strong non-residential investment and higher export growth. The US economy is expected to have grown by an annual growth rate of 2.4 per cent during the year 2014 compared with 2.2 per cent in the previous year. The US Federal Reserve decided to leave the key policy rate unchanged at 0.25 per cent. It, however, indicated no rush in increasing the policy interest rates at least until later in the year 2015 due to positive developments in both the economic activity and the labour market. It further reiterated that the monetary policy stance will continue to be accommodative. As it had earlier specified, it began tapering its bond purchase of US$10 billion every month from January 2014 and wound down the programme in October 2014. This tapering of quantitative easing (QE) resulted into capital reversals from EMEs to advanced countries.

The labour market continued to recover during the review period, depicting an on-going recovery in the economy. The unemployment rate declined from 7.3 per cent in 2013 to 6.3 per cent in 2014, slightly higher than the US target rate of 6.0 per cent. The improved performance resulted from increased availability of jobs. Nonetheless, some job seekers got discouraged from looking for jobs and were thus counted as being unemployed.

The average inflation rate rose from 1.5 per cent in 2013 to 2.0 per cent in 2014 due to higher food costs. This rate marks the US Federal Reserve's target of 2.0 per cent, an indication of an on-going recovery in the US economy. The US continues to be the export destination for Lesotho's textiles and clothing products. Thus the continuing recovery in the US economy augurs well for Lesotho.

2.2.2 The Euro Area[2]

The Euro Area economy recorded positive growth during 2014 after being in recession for two consecutive years. Growth in the Euro Area remained subdued due to uneven pace of recovery across the countries within the bloc. According to the IMF World Economic Outlook projections, the annual growth rate stood at 0.8 per cent in 2014 compared with 0.5 per cent contraction in the previous year. The moderate growth has been ascribed to higher production of capital goods and non-durable consumer goods.

The annual inflation rate continued to moderate during the review year. It declined from 1.3 per cent in 2013 to 0.5 per cent in 2014. The lower rate of inflation resulted largely from lower energy costs due to the sharp decline in world oil prices. Other contributing factors were lower costs of non-energy industrial goods and food. This rate poses the risk of deflation within the region and thus prompts the European Central Bank (ECB) to further ease monetary policy.
The ECB cut its policy rate (refinancing rate) from 0.15 per cent to 0.05 per cent in an attempt to further stimulate the economy, which faces the risk of deflation. ECB also unveiled its plan to further ease its monetary policy stance early 2015. Unemployment rate remained high although a marginal decline was recorded. It decreased to 11.6 per cent in 2014 from 11.9 per cent in 2013. The fragile state of the Euro Area may have negative repercussions for South Africa as most of its commodities are destined to the Euro Area. Because of its heavy reliance on South Africa in terms of trade, Lesotho is likely to also be adversely affected.

2.2.3 Japan

Growth in Japan deteriorated sharply in 2014 following the implementation of the consumption sales tax hike (from 5 per cent to 8 per cent) in April 2014, which was meant to improve the fiscal position of the country. This led a country into recession during the third quarter of 2014. On annual basis, economic growth rate is expected to have slowed to 0.1 per cent in 2014 from 1.6 per cent in the previous year. The slowdown was attributed to a sharp drop in consumption expenditure and a decline in investment despite increased infrastructure spending.

In response to the decelerating growth, the government has implemented further monetary policy easing in order to spur growth. It has also delayed the second consumption tax rate increase (from 8 per cent to 10 per cent) which was meant to take effect from October 2014. The annual inflation rate surged to 2.7 per cent in 2014 relative to 0.4 per cent in 2013. The increase was at the back of higher costs of food, utilities and furniture and household utensils. Despite rising inflation levels, the Bank of Japan left its policy rate unchanged at 0.0 per cent in 2014. It, however, announced further monetary easing through increasing its government bond purchases in order to stimulate growth. Unemployment rate decline from 4.0 per cent in 2013 to 3.7 per cent in 2014.

2.3 Emerging Market Economies

2.3.1 South Africa (SA)

Economic growth in South Africa slowed markedly, constrained by strikes in the manufacturing and mining sectors in the first half of the year. These strikes weighed adversely on output in the respective sectors and thus impacted negatively on economic performance of the country. The weak economic activity was further exacerbated by protracted electricity shortages, which reduced electricity consumption and hence output in most of the industries. The annual growth rate is expected to have slowed down to 1.4 per cent in 2014 compared with 2.2 per cent in the previous year.

The annual inflation rate rose to 6.3 per cent

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

in the year 2014 relative to 5.8 per cent in the previous year. This rate is above the target range of 3-6 percent set by the SARB. The acceleration of inflation resulted from higher food, housing and utilities costs. In order to curb high levels of inflation, the SARB MPC increased the repurchase rate by 75 basis points to 5.75 per cent during the year 2014. The unemployment rate rose to 25.2 per cent in 2014 from 24.7 per cent in 2013 due to the industrial action in the mining sector that resulted into lay-off of some workers.

The slowdown in the South Africa's economy is likely to affect Lesotho in numerous ways. Reduced production levels in the mining sector may adversely affect the migrant employment due to possible cutbacks. This will then impact inversely on remittances and Lesotho's current account balance. The economic slowdown in South Africa may also result into a fall in SACU receipts which will reduce the size of the SACU revenue pool and consequently Lesotho's share.

2.3.2 China

The annual economic growth of China is expected to slowdown from 7.8 per cent in 2013 to 7.4 per cent in the review period, as it undergoes the transition from manufacturing perspective to consumer driven economy. The moderated growth resulted from lower growth in fixed assets investment and a decline in exports. The annual inflation rate eased to 2.3 per cent in 2014 from 2.6 per cent in the previous year, due to lower costs of transport and communication as well as energy costs. The unemployment rate remained unchanged at 4.1 per cent during the review period.

2.3.3 India

The economy of India maintained a fairly strong growth in 2014. Economic activity is expected to have increased by 5.8 per cent in 2014 compared with 5.0 per cent growth in the previous year. The recorded growth was ascribed to increased performance in the construction, manufacturing, mining and services sectors. The annual inflation rate moderated from 9.5 per cent in 2013 to 7.8 per cent in 2014 due to lower food and fuel costs. The Reserve Bank of India increased its policy rate from 7.75 per cent in 2013 to 8.0 per cent in 2014.

2.4 Regional Economic Developments

Lesotho remained committed to its membership to various organizations such as Southern African Custom Union (SACU), South African Development Community (SADC) and the Common Monetary Area (CMA).

Notable progress has been made regarding SADC integration during the review period. SADC revised its Regional Indicative Strategic Development Plan (RISDP), with the aim of re-aligning existing priorities with resource allocation in terms of their relative importance and greater impact on regional integration. The new defined priorities include industrial development and market integration, infrastructure in support of regional integration, peace and security cooperation, as well as special programmes of regional dimensions on various issues.

The SADC summit also adopted the new protocol on the SADC Tribunal, which abolished SADC individuals' access to the Tribunal. This new version lies primarily on Article 33, which gives access only to member states not individuals. Furthermore, the framework for SADC Industrial Development Policy was finalized, which outlines regional vision and mission for the industrial economy in SADC and key interventions for implementations in the short, medium and long terms.

The status of SACU and prospects going forward remained unclear as some of the original ambitions of the agreement have not been met. These include the revenue sharing formula by South Africa, which continue to raise concerns on other members. Furthermore, the BLNS members raise concerns that South African firms continue to dominate in their countries and thus undermine the industrial development processes in their countries.

Progress regarding the establishments of the tripartite free trade area (T-FTA) between members of COMESA, EAC and SADC remained slow. This was at the back of lack of consensus on issues such as Rules of Origin, trade remedies, customs cooperation, documentation procedures and transit instruments. The T-FTA is expected to be launched at the Third Tripartite Summit in February 2015 after the initial schedule for 19-20 December 2014 was postponed.

Developments regarding regional EPAs include the conclusion of the 12 years of negotiations on trade in goods with the EU on 15th July 2014, ahead of the 1st October 2014 deadline after which all non-LDCs would have lost their duty free quota free preferences for their main exports to the EU. Negotiations are, however, expected to continue on services, investment and other trade related issues to ensure a comprehensive framework that is set to govern trade ties between African regions and Europe. There is however no specific timeframe to conclude the negotiations on these issues.

2.5 Commodity Price Developments

2.5.1 Gold Prices

The average price of gold continued to decline during the review period. It decreased by 10.3 per cent to US$1 266 per ounce in 2014 compared with a fall of 14.0 per cent in the previous year. The decline was attributed to the strengthening of the Dollar due to strong growth in the US economy. From the demand perspective, the slowdown in China led to a fall in demand for gold and hence its prices. In Maloti terms, the average price of gold increased by 1.4 per cent to M13 763 per ounce relative to a fall of 1.0 per cent in 2013. The increase resulted from the depreciation of the Loti during the review period.

2.5.2 Oil Prices

Ample supply by the US Shale oil producers coupled with the decision by the OPEC countries not to curb oil supply led to a sharp decline of oil prices in 2014. The decline was also attributed to the weakness in global demand for oil due to the slowdown in the overall economic growth. The average price of oil declined by 8.5 per cent to US$97 per barrel in 2014 compared with an increase of 13.8 per cent in the previous year. In Maloti terms, the average price of crude oil rose by 2.3 per cent to M1 045 per barrel relative to an increase of 13.8 per cent in the previous year.

In response to the declining international prices, Lesotho's fuel prices were revised downwards in 2014. The price of petrol closed the review year at M9.35 per litre, while that of diesel and illuminating paraffin closed the year at M10.10 per litre and M7.30 per litre, respectively. These prices compare with M11.65 per litre of petrol, M12.70 per litre of diesel and M9.50 per litre of illuminating paraffin in 2013.

2.5.3 Platinum Prices

The average price of platinum declined by 7.1 per cent to US$1 380 per ounce in 2014 relative to a decrease of 4.4 per cent in 2013. The fall resulted from the slowdown in demand by the car manufacturing growth due to sluggish car market recovery in Europe. Platinum is used in the production of cars in the European market so the fall in demand has led to lower prices of platinum. The strike in the South African mining sector (which lasted for five months) however did very little to affect the prices. In Maloti terms, the average price of platinum increased by 5.3 per cent to M14 995 per ounce compared with an 11.6 per cent in 2013.

2.5.4 Maize Prices

The average prices of both white and yellow maize declined in 2014. The prices declined by 12.2 per cent to US$209 per tonne and 10.3 per cent to US$209 per tonne for white and yellow maize, respectively. The decline in prices was caused by abundant supply in key producing countries such as the US and good harvest prospects for the year 2014. In Maloti terms, the average price of white and yellow maize increased by 1.8 per cent to M2 270 per tonne and 1.4 per cent to M2 280 per tonne, respectively.

2.5.5 Wheat Prices

The price of wheat continued to increase during the review year. It rose by 1.5 per cent to US$348 per tonne relative to an increase of 13.8 per cent in 2013. This was due to lower yield which more than offset higher harvest in some areas. Tight supplies due to severe cold weather conditions in the US during the first half of the year also contributed to the decline. In Maloti terms, the spot price of wheat rose by 14.8 per cent to M2 280 per tonne compared with a 29.1 per cent increase registered in the previous year.

Table 2

SELECTED ECONOMIC INDICATORS, 2010 – 2014*
(Percentage changes unless otherwise)

Indicators	2010	2011	2012	2013	2014*
World Output	5.2	3.9	3.1	3.3	3.3
Advanced Economies	3.0	1.7	1.4	1.3	1.8
Of which:					
United States	2.5	1.8	2.8	2.2	2.4
Euro Area	2.0	1.5	-0.7	-0.5	0.8
Japan	4.7	-0.6	1.4	1.6	0.1
Emerging and Developing Economies	7.5	6.2	4.9	4.7	4.4
Of which:					
Africa					
Sub Saharan	5.6	5.5	4.8	5.2	4.8
South Africa	3.1	3.5	2.5	2.2	1.4
Developing Asia					
China	10.4	9.3	7.7	7.8	7.4
India	10.5	6.3	3.2	5.0	5.8
Consumer Prices					
Advanced Economies	1.5	2.7	2.0	1.4	1.6
Of which:					
United States	1.6	3.1	2.1	1.5	2.0
Euro Area	1.6	2.7	2.5	1.3	0.5
Japan	-0.7	-0.3	0.0	0.4	2.7
United Kingdom	3.3	4.5	2.8	2.6	1.6
Emerging and Developing Economies	5.9	7.1	6.1	4.2	4.0
Of which:					
Africa					
Sub Saharan	7.4	9.3	9.0	6.6	6.7
South Africa	4.3	5.0	5.7	5.8	6.3
Developing Asia					
China	3.3	5.4	2.6	2.6	2.3
India	10.4	8.4	10.4	9.5	7.8
World Trade Volume	12.8	6.1	2.7	3.0	3.8
(Goods and Services)					
Exports					
Advanced Economies	12.4	5.7	2.0	2.4	3.6
Emerging and Developing Economies	14.0	6.8	4.2	4.4	3.9
Imports					
Advanced Economies	11.7	4.7	1.0	1.4	3.7
Emerging and Developing Countries	14.7	8.8	5.5	5.3	4.4

Source: IMF World Economic Outlook, October 2014; and IMF World Economic Outlook Update, January 2015. * IMF Projections

3.1 Real Sector Developments

3.1.1 Trends in Output and Income

Growth in output is estimated to have grown at a lower rate in 2014. Real GDP growth is estimated to have grown at 3.8 per cent in 2014 compared with 4.6 per cent in 2013. This reflected anemic performance across all the sectors of the economy. The primary sector is estimated to have grown at a lower rate in 2014 compared with 2013 mainly on account of contraction in the agriculture, forestry and fishing subsectors while the mining and quarrying subsector showed robust growth. The secondary sector growth moderated at the back of a contraction by the manufacturing and the water subsectors. Despite the deceleration in the services sector, the sector remained the key player.

Real Gross National Income (GNI) – GDP plus factor income from abroad - is estimated to have expanded by 1.3 per cent in 2014 from a growth of 4.0 per cent in 2013. The slowdown in GNI reflected a slow growth in domestic output and a contraction in net factor income from abroad, which was at the back of a continued decline in migrant mineworker's remittances. Moreover, GNI per capita is estimated to have grown by 0.9 per cent in 2014 compared with an increase of 3.6 per cent in 2013.

Table 3

AGGREGATE ECONOMIC INDICATORS
(Percentage Change, 2004=100)

	2010	2011	2012	2013	2014*
GDP	7.9	4.0	5.0	4.6	3.8
GNI	5.4	-3.2	2.5	4.0	1.3
GDP Per Capita	7.6	3.8	4.7	4.2	3.4
GNI Per Capita	5.2	-3.5	2.2	3.6	0.9

Source: Bureau of Statistics, *CBL Projections

3.1.2 Sectoral Performance

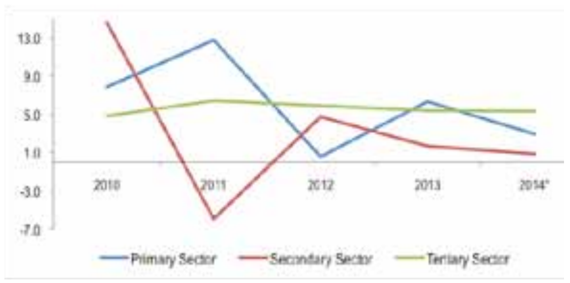
(a) Developments in the Primary Sector

The primary sector is estimated to have grown at a slower rate of 2.9 per cent in 2014 compared with 6.3 per cent in 2013. The growth of the sector was sustained by the strong performance of the mining and quarrying subsector, which was supported by increased mining output and relatively strong rough diamond prices throughout the year given the agriculture, forestry and fishing subsector grew at a marginal rate.

The mining and quarrying subsector is estimated to have grown at a rate of 5.8 per cent in the review year compared with a contraction of 5.3 per cent in 2013. The subsector benefited from the strong global demand for rough diamonds, which is evidenced by the increase in diamond prices. For instance, Letšeng Diamonds mine, known for its high value diamonds achieved a 24 per cent increase in the US dollar price per carat in 2014. In addition, the depreciation of the Loti against major currencies in 2014 boosted the diamond export earnings.

The agriculture, forestry and fishing sub sector grew at an estimated rate of 0.7 per cent in 2014 compared with a strong growth of 17.1 per cent in 2013. The moderation resulted from the poor performance of the crops subsector, which registered a contraction of 1.8 per cent compared to a growth of 13.9 last year. Crop production was affected by bad weather conditions in some areas in the highlands experienced during the 2013/2014 agricultural year. Maize and sorghum yields were estimated to have declined by 28.0 per cent and 76.4 per cent, respectively. In the case of sorghum the performance was poor due to late rains in most parts of the country, however as the season progressed heavy rains were experienced around January and March and sorghum does not do well in wet conditions.

Figure 3: Sectoral Real Growth Rate (Percentages)



Source: Bureau of Statistics, *CBL Projections

(b) Developments in the Secondary Sector

The secondary sector, which comprises of manufacturing, electricity, water, as well as building and construction, grew at a slower rate of 0.9 per cent in 2014 compared with a growth of 1.7 per cent in 2013. The performance of the sector was attributed to deterioration in the manufacturing and water subsectors, which tend to weigh negatively on growth registered with the electricity, and building and construction subsectors.

The building and construction subsector is estimated to have grown at a rate of 10.7 per cent in 2014 compared with a growth of 21.5 per cent in 2013. The moderation in the growth of the subsector was associated with the completion of projects associated Millennium Challenge Account (MCA) projects. In addition, there was a reallocation funds from the capital budget for recurrent related expenses. There was also a delay in the execution of the government budget during the 2014/2015 fiscal year due to the late approval of the appropriation bill. The delays resulted in late implementation of the government capital projects.

The manufacturing subsector, which comprises food products and beverages, textiles, clothing, footwear and leather, and other manufacturing, contracted by 6.7 per cent in 2014 after a 10.1 per cent contraction in the preceding year. The deterioration in the subsector was at the back of the generally weak manufacturing industry in 2014. The textiles, clothing, footwear and leather, which take a largest share within manufacturing subsector, shrank by 6.9 per cent in 2014 compared with a 13.9 per cent contraction in 2013.

The poor performance by the subsector clearly indicated the continuing challenges faced by the textiles and clothing firms, which include among others, the generally higher costs of production. Relatively higher costs of production make it difficult for the industry to compete in the US market against the Asian low cost producers. During 2014 two firms were forced to close down their operations due to lack of orders from their main buyers. In addition, the uncertainty surrounding the renewal of AGOA's third country fabric provision beyond September 2015 weighs negatively on the performance of the subsector.

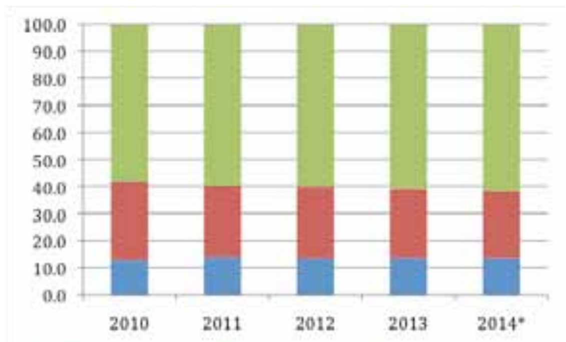
The electricity and water subsector is estimated to have grown by 1.5 per cent in 2014 compared with a growth of 2.2 per cent in 2013. The moderation in the subsector's performance was attributed to the contraction of the water subsector given that the electricity subsector grew at 4.7 per cent in 2014 compared with 4.3 per cent growth in 2013.

(c) Developments in the Tertiary Sector

The largest sector, which is the tertiary sector, is estimated to have grown at a rate of 5.3 per cent in 2014 compared with 5.4 per cent growth registered in 2013. The growth in the tertiary sector reflected positive growth by all the subsectors within the sector. The strong performance by the wholesale and retail, transport and communications, real estates and business services, and health and social work subsectors helped to sustain the sector in 2014. The transport and communication subsector is estimated to have grown by at 6.3 per cent in 2014 compared with 5.7 per cent registered in 2013. The growth was attributed to the 7.1 per cent growth by the post and telecommunications services in 2014 compared with 4.9 per cent in 2013. The real estates and business services subsector grew at 2.9 per cent in 2014 compared with 2.1 per cent in 2013. This was at the back of the growth of the real estate services, which was in line with an increase in credit extended to real estate and business enterprises.

The growth in the wholesale and retail subsector reflected high demand for goods and services in the economy, while the strong growth by the health and social work subsector reflected improved health services. The subsector benefited from MCA funded health project, which focused on rehabilitation and construction of new health centers across the country, all of which play a pivotal role in providing primary health care to local communities.

Figure 4: Sectoral Shares in GDP at Factor Cost (Percentages)

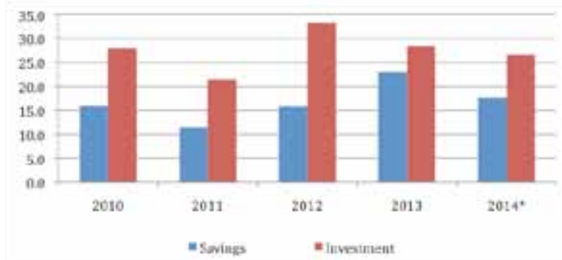


Source: Bureau of Statistics, *CBL Projections

3.1.3 Savings and Investment

Gross national savings is estimated at 17.6 per cent of GNI in 2014 compared with 23.0 per cent of GNI in 2013, while total investment as a share of GNI is recorded at 26.6 per cent in 2014 compared with 28.5 per cent in the preceding year. The saving-investment gap as a share of GNI is recorded at negative 9.0 per cent in 2014 compared with a negative 5.5 per cent in the previous year, thus the widening of the savings investment gap in the year under review. The widening of the saving-investment gap resulted from a significant decline in national savings, which mainly reflected deterioration in private saving to 7.1 per cent as a share of GNI in 2014 from 11.5 per cent in 2013. In addition the share of savings to Gross National Disposable Income (GNDI) was estimated at 13.3 per cent in the review year compared with 16.8 per cent recorded in 2013.

Figure 5: Savings and Investment (As a percentage of GNI)



Source: Bureau of Statistics, *CBL Projections

Box 1: The Contraction in The Manufacturing Sector's Growth Continued in 2014: The Implications for Lesotho's Economy

The Manufacturing sector is estimated to have registered its third consecutive annual contraction in 2014. Nonetheless, it has maintained its status as the biggest contributor to GDP, judging by its gross output as a share of GDP, though its share has been steadily declining over the years. The five-year moving averages of growth rates, depicted in Table 1 below indicate that the sector has been consistently under pressure over the past decade. This perpetually subdued performance raises concerns regarding sustainability of the sector and its impact on economic development. But should it raise concerns even though other sectors have been growing?

Table 1.1

Annual Growth Rates - Five-Year Moving Averages

	2004 -2008	2004 - 2009	2005 - 2010	2006 - 2011	2007- 2012	2008 - 2013	2009 - 2014
Primary Sector	**8.16**	**8.48**	**6.32**	**9.61**	**7.10**	**6.26**	**6.06**
Agriculture, Forestry and Fishing	1.09	0.25	2.03	5.93	3.34	3.52	4.68
Mining and Quarrying	64.01	57.77	19.27	19.08	13.57	12.39	9.13
Secondary sector	**1.90**	**1.28**	**5.32**	**2.89**	**3.41**	**2.50**	**3.15**
Manufacturing	1.36	-1.11	4.07	0.01	-1.09	-3.55	-3.65
Electricity and Water	5.44	5.46	2.84	2.31	2.02	2.33	1.69
Building and Construction	2.55	7.43	12.25	13.24	18.00	16.55	17.67
Tertiary sector	**3.69**	**4.41**	**4.88**	**5.04**	**5.40**	**5.68**	**5.54**
Wholesale and Retail Trade, Repairs	5.19	5.15	5.23	5.75	7.02	7.50	9.02
Transport and Communication	11.26	12.16	11.32	10.64	9.32	8.18	6.82
Financial Intermediation	11.43	10.96	14.08	12.30	11.45	13.12	11.57
Real Estate and Business Services	1.15	2.46	1.94	2.26	2.59	2.72	2.04
Public Administration	2.91	2.15	2.78	2.15	1.92	0.72	1.33
Education	-0.42	1.87	2.95	2.58	3.04	3.54	2.17

The contraction of the manufacturing sector has mainly been a reflection of the poor performance of its main industry, the textiles and clothing industry though the other industries within the sector have also been declining. This implies that the process of industrialization has been regressing. The Manufacturing sector has not only lost a number of textiles and clothing firms due to low comparative advantage and loss of competitiveness to Asian producers but have also lost a television set manufacturer and an energy saving bulbs manufacturer, inter alia, thus also reverting the gains towards diversification within the sector.

The subdued performance of the Manufacturing sector has also resulted in a decline in exports by the sector, hence its contribution to foreign exchange earnings. The Mining sector has offset some of the Manufacturing sector induced fall in exports and foreign exchange earnings. However, this apparent replacement is not desirable for Lesotho but rather the two sectors should both grow and complement each other in earning foreign exchange, which is important for transacting with the rest of the world and for maintaining the fixed exchange rate regime.

The manufacturing sector contributes significantly to formal employment in Lesotho, though its employment levels have been falling in line with the decline in the sector's output. The dominant industry in the sector, the textiles and clothing, is highly labour intensive and comprises high production capacity firms that are intended for producing big quantities for the big US market, hence its high labour absorptive capacity. Currently the Manufacturing sector's employment is estimated at 46 424 as at December 2014. The falling Manufacturing sector employment is worsening a dire situation of high unemployment, estimated at 22.7 per cent according to the 2008 Integrated Labour Force Survey and the escalating youth unemployment in Lesotho. The currently fast growing sectors lack the capacity to address

Box 1: The Contraction in The Manufacturing Sector's Growth Continued in 2014: The Implications for Lesotho's Economy (continued)

the employment needs of Lesotho. The Mining sector is highly capital intensive and has high skills requirements. Consequently, it does not make a substantial dent on unemployment. The diamond mining industry's employment is estimated at 2000 as at the end of 2014. The other rapidly growing sectors, Building and Construction, Wholesale, Retail Trade and Repairs, and Financial Intermediation make a valuable contribution to employment but which cannot by any standards match the high labour absorptive capacity of the Manufacturing sector.

The Manufacturing sector has strong links with the Electricity and Water sector. It is the main consumer of these utilities at around 30.0 per cent for electricity and more than 25.0 per cent for water, on average in 2014. Consequently, its poor performance translates into a slowdown in the growth of this sector. The Mining sector's consumption of electricity is estimated at around 10.0 per cent and is expected to increase further in the near future due to the investments that are being undertaken to expand production. The rapid growth of the Wholesale, Retail Trade and Repairs sector also has positive implications for the electricity and water sector. All these notwithstanding, the Electricity and Water sector has felt a blow from the contraction of the Manufacturing sector.

These negative developments call for policy action to arrest the effects of the dwindling manufacturing sector. Lesotho has to intensify efforts aimed at promoting private sector led growth. Amongst other things, the initiatives aimed at improving the investment climate in Lesotho need to be accelerated and intensified to make doing business easy for both local and foreign investors. There is a need to commercialise the agricultural sector to create salaried employment as the subsistence agricultural production practice has failed to make a significant and sustained contribution to poverty reduction and economic growth. Infrastructure development, including building the roads and keeping them well maintained, ensuring reliable supply of electricity and water, to name but a few, could also stimulate growth of the private sector. Caution will have to be exercised to balance between policies that focus more on creating opportunities that favour the poor, like increasing the returns to unskilled labour, and those that increase the returns to capital and skilled labour. This is important for creating employment for those who are losing jobs as a result of the contraction of the manufacturing sector and the textiles and clothing industry in particular.

3.2 Employment, Wages and Prices

3.2.1 Employment

The manufacturing sector remained the largest employer in the economy during the review year. Employment by LNDC-assisted companies[3] fell to 46 424 in December 2014 from 47 971 in December 2013. This represented a decline of 3.2 per cent in the review year compared with an increase of 4.6 per cent registered in the previous year. The observed decline is in line with reduced output by the textiles and clothing subsector.

The decline in employment LNDC assisted companies mainly reflected job losses in the textiles and clothing industry. This was as a resulted of the prolonged competitiveness challenges facing the industry. Thus, Lesotho faces pressure to compete with low cost producers in the US market. In addition, a total of five firms closed down their operations in Lesotho during 2014. Two of the firms closed down due to their failure to pay rentals and workers' wages, while other firms were forced to close down their operations due to withdrawal of orders from their main buyers.

Government employment increased to 44 248 employees in December 2014 from 44 246 employees in December 2013. This was attributed to marginal declines in the categories of civil servant and teachers. The categories of civil servants and teachers declined by 0.8 per cent and 0.7 per cent, respectively in 2014 compared with increases of 1.2 per cent and 2.4 per cent in 2013.

[3] LNDC-assisted companies include textiles and clothing, leather and footwear, retail, construction, food and beverages and hotels and accommodation.

On the other hand, the number of Basotho migrant mineworkers employed in SA mines continued to decline in 2014. The number of migrant mineworkers dropped to 30 386 employees in the review year from 33 513 employees in the previous year. This represented a decline of 9.3 per cent in 2014 compared with a decline of 9.5 per cent registered in 2013. The decline reflected the continued retrenchments of Basotho migrant mineworkers in SA mines, which mirrors challenges faced by the SA mining industry.

Figure 6: Employment Trends

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

Box 2: Economic Effects of the 2014 Strikes in the South African Platinum-Mining Sector

1. The strike

On January 23 2014, South African platinum mine workers, represented by the Association of Mineworkers and Construction Union (AMCU) started a protected strike at the world's top three platinum producers, namely Anglo American Platinum, Impala Platinum and Lonmin, in demand for a significantly higher basic wage of R12 500 per month. Around 70000 AMCU members were involved in the strike, which lasted 5 months and became the longest and costliest wage strike ever seen in South Africa. Against these demands by AMCU, employers offered more gradual improvements in remuneration packages over the next three years. However, that offer was not accepted by the union as it was not deemed adequate to address the immediate needs of its members leading to the continued industrial action.

The strike ended with the June 24, 2014 deal between the platinum companies and AMCU and workers resuming work on June 25, 2014. The agreement was that, workers earning less than R12500 would be given wage increases of R1000 in 2014 and 2015 plus an increase of R950 in 2016. The minimum salary after these increases would be R8000 per month. By the end of the strike the mines were reported to have lost approximately R23billion in revenue as half the global supply had been affected while employees lost about R10.7 billion in wages due to the no-work- no- pay policy implemented during the strike.

2. Impact on the South African economy

Economic growth

According to the South African Reserve Bank, the five month the platinum mine strike resulted in substantial loss in platinum production which contributed to the estimated contraction of mining production by 24.7 per cent and 9.4 per cent in the first and second quarters of 2014 respectively. This is estimated to have reduced total economic growth by 0.2 percentage points in the second quarter after reducing it by 1.3 percentage points in the first quarter of 2014. The strike also impacted negatively on output in manufacturing given the forward and backward linkages with the mining sector.

Box 2: Economic Effects of the 2014 Strikes in the South African Platinum-Mining Sector (continued)

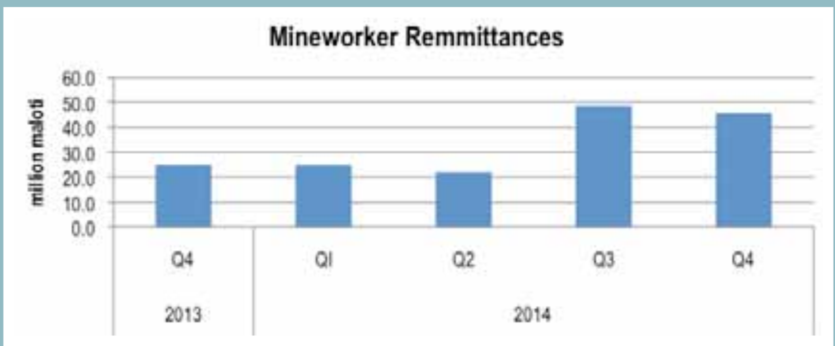
Table B2.1						
Real gross domestic product *(Percentage change at seasonally adjusted annualised rates)*						
	2013 Year			**2014**		
	1st quarter	**2nd quarter**	**3rd quarter**	**4th quarter**	**1st quarter**	**2nd quarter**
Primary sector	10,1	-3,7	10,2	14,8	-17,7	-1,2
Agriculture	-2,9	-1,1	3,6	6,8	3,3	5,3
Mining	14,3	-4,5	12,3	17,2	-23,0	-3,1
Secondary sector	-6,1	9,3	-4,3	8,2	-3,8	-2,5
Manufacturing	-7,8	11,7	-6,6	12,3	-6,4	-4,0
Tertiary sector	2,4	3,2	2,1	2,7	1,7	1,9
Non-primary sector	*1,8*	*3,1*	*2,1*	*2,5*	*1,8*	*2,0*
Total	**1,4**	**3,7**	**1,2**	**5,1**	**-1,6**	**0,5**
Source: SARB Quarterly bulletin December 2014						

External sector

The lower production and the resultant decrease in platinum exports due to the strike contributed significantly to the 4.4 per cent decline in total merchandise exports during the second quarter of 2014. This together with other factors widened the current account deficit, which is already a key weakness in South Africa's economy, putting the rand currency under even more pressure. The current account deficit widened from 4.5 per cent of GDP in the first quarter to 6.2 per cent of GDP in the second quarter.

3. Possible Impact on the Lesotho Economy

The most direct impact of the strike for Lesotho was the loss of earnings for about 8000 Basotho mineworkers at the affected mines as a result of the no-work-no-pay principle employed during the strike. This meant that they did not have any income for five months, which affected their livelihoods and those of their families during that time. This led to a decline of about 12 per cent in mineworker remittances to Lesotho during the first half of 2014.



Lower remittances translated into a reduction in the income account balance of the balance of payments, hence increased pressure on the current account.

3.2.2 Wages

The general minimum wage increased by an annual average of 7.0 per cent in the review period, as determined by the Wages Advisory Board. The rate of increase was the same as the rate effected by the Board in the previous year. The clothing textiles and leather manufacturing sector was an exception with an annual increase of 6.0 per cent in 2014 compared with an increase of 7.0 per cent in 2013. The rate of increase was determined in such a way that individuals are left better off after the effects of inflation.

In addition, government employees benefited from an across the board salary adjustment of 4.0 per cent in the 2014/2015 fiscal year compared with 6.0 per cent increase in the 2013/2014 fiscal year. This was implemented in an effort to maintain the value of the take home pay. Moreover, the Government reduced the lower and the upper personal income tax rates from 22 to 20 per cent and 35 to 30 per cent, respectively in an effort to give back to the tax payers.

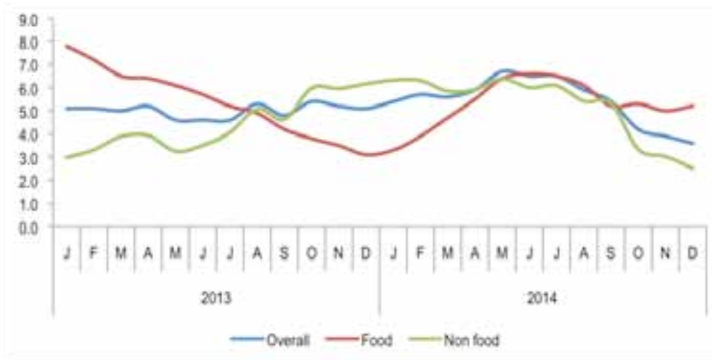
3.2.3 Price Developments

The national average annual inflation rate, as measured by the percentage change in the Consumer Price Index (CPI) was 5.4 per cent in 2014, which was 0.4 percentage points higher than the corresponding average annual inflation rate of 5.0 per cent in 2013. The marginal increase in the average annual inflation rate was attributed to increased alcoholic beverages and tobacco, clothing and footwear, transport, miscellaneous goods and services inflation rates. The surge in clothing and footwear category was as at the back of the exchange rate pass through emanating from the weak Loti and the transport inflation acceleration emanated from high international crude oil prices in Maloti terms, which remained elevated in the first half of 2014. The impact of high crude oil prices translated into high domestic pump prices of petrol and diesel. Nevertheless, in the second half of 2014 international oil prices declined and this could have somehow moderated the inflation rate.

However, it has to be noted that the food and nonalcoholic beverage, which carries a higher weight in the Lesotho's CPI basket moderated slightly to 5.3 per cent in 2014 from 5.4 per cent in 2013. According to the Food and Agriculture Organisation (FAO), the food price index averaged 202 points in 2014, down 3.7 per cent from 2013. The decline marked the third consecutive annual decline and this was as a result of subsided international prices of cereals mainly driven by large supplies and record high stocks. Lesotho's inflation rate opened the year under review at a rate of 5.4 per cent in January and alternated through the year until closing at a lower rate of 3.6 per cent in December.

The average annual inflation rate is South Africa closed the year at 6.1 per cent, which is higher than that of Lesotho. Throughout the review year, Lesotho and South Africa's inflation rates have been moving together though Lesotho's inflation rate was moderating at a faster rate than that of SA. This can be explained by differences in the respective consumer baskets, particularly weight relating to the category of food and nonalcoholic beverages.

Figure 7: Lesotho Consumer Price Index
(Annualized Percentage Changes)



Source: Bureau of Statistics

Box 3: Plunge Crude Oil Prices: Impact on the Lesotho Economy

Developments in oil markets are watched closely all over the world as they impact on everyone's life either positively or negatively. For oil exporting countries decreases in prices of oil present worries while for oil importing countries, it is good news. The key determinant of crude oil prices is demand and supply factors in the international oil market. On the one hand, the demand for oil is determined chiefly by the rate of global economic growth as well as energy-related technological developments. On the supply side, control of production by Organisation of Petroleum Exporting Countries (OPEC) and temporary supply disruptions due to political factors or natural disasters determine oil prices. However, in the long-term, supply depends on the rates of extraction, depletion and new discoveries. Expectations and speculation about future demand and supply also play a prominent role in determining crude oil prices.

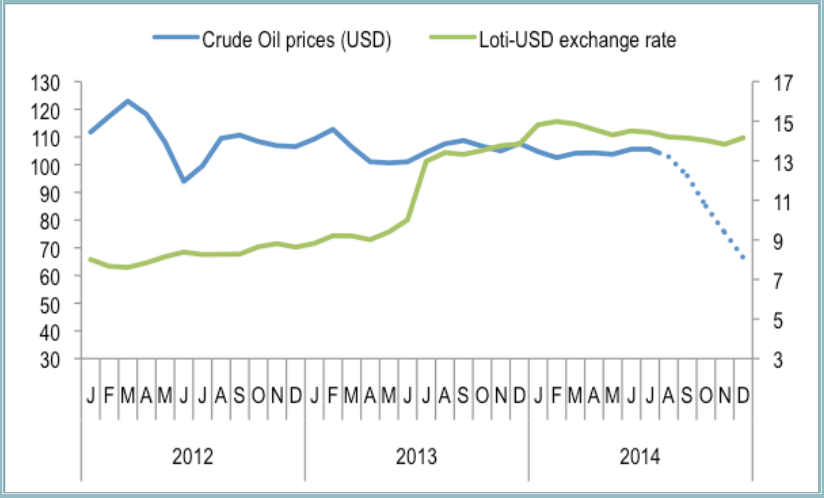
From the beginning of July 2014 until December, the price of oil fell by approximately 40 dollars per barrel (see Figure 1). This was attributable to a host factors encompassing a combination of rising oil prices globally and weak global demand. Global oil production has risen largely at the back of the significant increase in shale oil production by the United States (US). This was despite market concerns that global production might fall in response to international conflicts, but neither Russia nor Libya has reduced production. The decrease in the price of crude oil was also influenced by the OPEC decision to leave production unchanged despite falling oil prices. OPEC accounts for about 40 per cent of global oil production and its decisions have a major impact on oil prices and at its meeting held in November, in Vienna, OPEC decided to maintain the unchanged production level despite falling oil prices. At the same time, the growth in demand remained moderate. United States (US) energy consumption has been stable in recent years despite stronger economic activity. In both the euro area and china energy consumption has also dropped, as economic growth subsided and therefore leading to lower demand for energy.

The decrease in the price of crude oil has both macro and micro economic implications. Lower oil prices act as a tax cut for consumers and firms by reducing the prices of transportation and other petroleum-related goods and services. In Lesotho, the immediate effect of the decrease in oil prices is a decrease in liquid fuel prices. Hence, the decrease has positively affected both private and public transport operators in Lesotho. It has enhanced profitability of the public operators and suggesting a less need for Government to adjust taxi fares upwards and therefore positively affecting commuters. In addition, a decrease in the prices of paraffin used for cooking and lighting has had moderating effect on the budgets of poor households.

The decrease in the price of crude oil has led to a decline the inflation rate in both South Africa and Lesotho. The inflation rate dropped from 6.5 per cent in July 2014 to 3.6 per cent in December 2014, reflective of the lower prices of liquid fuel and transportation services. As indicated, this direct effect on CPI boosts consumer's purchasing power. However, the continued weakness of the rand/loti against the US dollar moderated the full effect of the decline in oil prices. Notwithstanding, there also are likely to be second-round effects which might have the potential to extend the price effect beyond the initial once-off increase. In turn, low prices of oil suggest that the cost of borrowing will remain low, which is important for further stimulating the economy.

Box 3: Plunge Crude Oil Prices: Impact on the Lesotho Economy (continued)

Figure 1: Oil Prices (US dollars)

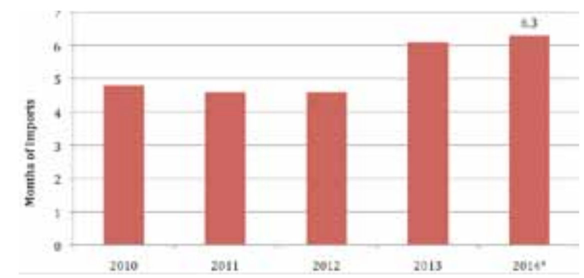


3.3 Balance of Payments

3.3.1 Overall Balance

The external sector position continued to register a surplus, albeit at a slower pace during the year under review. The overall balance of payments registered a surplus equivalent to 5.9 per cent of GDP in 2014, lower than a surplus of 11.6 per cent of GDP in the previous year. The surplus was supported by inflows in the capital and financial account, while widening of the current account deficit moderated the observed performance. The surplus was also influenced by gains on depreciation of local currency against the major currencies in which official foreign reserves are held. Measured in months of import cover, gross official reserves rose to 6.3 months in 2014 from 6.1 months in the previous year. This reflected accumulation of Government deposits, which resulted from a surplus derived from government budgetary operations during the year. The transaction balance, which excludes exchange rates movements, recorded a deficit of 7.8 per cent of GDP in 2014, compared with a deficit of 14.6 per cent of GDP in the previous year.

Figure 8: Reserves in Months of Import



* Preliminary estimates

Table 4

SUMMARY OF BALANCE OF PAYMENTS
(As percentage of GDP)

	2010	2011	2012	2013	2014*
Current Account	-7.2	-7.5	-14.6	-6.4	-6.8
Goods	-50.0	-38.9	-53.4	-47.9	-45.3
Services	-18.3	-16.8	-16.5	-14.9	-13.0
Income	30.1	21.0	18.2	17.5	14.7
Current Transfers	30.9	27.1	37.1	38.9	36.8
Capital and Financial Account	-3.0	8.7	20.4	13.0	13.9
Transactions Balance	9.2	-7.1	-8.4	-14.6	-7.8

* Preliminary estimates

3.3.2 Current Account

The current account recorded a deficit of 6.8 per cent of GDP in 2014, higher than 6.4 per cent of GDP in 2013. The widening of the current account deficit stemmed from a rise in the trade account deficit. This was also influenced by the fall in the income account. However, the improvement in the current transfers balance coupled with a decline in payments for services acquired abroad moderated the widening of current account deficit.

The trade account deficit grew by 4.3 per cent in 2014, in contrast with a decline of 4.9 per cent in 2013. This resulted mainly from a surge in imports related to major construction activities undertaken during the review year. Imports of goods increased by 11.3 per cent during the year compared with a decline of 1.8 per cent in 2013. However, an increase in merchandise exports which grew by 16.2 per cent in 2014, compared with a rise of 2.3 per cent in 2013 moderated the upsurge in trade account deficit. The growth in merchandise exports reflected an escalation in both diamonds and textiles exports during the year. Diamond exports continued to benefit from high value diamonds produced by Lets'eng diamond mine and the favourable prices in the international markets, while textile exports portrayed a resilient industry in the face of uncertainties surrounding the extension of the African Growth and Opportunities Act (AGOA) beyond 2015. As percentage of GDP, trade account deficit registered 45.3 per cent of GDP in 2014, relative to 47.9 per cent of GDP in the previous year.

The services account deficit, which represents payments for services acquired abroad contracted during the review year. It fell by 0.2 per cent in 2014 compared with a decline of 4.3 per cent realised in the previous year. The decline reflected lower payments for living cost of Basotho migrant mineworkers, who were temporarily out of work due to strikes in the SA platinum mines during the first half of 2014. This resulted from the principle of no-work-no-pay during strikes in the mining sector. As a percentage of GDP, the services account deficit recorded 13.0 per cent in 2014 compared with 14.9 per cent in 2013.

The income account balance declined by 4.9 per cent in 2014 against an increase of 1.8 per cent in 2013. This has mainly resulted from a fall in compensation of employees for Basotho mine workers employed in SA mines due to a 5-months long strike in the platinum mines. However, the fall in income account was dampened by an increase in interest earnings by both CBL and commercial banks from their portfolio investments abroad. A rise in LHDA receipts for operational costs also curbed the drop in income account during the review year.

Current transfers balance improved during the review year, driven mainly by an increase in SACU receipts which takes a largest share in the current transfers account. The net current transfer inflows rose by 7.2 per cent in 2014 from an increase of 11.0 per cent in 2013. As a share of GDP, the net current transfers registered 36.8 per cent during the year, following 38.9 per cent in the previous year.

3.3.3 Capital and Financial Account

In 2014, the capital and financial account registered higher inflows compared to the previous year. It recorded a surplus equivalent to 13.9 per cent of GDP in 2014, higher than 13.0 per cent of GDP in the previous year. The observed improvement was attributed to the financial account while the capital account inflows remained subdued during the year.

The capital account inflows deteriorated to 2.1 per cent of GDP in 2014, following 5.4 per cent of GDP in 2013. This was ascribed to the completion of some of government projects which were financed by MCA during the year. However, the capital account is anticipated to rebound in 2015 due to LHDA Phase II project, which is expected to start its operations in 2015. The financial account improved during the review year, registering an inflow equivalent to 13.0 per cent of GDP, compared with 9.0 per cent of GDP in the previous year. The higher surplus in the financial account was a result of commercial banks' withdrawal of part of their foreign assets held abroad to meet increased domestic demand for money. The surplus was also supported by an increase in government external borrowing in 2014.

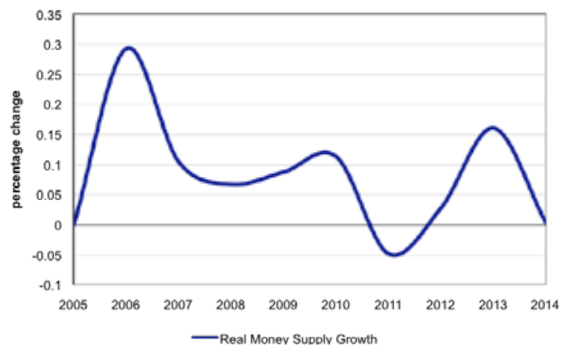
3.4 Monetary and Financial Developments

3.4.1 Money Supply

Following an increase of 21.2 per cent in December 2013, money supply (in nominal terms) grew by 4.0 per cent in December 2014. This development is ascribed to a 31.2 per cent increase in domestic credit excluding net claims on government as well as 8.8 per cent accumulation of net foreign assets. In real terms, money supply recorded a moderate growth of 0.4 per cent in December 2014 compared to an increase of 16.1 per cent in December 2013. This sluggish rise in real money supply is against the backdrop of moderate growth in nominal money supply despite a fall in inflation rate.

Components of broad money (M2) namely; narrow money (M1) as well as quasi money can also explain changes in broad money. During the period under review, M1 recorded a 2.7 per cent increase while quasi money accelerated by 5.0 per cent. The 4.0 per cent growth in transferrable deposits was moderated by a 1.2 per cent fall in currency in circulation. On the other hand, quasi money rose by 5.0 per cent during the period under review compared to a 27.3 per cent surge during the previous year.

Figure 9: Real Money Supply Growth



Source: CBL Monetary Survey, December 2014

Domestic credit, including claims on government, plunged further from 390 million maloti to 171 million maloti during the review period. This was mainly due to a build-up in government deposits thus leading to a decline in net claims on central government. The accumulation of government deposits is largely attributed to a rebound in SACU revenue during the period under review compared to the previous year. This was however slightly moderated by growth in credit extended to the private sector.

On the other hand, credit to the private sector continued on an upward trajectory as it increased from 51 million maloti to 61 million maloti in December 2014. In terms of distribution, credit extended to households continued to take the largest chunk of 64.1 per cent while business enterprises credit constitutes 35.9 per cent. Compared to the previous year, the share of credit extended to households grew by 130 basis points thus implying the reduction by the same magnitude of the share of credit extended to business enterprises. While growth in credit is a welcome move, share of credit extended to business enterprises, at least for the past four years, continued to shrink while that of credit to household continued to grow.

The growth in credit to households occurred despite developments that occurred during the first quarter of 2014 where some commercial banks imposed some stringent requirements for personal loans. This occurred due to the surge in non-performing loans and commercial banks' concern about concentration of their loan books on unsecured lending and thus attempted to boost asset based products such as mortgages so as to mitigate concentration risks.

Table 5

DOMESTIC CREDIT
Million Maloti: End of period

	2010	2011	2012	2013	2014
Claims on Government (Net)	-1000.8	-2592.6	-3148.9	-4,177.9	-5054.4
Claims on Central Government	-3197.6	965.1	1318.9	1,499.5	1539.4
Liabilities to Central Government	716.4	3557.7	4467.8	5,677.3	6593.8
Claims on Public NFCs (Official entities)	3.0	1.4	-0.1	0.0	0.0
Claims on Private Sector	2193.8	2687.0	3778.2	4,556.1	4575.5
Claims on Other Resident Sector (Households)	27.1	32.6	42.3	50.9	51.1
Claims on Other NFCs (Enterprise)	2166.7	2654.4	3735.9	4,505.2	4524.3
Domestic Claims	-1000.8	107.0	639.1	390.0	-467.1

3.4.3 Net Foreign Assets

Accumulation of overall banking system net foreign assets (NFA) slackened as it registered 8.8 per cent growth in December 2014 against a buoyant growth of 26.2 per cent during the previous year. This development is against the backdrop of a 13.8 per cent growth in Central Bank NFA while the commercial banks NFA shrank by 6.1 per cent. The rebound of SACU revenues during the period under review caused the increase in Central Bank NFA.

Table 6

Banking System Net Foreign Assets
(Million Maloti: End of period)

	2010	2011	2012	2013	2014
Commercial Banks	**3799.8**	**3209.5**	**2486.7**	**3236.6**	**3039.5**
Assets	3917.5	3390.9	2569.5	3627.3	3329.4
Liabilities	-117.7	-181.4	-82.8	-390.7	-289.9
Central Bank	**6138.9**	**6696.1**	**7654.2**	**9598.7**	**10923.5**
Assets	6749.5	7350.6	8563.6	10964.4	12342.0
Liabilities	-610.6	-654.5	-909.3	-1365.7	1418.5
Net Foreign Assets	9938.7	9905.7	10140.9	12835.4	13962.9

3.4.4 Credit Extension

a) Trends of Credit to Business Enterprises

Credit extended to business enterprises showed robust recovery in 2014 compared to its rather muted performance in the previous year. It grew by 16.8 per cent during the review period compared to 5.9 per cent during the period ending December 2013. Real estate and business services registered the highest growth of 110 per cent followed by mining as well as transport, storage and communications sector with 93.4 per cent and 67.8 per cent, respectively.

Table 7

Credit to Business Enterprises

	2010	2011	2012	2013	2014
Agriculture	24.1	4.7	11.3	16.3	17.4
Mining	71.7	139.7	152.0	185.4	358.7
Manufacturing	152.8	155.9	226.0	320.7	445.4
Construction	105.7	67.4	181.4	212.7	171.2
Transport, Storage and Communication	166.8	240.3	130.2	112.3	188.5
Electricity, gas and water	37.3	37.9	33.9	36.8	40.4
Wholesale, Retail, Hotel & Restaurant	70.5	210.5	246.9	225.7	153.2
NBFIs, Real Estate and Business Services	221.7	289.9	443.3	204.8	429.9
Community, Social & Personal Service	208.7	49.7	45.8	243.6	10.3
Total	**1 059.3**	**1 196.1**	**1 470.8**	**1 558.3**	**1815.1**

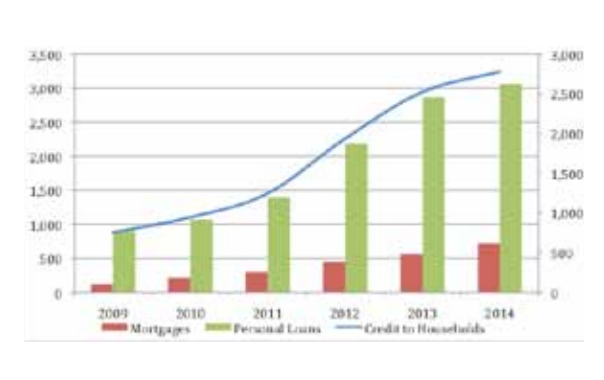
b) Distribution of Credit to Business Enterprises

Similar to the past review period, the largest portion of credit extended to business enterprises went to manufacturing followed by real estate and business services and mining. This is indicative of an increased economic activity in these sectors during the review period. Agriculture, which is mainly subsistence in nature, constitutes the lowest share of credit extended to business enterprises.

c) Credit Extension to Households

Following a 30.2 per cent surge in 2013, credit extended to households registered a relatively lower growth of 10.3 per cent. This was against a back drop of a 27.2 per cent rise in mortgages while personal loans increased by 6.9 per cent. Personal loans continue to have the largest but falling share of credit extended to households. During the review period, share of personal loans stood at 81.3 per cent compared to 83.5 per cent in 2013. On the other hand, mortgages share of credit extended to households registered 19.0 per cent in 2014 compared to 16.5 per cent in 2013.

Figure 11: Credit Extension to Households



3.4.5 Commercial Banks' Liquidity

During the review period, commercial banks liquidity stood at 85.2 per cent compared to 83.0 per cent in 2013. This was caused by an increase in balances due from banks in Lesotho and this was slightly off-set by growth in total deposits. Likewise, the credit to deposit ratio increased from 58.0 per cent in 2013 to 61.4 per cent in 2014. This was at the back of a 10.2 per cent increase in total credit while total deposits increased by 4.0 per cent. This implies that the level of intermediation is improving.

Table 8

Commercial Banks' Liquidity

	2010	2011	2012	2013	2014
Credit to Deposit Ratio	**36.9%**	**43.9%**	**55.8%**	**58.0%**	**61.4%**
Private Sector Credit	2 166.7	2 604.7	3 546.6	4 465.1	4918.2
Total Deposits	5 877.9	5 934.7	6 359.3	7 698.7	8004.3
Liquidity Ratio	**95%**	**85%**	**70.8%**	**83.0%**	**85.2%**
Notes and Coins	160.2	257.1	342.9	396.0	361.6
Balances Due from Banks in Lesotho	1 047.8	1 023.1	931.3	1 859.6	2149.5
Balances Due from Banks in SA	3 757.4	3 110.9	2 397.3	3 416.7	3142.7
Surplus funds	37.4	(44.1)	(5.7)	50.9	303.9
Government Securities	596.2	722.2	839.1	664.9	864.0
Total	**5 599.1**	**5 069.1**	**4 504.9**	**6 388.0**	**6821.7**

3.4.6 Interest Rates

The SARB hiked its repo rate by a cumulative 75 percentage points in 2014. Subsequently, most money market interest rates increased in South Africa. Under the CMA, Lesotho Loti is pegged to South African Rand and to defend the peg, the Central Bank of Lesotho maintains an optimal level of net international reserves. It is therefore critical that Lesotho interest rates are aligned with those of the CMA member states in order to minimize capital outflows that would otherwise threaten the peg. As a result, most of Lesotho interest rates followed those of South Africa on an upward trajectory. The Lesotho prime rate increased from 9.92 per cent in 2013 to 10.44 per cent during the review period. Similarly, the 91-day T-bill discount rate (and hence the Lombard rate) increased from 5.18 per cent in 2013 to 6.25 per cent. This is reflective of monetary policy tightening as world interest rates continue on the gradual normalisation path following long periods of ultra-low interest rates aimed at spurring world economic growth.

Table 9

Interest Rates

	Dec-10	Dec-11	Dec-12	Dec-13	Dec-14
Central Bank					
91-days TB Rate	5.52	5.28	5.37	5.18	6.25
Lombard Rate	9.52	9.28	9.37	9.18	10.25
Commercial Banks					
Call	1.14	1.15	0.77	0.77	0.99
Time					
31 days	1.21	1.21	0.91	0.91	1.23
88 days	1.67	1.67	1.41	2.85	2.85
6 months	1.94	1.94	1.69	1.69	2.31
1 year	2.78	2.78	2.34	2.34	3.21
Savings	1.21	1.15	0.84	0.84	0.84
Prime*	10.50	10.50	9.92	9.92	10.44
South Africa					
Repo	5.50	5.50	5.00	5.00	5.75
T Bill Rate – 91 Days	5.60	5.46	4.95	5.24	6.09
Marginal Lending Rate	10.50	10.50	10.50	10.50	10.75
Prime	10.50	9.00	9.00	8.50	9.25

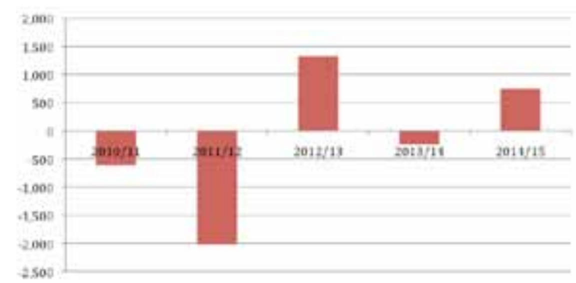
3.5 Government Finance

3.5.1 Fiscal Performance in 2014/2015

The Government of Lesotho, in achieving growth and sustainable development for 2014/2015, derived the policy priorities from the National Strategic Development Plan 2012/13 - 2016/17 and the National Vision 2020. These policy priorities included the creation of jobs, infrastructure development, efficiency and effectiveness in the public sector, and declining social and economic vulnerability. They were expected to be achieved through the allocation of budget to the respective economic and social sectors, and thus due to scares resources, fiscal consolidation on non-performing budget items would be applied.

The government budget operations by the end of the fiscal year 2014/15, is projected to generate a fiscal surplus of 3.1 per cent of gross domestic product (GDP) compared to a deficit of 1.2 per cent in 2013/14. The surplus is mainly due to slow implementation of the expenditure budget coupled with improved performance of revenue. The total revenue is projected to contribute 60.1 per cent of GDP in 2014/15 compared with 62.0 per cent in 2013/14. The total expenditure on the other hand is expected to contribute 57.0 per cent in 2014/15 compared with 62.8 per cent in 2013/14. The total expenditure has declined by 1.3 per cent in 2014/15 relative to a rise of 14.4 per cent in the previous year.

Figure 12: Fiscal Balance *(Million Maloti)*



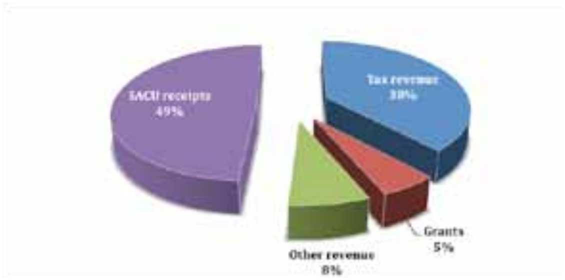
Source: Ministry of Finance (MoF) and CBL estimates

(a) Revenue

Preliminary estimates indicate that total revenue will increase by 8.3 per cent in 2014/15 up from 0.6 per cent rise in 2013/14. The rise in revenue in 2014/15 is mainly attributed to 8.2 per cent increase in tax revenue, 12.2 per cent under other revenue, and a significant growth in the receipts from Southern African Customs Union (SACU). SACU receipts accounts for 49 per cent of the total revenue, followed by tax revenue at 38 per cent in 2014/15.

Total revenue for the fiscal year 2014/15 is projected to be driven mainly by a surge of 11.4 per cent in taxes on income, profits, and capital gains; 19.7 per cent in taxes on goods and services; 12.2 per cent under other revenue; and 16.2 per cent from SACU receipts. Taxes on income, profits, and capital gains have performed well during the past three quarters of the fiscal year due to the high contributions from the personal income tax, withholding tax and fringe benefit tax. The personal income tax has been affected positively by high spending on wages and salaries. The rise in the other revenue is driven by 72.3 per cent under dividends, mainly from financial public corporations at 114.9 per cent. The SACU receipts have been collected exactly as per the approved budget at the start of the fiscal year with no adjustments during the course of the year. They have increased significantly by 16.2 per cent in 2014/15 up from 1.5 per cent in 2013/14.

Figure 13(a): Total Revenue *(Percentage Share)*



Source: Ministry of Finance (MoF) and CBL estimates

Figure 13(b): Sources of Government Revenue *(Million Maloti)*

Source: Ministry of Finance (MoF) and CBL estimates

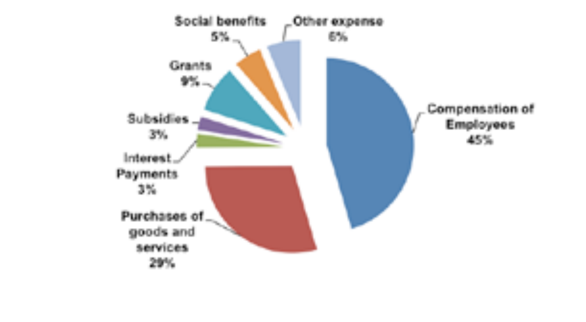
(b) Expenses

Based on the projected outturn, the expenses reflect a marginal increase of 3.4 per cent in the current fiscal year compared with 16.8 per cent in the previous year ending March, 2014. The rise in expenses is attributed to the increase in the wages and salaries, social contributions, travel and transport (domestic and international), and subsidies to nonfinancial public corporations. Other components of expenses have declined.

The compensation of employees is projected to increase by 5.9 per cent in 2014/15 compared with a rise of 23.7 per cent in the previous year. Both wages and salaries and social contributions have contributed to this increase by 4.2 per cent and 16.1 per cent, respectively. Starting from the last quarter of the last financial year 2013/14, the compensation of employees has been increasing due to the Government initiative of incorporating the wages and salaries of community councils into the spending of wages and salaries under the budgetary central government. The wages and salaries of the community councils included the salary review that was experienced during the course of the fiscal year. The purchases of goods and services are expected to increase by 13.2 per cent in March, 2015 compared with 17.8 per cent in the previous fiscal year due to a rise in travel and transport together with the operating costs. Subsidies to nonfinancial corporations have increased by 16.0 per cent in the projected fiscal year relative to a decline of 8.0 per cent in 2013/2014.

The interest payments will decline by 6.5 per cent by the end of the current fiscal year compared to an increase that was experienced in March, 2014. The reason for a decline is attributed to the redemption of a three-year treasury bonds and on loans from domestic banking system. The current grants to community councils are expected to decline since the spending has been incorporated into the compensation of employees of the budgetary central government. Social benefits are projected to fall due to a decline in the social assistance benefits. The decrease in the other revenue has been caused by a continuous fall in the student grants provided by National Manpower Development Secretariat averaging 2.9 per cent since 2012/13.

Figure 14: Sources of Expense
(Proportional Share)



Source: Ministry of Finance (MoF) and CBL estimates

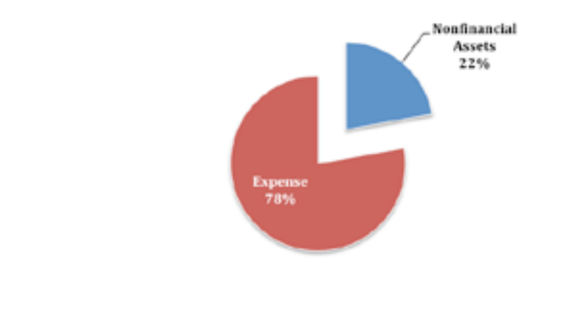
Figure 15: Interest Payments by Residency
(Million Maloti)

Source: Ministry of Finance (MoF) and CBL estimates

(c) Non-Financial Assets

The expenditure on non-financial assets (capital) is expected to account for 22.1 per cent of the total Government expenditure in 2014/15 down from 24.2 per cent in the previous fiscal year. It is projected to decline by 7.4 per cent at the end of the current fiscal compared to an increase of 5.7 per cent in 2013/14. The reason for the underperformance of the capital expenditure can be attributed to the low absorptive capacity of capital expenditure by line Ministries. The Figure 22 depicts the situation whereby the expenses have taken a larger proportion of the total expenditure for several years. The initiative of the Government to divert more spending from the recurrent budget items to the capital projects seems to be a long term achievement that needs prudent fiscal rule coupled with strong fiscal consolidation.

Figure 16(a): Composition of Total Expenditure
(Million Maloti)



Source: Ministry of Finance (MoF) and CBL estimates

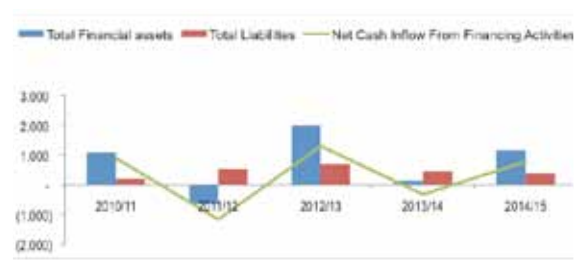
Figure 16(b): Total Expenditure by Economic Items *(Million Maloti)*

Source: Ministry of Finance (MoF) and CBL estimates

(d) Financial Assets and Liabilities

The net cash inflow from financing activities projects about M777.48 million of the Government that is available in the banking system. The acquisition of financial assets outruns the incurrence of liabilities during the fiscal year under review. In the previous year, there was a drawdown of Government deposits or incurrence of liabilities, mostly loans disbursements. Thus, the Government is expected to collect more revenue than it would spend which will in return result in the acquisition of more financial assets. As a ratio of GDP, the net cash inflow from financing activities registers a positive balance of 3.2 per cent in 2014/15 relative to the negative balance of 1.5 per cent in 2013/14. The weak performance of the projected total expenditure outturn, strong performance of SACU receipts coupled with tax revenue have contributed to the positive cash balances in the banking system.

Figure 17: Financial Assets and Liabilities
(Million Maloti)



Source: Ministry of Finance (MoF) and CBL estimates

Table 10

Summary of Government Budgetary Operations
(Million Maloti)

	2011/12	2012/13	2013/14	2014/15
Classification of Revenue	**9,616.07**	**13,212.02**	**13,284.93**	**14,387.52**
Tax revenue	4,283.39	4,646.25	5,067.90	5,485.81
Grants	1,436.78	1,703.46	1,194.95	781.62
Other revenue	1,143.25	895.98	967.53	1,086.03
SACU receipts	2,752.65	5,966.33	6,054.55	7,034.07
Economic Classification of Expense	**-8,742.57**	**-8,795.13**	**-10,271.67**	**-10,396.62**
Compensation of Employees	-3,639.38	-3,679.94	-4,553.49	-4,821.99
Purchases of goods and services	-2,177.99	-2,344.43	-2,761.93	-3,125.77
Interest Payments	-197.33	-238.14	-292.60	-273.48
Subsidies	-237.17	-252.94	-232.62	-269.74
Grants	-1,171.91	-959.62	-976.46	-913.35
Social benefits	-586.69	-616.75	-762.53	-539.31
Other expense	-732.10	-703.32	-692.03	-673.99
Net Cash Inflow From Operating Activities	**873.50**	**4,416.89**	**3,013.26**	**3,769.90**
Transactions in Nonfinancial Assets	**-2,888.38**	**-3,087.95**	**-3,262.56**	**-3,019.56**
Fixed Assets	-2,888.38	-3,087.95	-3,262.56	-3,019.56
Buildings and structures	-1,758.38	-1,295.90	-1,721.54	-1,940.61
Machinery and equipment	-217.31	-266.19	-261.26	-219.77
Non-Produced Assets	0.00	0.00	0.00	0.00
Cash deficit(-)/surplus(+)	**-2,014.88**	**1,328.94**	**-249.29**	**750.34**
Net Cash Inflow From Financing Activities	**1,165.50**	**-1,302.57**	**325.01**	**-777.48**
Transactions in Financial assets	**637.06**	**-1,995.39**	**-139.27**	**-1,158.05**
Domestic	637.06	-1,995.39	-139.27	-1,158.05
Foreign	0.00	0.00	0.00	0.00
Transactions in Liabilities	**528.44**	**692.82**	**464.28**	**380.57**
Domestic	362.74	295.38	56.14	-42.44
Foreign	165.71	397.44	408.14	423.01
Statistical Discrepancy	**-849.37**	**26.37**	**75.71**	**-27.15**

Source: Ministry of Finance (MoF) and CBL estimates

3.6 Public Debt

3.6.1 Overview

The Government debt operations are projected to further increases in the stock of external and domestic debt stock at 47.7 per cent of GDP in 2014/15 which is up from 42.2 per cent in the previous year. The average growth of the public and publicly guaranteed debt is at 38.9 per cent of GDP from the fiscal year 2010/11 to the estimated year of 2014/15. The external debt shows significant increases while the domestic debt will rise marginally.

The rate of growth on the public debt is expected to increase much faster than the rate of growth on GDP at current prices. The Figure 24 depicts the ratio of public and publicly guaranteed debt to GDP which increases constantly since 2010/11. The public debt to GDP ratio in 2014/15 registers 47.7 per cent up from 42.2 per cent in the previous year due to higher rate of growth of public debt stock amounting to 26.4 per cent compared with 11.7 per cent GDP growth rate at current prices. The fast growing rate of the ratio of public debt to GDP represents an unsustainable pattern.

The public debt by residency projects that the external debt will take a proportional share of 90.0 per cent in 2014/15 relative to 88.4 per cent in 2013/14. On average from 2010/11 to the projected year 2014/2015, the external debt registers 86.1 percentage share of the total public debt and the remaining balance goes to the domestic debt. The proportion of the domestic debt, on the other hand, is estimated to decline to 10.0 per cent in the year under review compared to 11.6 per cent in 2013/14. The domestic debt averages to 13.9 per cent in the past five years. The growth in the external public and publicly guaranteed debt is a reflection of valuation loses on the principal loan amount due to exchange rate depreciation. The expectation was to see a decline in the debt stock since disbursements under most of the infrastructure projects (Metolong capital project and the grant-funded infrastructure projects under the Millennium Challenge Account) have declined.

Figure 18: Public Debt and GDP Changes
(Million Maloti)

Source: Ministry of Finance (MoF) and CBL estimates

Figure 19: Public Debt by Residency
(Million Maloti)

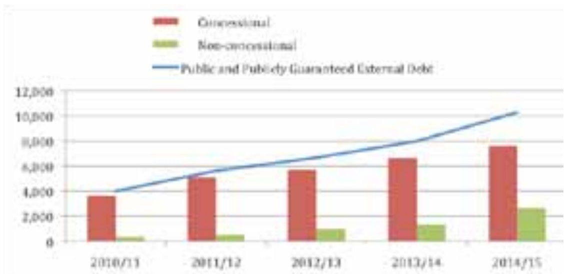
Source: Ministry of Finance (MoF) and CBL estimates

3.6.2 External Debt

The public and publicly guaranteed external debt will record M10.283.5 million by March, 2015 which has accumulated by M2,294.3 from March, 2014. As a ratio of GDP, the external debt portfolio constitutes 43.0 per cent under the review year which is higher than 37.3 per cent by March, 2014. It has thus grown by 28.7 per cent in 2014/15 up from 19.6 per cent in 2013/2014. The concessional external loans are projected to decline by 14.7 per cent by March, 2015 down from 16.7 per cent increase in the previous fiscal year. The non-concessional loan financing will grow by 99.3 per cent by the end of the review period higher than the growth of 36.8 per cent in 2013/14. The net acquisition of new external financing, on the other hand, will show a decline of 3.9 per cent in 2014/15 compared to a rise of 11.5 per cent that was experienced in the previous year.

The creditor composition of the external debt shows that out of the 90.0 per cent share of the total external debt, the multilateral financing accounts for the projected 83.7 per cent by the end the current fiscal year, followed by bilateral creditors at 8.7 per cent, while other creditors will register about 7.6 per cent. The contribution of multilateral loans is lower than the 86.2 percentage share that was recorded in the previous year. The rest of the loan creditors have increased their disbursements during the review year. The multilateral loans will increase by 24.9 per cent by March, 2015 which is up from 18.3 per cent in 2013/14.

***Figure 20(a):External Debt by Concessionality Composition** (Million Maloti)*



Source: Ministry of Finance (MoF) and CBL estimates

***Figure 20(b): External Debt by Creditors Composition** (Million Maloti)*

Source: Ministry of Finance (MoF) and CBL estimates

3.6.3 Domestic Debt

The ratio of domestic debt stock to GDP is projected to record 4.8 per cent in the current fiscal year 2014/15 down from 4.9 per cent in the previous year. It has increased by 8.8 per cent compared to a decline of 12.1 per cent in 2013/14. The banking system accounts for 64.0 share of the total domestic debt while the non-bank records 36.0 per cent. The domestic debt stock by maturity composition shows that the long term debt, treasury bonds, accounts for 48.6 per cent in 2014/15 compared with 48.2 per cent in the previous fiscal year. The short term domestic debt stock records higher than the long term at 51.4 per cent in 2014/15 down from 51.8 per cent in the year before.

***Figure 21: Domestic Debt Stock by Maturity Composition** (Million Maloti)*

Source: Ministry of Finance (MoF) and CBL estimates

Table 11

Public Debt Stock *(Million Maloti)*

	2011/12	2012/13	2013/14	2014/15
Total Public Debt Stock	**6,744.54**	**7,871.22**	**9,036.70**	**11,423.24**
External Debt	**5,629.20**	**6,679.62**	**7,989.21**	**10,283.51**
Bilateral Loans	242.80	370.00	551.15	894.10
Multilateral Loans	5,058.80	5,823.96	6,887.04	8,605.07
Financial Institutions	66.50	59.82	57.93	55.08
Suppliers' Credit	261.10	425.85	493.10	729.26
Domestic Debt	**1,115.34**	**1,191.60**	**1,047.48**	**1,139.73**
Banks	825.04	852.01	724.64	728.94
Non-bank	290.30	339.59	322.84	410.79

Table 12

Public Debt Indicators *(Percentages)*

	2011/12	2012/13	2013/14	2014/15
Total debt as % of GDP	36.2%	39.6%	42.2%	47.7%
External debt as % of GDP	30.2%	33.6%	37.3%	43.0%
Domestic debt as % of GDP	6.0%	6.0%	4.9%	4.8%
External debt as a % of total	83.5%	84.9%	88.4%	90.0%
Domestic debt as a % of total	16.5%	15.1%	11.6%	10.0%
Concessional as % of External debt	90.8%	85.5%	83.4%	74.3%

4.1. Governance, Risk and Compliance

4.1.1 Governance

During the year 2014, the Board of Directors convened ten (10) times in line with the requirements of section 13 (2) of the Central Bank Act, and deliberated and made resolutions on matters related to strategy, operational performance, risk management, budget, and all other matters pertinent to the business of the Bank. The Board Committees also convened and made recommendations and reports to the Board of Directors on matters that required their attention.

The Governance Committees of the Board were reorganised, resulting the separation of the audit and risk functions of the Audit and Risk Committee. The Audit Committee exclusively retained that audit function. A new Risk and IT Governance Committee was established in order to oversee the risk and IT governance affairs. This reorganisation led to the appointment of two new members to serve in these Committees. On 14th December the term of office for two Directors ended, and two new Directors were appointed to fill in the vacancies.

4.1.2 Audit

The Internal Audit Department is mandated to advice the CBL Board to facilitate accomplishment of the Bank's objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of Risk Management, Control, and Governance processes. To achieve this mandate, the audit team performs analysis and assessment, to derive recommendations and advice concerning CBL activities, which would inform decision making and improve the effectiveness and efficiency of operations throughout the Bank.

During the reporting period, improvements in efficiency and effectiveness were realized in both Internal Audit Function and the Service Deliverance to the Bank. On the former, the department improved its operations and methodology to align with the requirements of the Internal Audit Standards.

On Bank-wide operations the Board was supported through assurance engagements performed in main focus areas being Financial, Operational and IT matters as determined and prioritized through Risk-based Audit Universe and Plan. The major impact derived from these reviews includes the development and updating of policies and procedures to strengthen directive controls; and improvements in the financial reporting controls including supporting ICT systems addressing other control types.

Acting upon the instruction of the Board; efforts were intensified to monitor resolution of all recommendations made by various external assurance providers to eliminate the recurrence of issues and great improvement has been realized in this regard.

Advisory services in major projects that the Bank is engaged continue to be provided.

4.1.3 Enterprise Risk Management

The Enterprise Risk Management Department (ERMD) continued its role of facilitating robust risk and business continuity management in the Bank. With inputs from other departments of the Bank, ERMD completed collation of the enterprise risk register and was in the process of developing a risk profile for the Bank, which aims to identify, at a high level, core risks facing the Bank. In addition to other risk management standards previously adopted in the department and the Bank, such as ISO and King III Code, during the year the department also adopted the COSO framework on risk management. This new standard is envisaged to be implemented in 2015.

The Department further executed its additional core responsibility of ensuring continuity, resumption and recovery of the Bank's critical business processes through coordinating bank-wide business management continuity management (BCM) activities that included undertaking testing of the Bank's temporary disaster recovery site. In addition, the department was also able to enhance one of its core business continuity management frameworks – business impact analysis – which facilitates annual review of the Bank's critical applications and DR site arrangements to ensure the Bank's business continuity plan and the DR site are always up-to-date. Further, a BCM Assessment methodology has been developed to assess BCM implementation efforts by departments and the exercise is planned for the coming year. Other envisaged developments for next year include the development of an ICT DR site plan and a crisis management and pandemic plans.

During 2014, the new Division was established under the Department where the Bank's projects are now being facilitated. The Central Bank of Lesotho's ERMD now assists the Bank to establish methodologies and practices for project management, and ensures that projects embarked upon are conducted in accordance with the Project Management Framework and Methodologies adopted by the Bank. Through this initiative, the Bank has developed a project selection and prioritization framework and a standardized process of Project proposal submission for rationalisation before budget allocation.

4.2. Capital Markets Development

Financial Markets in Lesotho are in their nascent stage of development. The market comprises mainly of Government securities such as Treasury bills and Treasury bonds. The primary market of these securities has consistently been successful but challenges remain on secondary trading.

As a component of a broad initiative to the development of capital markets in Lesotho, the Central Bank of Lesotho, mandated by the Central Bank Act, is currently focusing on the establishment of the securities market. This will open possible financing channel for listed companies and investment options for the general public. In order to expedite on this project, the Bank identified four essential areas that need to be addressed to ensure the success of the project. These are:

1. Legal and operational framework
2. Institutional arrangements
3. Information technology
4. Market support and outreach

Eminent progress has been registered in all the four areas with Capital Markets Regulations of 2014 published and the Stamp Duty Act amended to remove bottle necks for issuing and trading financial securities. Further operational legal instruments have been completed to pave way for the operation of the Securities Market.

With respect to information technology, the Bank already has two essential systems the Central Securities Depository (CSD) and the Real Time Gross Settlement (RTGS). The CSD will allow brokers and other market participants to deposit securities for book entry and other services which include, securities borrowing, clearance and settlement once upgrade is completed. On the other hand, RTGS allows for a continuous settlement of payments on an individual order basis and it is interfaced with CSD for a smooth payment and settlement of financial securities.

Furthermore, the Bank identified critical stakeholders with whom meetings were held in order to solicit support in this initiative. These included Lesotho National Development Corporation, Ministry of Finance, Ministry of Trade and Industry, Corporative and Marketing, as well as Lesotho Revenue Authority. The Bank further engaged with many other corporates that have a potential to list on the Securities Market and the public through print, radio and TV media for awareness. The public campaigns are expected to be intensified ahead of the operationalization of the Securities Market.

4.3. Research and Monetary Policy

4.3.1 Research

The reporting period saw the revival of two important streams of the research work in the Bank. These were thematic research in which two research reports were written and the projections and forecasts in which bi-annual medium term macroeconomic outlook reports were produced and shared with stakeholders in the form of seminars. Another research work that was completed during the period was the paper commissioned by the SADC Committee of Central Bank Governors.

4.3.2 Monetary Policy

The Bank undertook to revise its monetary policy framework which would start with a more robust approach to forecasting liquidity which would culminate the Bank communicating policy decision through announcement of a reference rate. This was a phased project which at the end of the reporting period the prototype liquidity forecasting model was being tested against the data realities on the ground.

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 towards maintaining adequate level of reserves and ultimately underwriting the loti and rand peg.

4.4. Reserves Management

The investment environment has been challenging globally with low returns and potential incidents of defaults especially in the Euro zone. Despite the challenges, during the period under review, the foreign reserves managed by the Central Bank of Lesotho increased by 15.25 per cent relative to the 2013 level; this level, in terms of the import cover, the reserves are worth 5.9 months of imports, which is above the international benchmark of 3 months and therefore adequate for required import coverage. Attributable to the reserves build-up was the Loti depreciation against major currencies and accumulated government receipts in 2014. Notwithstanding this increase, foreign reserves endured pressures from continued outflows emanating from the banking sector as well as unprecedented developments that emerged in the euro zone where negative interest rates were introduced.

4.5. Financial Sector Supervision and Regulation

After the implementation of FIA 2012, 17 sets of regulations have been drafted and reviewed and they are expected to be gazetted in 2015. The draft regulations have the amplified disclosure requirements for market discipline, problem bank resolution and permissible activities. These are key elements towards maintaining the stability of the financial system. Furthermore, the regime ushered by these regulations creates a conducive environment that accommodates innovation and growth in the banking sector while also protecting consumers, enforcing strong governance and enabling transparent supervision.

4.5.1 Regulatory Instruments

The following laws and regulations administered by the Bank were published in 2014:

1. Insurance Act of 2014
2. Payment Systems Act of 2014
3. Financial Institutions (Money Transfer) Regulations of 2014
4. Financial Institutions (Credit Only and Deposit Taking Micro-Finance Institutions) Regulations of 2014; and
5. Financial Institutions (Foreign Exchange Bureau) Regulations of 2014
6. Capital Markets Regulations of 2014

4.5.2 Banking Sector Footprint

With regard to the market share, the foreign owned banks maintained the highest market share with two of them representing 86.5% of the asset base and the revenue of 81.9%. During the year under review, the total branches registered 45 and the ATMs recorded 159. The POS devices remained on the upward trend and were at 1,050 as at the end of December 2014. The total number of people that were employed in the banking system stood at 1,320. The total assets accumulated to M12.2 billion compared to M11.4 billion registered previously and the net income improved from M276.2 million to M385 million. The improvements in total assets highlighted the contribution of financial intermediation on economic growth specifically on real estate, manufacturing, mining and households sectors. Generally, the banking system remained sound, profitable, liquid and adequately capitalized.

4.5.3 Licensing and Compliance

During the year under review 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 NPS Act 2014

The Bank continually pursues reforms aimed at improving and modernising payment systems in the country. The reform of the legal and regulatory framework was identified as one of the key strategies for payment system modernisation as it would afford CBL the legal basis and support as the Overseer of Lesotho National Payment System.

The major milestone achieved in the current year is the promulgation of Payment Systems Act, 2014. Furthermore, the Act effectively supports the development and operations of payment systems in the country. It legally enforces concepts and principles of payment systems operations by clearly defining the rights and obligations of operators, participants and regulators. The legal certainty of Lesotho's payment systems in turn support regional integration programmes such as cross border payment systems development and operations.

Payment Systems Act, 2014 goes a long way in fulfilling an important requirement that all payment systems should have a well-founded, clear, transparent, and enforceable legal basis for each material aspect of its activities in all relevant jurisdictions. In the coming year, Payment Systems Regulations shall be developed to support the implementation of the Payment Systems Act, 2014.

4.6.2 Maseru Image Automated Clearing House (MIACH)

Several payment systems have been implemented in Lesotho since the modernisation process commenced. Following the implementation of RTGS in 2006, a number of retail payment systems have been implemented. These include Electronic Funds Transfer (EFT Credits and Debits), Mobile Money for domestic payments and SADC Integrated Regional Electronic Settlement System (SIRESS) for cross-border payments in Common Monetary Area (CMA) countries and other SADC countries.

Although, Cheque usage is declining as a result of the afore-mentioned alternative payment instruments, they are still widely used by the public and some organisations. Consequently, the Commercial Banks and the Central Bank of Lesotho under the umbrella body called Payment Association of Lesotho (PAL) developed a new automated system of clearing cheque payments based on cheque images. The electronic clearing centre known as the Maseru Image Automated Clearing House (MIACH) went live on 13th September, 2014.

The entire essence of MIACH technology lies in the use of images of cheques (instead of the physical cheque) for payment processing (Cheque Truncation). Cheque truncation thus obviates the need to move the physical instruments across branches to the clearing house. This effectively eliminates the associated cost of movement of the physical cheques, reduces the time required for their collection and brings excellence to the entire cheque clearing process. MIACH is a more secure and efficient system as opposed to the exchange of physical documents (cheques). Cheque Truncation enables faster processing of cheques resulting in improved service for the users. It reduces the scope for cheque related frauds or loss of instruments in transit, thus benefitting the system as a whole.

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. The securities market development initiative was also characterized by an extensive trail of workshops, sensitization sessions and stakeholder lobbying during the review period. On the seminars front, the Bank held two economic briefing seminars during 2014 during which economic developments and outlook were presented to 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 in collaboration with and on behalf of the Government of Lesotho (GoL). The Bank executed bi-weekly Treasury bill auctions and execution of GoL payment instructions. Furthermore, the Bank collaborates with the GoL, through the Ministry of Finance ensured that the country successfully underwent the Peer Review Evaluation under the SADC Macroeconomic Convergence Surveillance Mechanism during the reporting period.

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.

4.8. 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 the chair of the Southern African region of the Association of African Central Banks (AACB). The Bank was also 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.

As the chair of the AACB Southern African region the Bank coordinated the compilation of economic developments in Southern African countries, submitted and presented the same as contributions into the AACB African Monetary Cooperation Programme annual report. In the CCBG the Bank carried out two assignments during the review period namely a research paper as well as a collation of SADC economic developments for the year 2013.

4.9. Corporate Services

4.9.1 Human Resources

The Human Resources Division through its Talent Sourcing sections collaborated with various departments to identify manpower needs and where appropriate coordinated the necessary recruitment. In terms of staff movements, the Bank separated with 14 staff members while at the same time recruited 13 new members to various ranks in this period.

The other key function of the Division is Talent Development the big part of which is training. Again in collaboration with Departments training needs were determined and appropriate training intervention agreed and executed. In an attempt to contain the training budget the Division organized a number of in-house training courses where groups can benefit.

Several other milestones such as review of a number of policies and well as the job sizing and grading exercise were realized during the review period.

4.9.2 Information and Communications Technology

The Information and Communications Technology (ICT) Department provides centralized ICT services to the Bank. The department continued to support the strategic direction of the Bank by enabling the functional areas, through provision and maintenance of information and communications technology based solution.

In 2014, the ICT Department, took huge strides in enabling the Operations Department to improve its payment system infrastructure through the automation of the clearing of cheques, a project that was known as the MIACH Implementation. Another notable progress in the area of payment systems is that of successfully integrating the Government of Lesotho's Integrated Financial Management Information System (IFMIS) with the Central Bank's RTGS whereby as of now the two systems can talk to each other and facilitate online submission of payment instructions from the Ministry of Finance to the Bank. A further development in the payment systems achieved was that of the separation of high value payments from low value payments so as to allow the low value payments to be processed through the Automated Clearing House (ACH) System while the high value payments continue to be processed via the RTGS, which is a requirement to comply with the requirements of the PAL. The international payment system used by the Bank to execute international payments, SWIFT, was also upgraded.

On the inward facing ICT based efforts, the department undertook and successfully completed an initiative to review the Bank's business processes in the areas of Core Banking and Finance in order to enhance the internal financial management processes and banking services provision services of the Bank. This initiative gave birth to a new project for implementing new Core Banking and Financial Systems for the Bank, which started in the second half of 2015 and is expected to be completed in 2016.

Further developments in ICT based internal processes improvement efforts include; the extension of the existing Human Resource System to automate aspects such as leave processing and self-service access to online payslips by staff, implementation of the new Portfolio Analytical Tool, known as PAT II, extending the functionality of the Bank's Content Management System to accommodate the legal department's requirements for Contracts Management as well as the acquisition and implementation of Board Packs, a system that automates the distribution and accessing of meeting papers.

Further projects initiated in 2014 that were initiated in the current year but are expected to run into 2015 include:

- The implementation of the new Core Banking and Financial Systems, mentioned earlier,
- The domestication of the Electronic Funds Transfer Technologies from the South African Based clearing platform currently undertaken by BankServ into a local clearing platform that will utilise the MIACH domestic clearing system, and
- The extension of the Bank's Securities Trading System known as the CSD to incorporate the functionality required to cater for the trading of equities, corporate securities as well as other secondary market operations trading activities.

BANK INFORMATION

Status:	Statutory body duly continuing in existence in terms of the Central Bank of Lesotho Act No. 2 of 2000
Registered address:	Cnr Airport & Moshoeshoe Roads Maseru 100, Lesotho
Postal address:	P.O. Box 1184 Maseru 100, Lesotho
Auditors:	Sheeran & Associates, Chartered Accountants (Lesotho) Assisted by PricewaterhouseCoopers Inc.
Lawyers:	In-house Legal Counsel

CONTENTS

This report details the salient aspects of the governance framework of the Central Bank of Lesotho (the Bank). The Bank is committed to ensuring that its policies and practices comply with the highest standards of corporate governance. The Board of Directors of the Bank are committed to ensuring that the Bank adheres to the principles of accountability, transparency and integrity in all its dealings and interactions with all its stakeholders.

Report for the year

The Bank has a unitary Board which comprises five (5) Non-Executive Directors and three Executive Directors. The Non-Executive Directors are independent of management and free of any business or other relationship with the Bank that could materially interfere with the exercise of unfettered and independent judgement in the exercise of their fiduciary duties.

The Governor is the Chairperson of the Board and sets its tone. She is responsible for the effective organisation and conduct of the Board's affairs. She builds and maintains an effective working relationship with all Board Members, and encourages robust and constructive debate, as well as equal participation in all deliberations of the Board.

The Board is collectively responsible for the execution of the mandate of the Bank as enshrined in the Central Bank of Lesotho Act No.2 of 2000 (the Act). The Board sets the Bank's Strategy, oversees management, and provides leadership for the successful execution of the statutory mandate and for the long term sustainability and success of the Bank.

In order to assist the Board carry out its responsibilities, the Board has established the Audit Committee, the Risk and IT Governance Committee, and the Human Resources and Remuneration Committee. These Committees review matters on behalf of the Board and, as prescribed in the relevant Charter; and refer matters to the Board for decision, with clear recommendations. The Chairperson of each Committee provides a report to the Board after each Committee Meeting. The Executive Committee acts with delegated authority and is responsible for the day to day operations of the Bank. This committee also provides reports to the Board periodically.

Directors participate in an induction programme upon appointment and in continuous training on current central banking issues and trends on a regular basis in order to help them discharge their duties effectively. This programme of continuing learning also ensures that the Board is kept abreast of developments in central banking both locally and globally. In addition, all directors have access to the advice and services of the Board Secretary.

During the year 2014, the Board of Directors convened ten (10) times in line with the requirements of section 13 (2) of the Act, to deliberate and make resolutions on matters related to strategy, operational performance, risk management, budget, and all other matters pertinent to the business of the Bank. The Board Committees also convened and made recommendations and reports to the Board of Directors on matters that required their attention.

Mr. N. Rantsane
Acting Director of Corporate Affairs
Secretary of the Board

CENTRAL BANK OF LESOTHO
STATEMENT OF RESPONSIBILITY BY THE BOARD OF DIRECTORS
for the year ended 31 December 2014

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 2014, 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 provided 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 Directors on 26 March 2015 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 LESOTHO

Report on the Annual Financial Statements
We have audited the financial statements of the Central Bank of Lesotho, set out on pages 45 to 90 which comprise the statement of financial position as at 31 December 2014. the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements
The Bank's directors are responsible for the 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 is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of the Central Bank of Lesotho as at 31 December 2014, and its financial performance and its cash flows for the year then ended 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.

Report on Other legal and Regulatory Requirements
The annual financial statements have been prepared in accordance with the requirements of the Central Bank of Lesotho Act No. 2 of 2000 and in compliance with the Income Tax Order of 1993 and Value Added Tax number 9 of 2001, in all material respects.

As part of our audit of the financial statements for the year ended 31 December 2014, we have read the Director's Report for the purpose of identifying whether there are material inconsistencies between this report and the financial statements. The Director's Report is the responsibility of the respective preparers. Based on reading this report we have not identified material inconsistencies between the report and the audited financial statements. However, we have not audited this report and accordingly do not express an opinion on it.

Deloitte & Touche

Deloitte & Touche
Registered Auditors
Per Stephen Munro
Partner
26 March 2015

LETACC

LETACC
Firm of Chartered Accountants and Auditors
Per Letuka Sephelane
Partner
26 March 2015

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 2014.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 'appropriate' 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 profit or loss and other comprehensive income on page 9. 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(5) of the Act. These appropriations have been fully disclosed in the statement of changes in equity on page 47. Amounts paid and due in terms of the Act were as follows:

	M '000
31 December 2014	131,166
31 December 2013	105,847

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 45.

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	Term of Office ended	Position held
Dr R. Matlanyane	January, 2012		Governor& Chairman
Dr. M.P. Makhetha	January, 2012		Deputy Governor I
Ms. M.G. Makenete	January, 2012		Deputy Governor II
Dr. P. Mangoaela	December, 2011	December 2014	Non-Executive Director
Mr. M. Posholi	December, 2011	December 2014	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
Mrs. N Foulo	December 2014		Non-Executive Director
Mrs. S Mohapi	December 2014		Non-Executive Director

5. Secretary

Name	Date of appointment	Position held
Mr. N. Rantsane (Adv.) a.i	June 2014	Acting Director of Corporate Affairs

Mr H. Sefako (Adv.) who was previously appointed as Secretary to the board in January 2014, resigned in May 2014, and Mr Rantsane 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-2015

CENTRAL BANK OF LESOTHO
STATEMENT OF FINANCIAL POSITION
as at 31 December 2014

	Notes	2014 M '000	2013 M '000
ASSETS			
Cash and balances with Banks	2	6,821,883	5,351,850
Accrued interest due from Banks	3	8,588	9,654
Investment in unit trust	4	585,415	529,311
Treasury notes and bonds	5	4,027,479	4,209,443
IMF Subscription Account	6	585,573	563,787
IMF Holding of Special Drawing Rights (SDR)	7	779,925	767,621
IMF Funded PRGF Advances	8	849,081	834,453
Lesotho Government Securities	9	582	36
Deferred currency expenditure	10	26,187	-
Loans to Staff	11	60,831	50,807
Other assets	12	14,410	33,284
Property, plant and equipment	13	282,492	237,375
Intangible assets	14	1,692	1,691
Deferred taxation	24	-	197
Total Assets		**14,044,138**	**12,589,509**
Equity and Liabilities			
Liabilities			
Notes and coins issued	15	1,165,737	1,199,622
Deposits	16	906,030	777,310
Lesotho Government Deposits		6,007,398	5,189,221
IMF Maloti Currency Holding	17	521,617	502,936
IMF Special Drawing Rights Allocation	18	551,998	531,126
IMF-PRGF Facility	19	849,081	834,453
Taxation payable	20	15,335	9,589
Due to Government of Lesotho Consolidated Fund	21	131,166	105,847
Other liabilities and long term employee benefits	22	82,702	66,264
Long-term employee benefit obligation	23	83,252	82,053
Deferred taxation	24	1,346	-
Total Liabilities		**10,315,662**	**9,298,421**
Equity			
Share capital	25	100,000	100,000
General reserve		216,555	190,322
Rand compensatory reserve		459,326	416,751
SDR revaluation reserve		78,246	67,722
Foreign exchange revaluation reserve		2,762,585	2,418,349
Property revaluation reserve		119,543	102,693
Bond /Unit trust revaluation reserve		(7,779)	(4,749)
		3,728,476	3,291,088
Total Equity and Liabilities		**14,044,138**	**12,589,509**

CENTRAL BANK OF LESOTHO
STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2014

	Notes	2014 M '000	2013 M '000
Interest income	26	467,935	372,748
Interest expense	27	(5,210)	(7,036)
Net interest income		**462,725**	**365,712**
Other income	28	25,176	29,239
Revaluation gain on foreign exchange activities		354,760	722,966
Operating profit		**842,661**	**1,117,917**
Operating expenses	29	(261,420)	(232,248)
Profit before taxation		**581,241**	**885,669**
Taxation	30	(53,793)	(42,522)
Profit for the year		**527,448**	**843,147**
Other comprehensive income:			
Bond/ unit trusts fair values			
Decrease in bond/unit trusts fair values		(4,040)	(127,436)
Tax effect		1,010	31,859
Net movement		(3,030)	(95,577)
Property revaluation reserve			
Increase in property revaluations		22,467	22,956
Tax effect		(5,617)	(5,739)
Net movement		16,850	17,217
Rand compensatory reserve			
Increase in reserve		42,575	36,012
Tax effect		-	-
Net movement		42,575	36,012
Actuarial gains and losses on employee benefits			
Actuarial (loss)/ gain for the year		(20,386)	9,114
Tax effect		5,097	(2,279)
Net movement		(15,289)	6,835
Other comprehensive(loss)/ income for the year net of taxation		**41,106**	**(35,513)**
Total comprehensive income		**568,554**	**807,634**

CENTRAL BANK OF LESOTHO
STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2014

	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 January 01, 2013	**100,000**	**169,153**	**380,739**	**47,397**	**1,715,708**	**85,476**	**90,828**	**-**	**2,589,301**
Profit for the year	-	-	-	-	-	-	-	843,147	843,147
Transfer of foreign exchange	-	-	-	20,325	702,641	-	-	(722,966)	-
Increase in bond fair values	-	-	-	-	-	-	(95,577)	-	(95,577)
Asset revaluations for the year	-	-	-	-	-	17,217	-	-	17,217
Rand compensatory receipts	-	-	36,012	-	-	-	-	-	36,012
Actuarial fair value gain	-	-	-	-	-	-	-	6,835	6,835
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 January 01, 2014	**100,000**	**190,322**	**416,751**	**67,722**	**2,418,349**	**102,693**	**(4,749)**	**-**	**3,291,088**
Profit for the year	-	-	-	-	-	-	-	527,448	527,448
Transfer of foreign exchange translation to designated reserve	-	-	-	10,524	344,236	-	-	(354,760)	-
Decrease in bond/unit trust fair values	-	-	-	-	-	-	(3,030)	-	(3,030)
Asset revaluation for the year	-	-	-	-	-	16,850	-	-	16,850
Rand compensatory receipts	-	-	42,575	-	-	-	-	-	42,575
Actuarial fair value loss	-	-	-	-	-	-	-	(15,289)	(15,289)
Transfer to general reserve	-	26,233	-	-	-	-	-	(26,233)	-
Dividends	-	-	-	-	-	-	-	(131,166)	(131,166)
Total Changes	-	26,233	42,575	10,524	344,236	16,850	(3,030)	-	437,388
Balance at December 31, 2014	**100,000**	**216,555**	**459,326**	**78,246**	**2,762,585**	**119,543**	**(7,779)**	**-**	**3,728,476**

CENTRAL BANK OF LESOTHO
STATEMENT OF CASH FLOWS
for the year ended 31 December 2014

	Notes	2014 M '000	2013 M '000
Cash flows from operating activities			
Cash generated from operations	31	1,078,503	1,520,696
Interest income	26	467,935	372,748
Interest expense	27	(5,210)	(7,036)
Tax paid		(46,014)	(39,501)
Rand compensatory reserve		42,575	36,012
Payments to Government of Lesotho Consolidated Fund	21	(105,847)	(53,952)
Net cash from operating activities		**1,431,942**	**1,828,967**
Cash flows from investing activities			
Purchase of property, plant and equipment	13	(36,023)	(5,863)
Sale of property, plant and equipment	13, 28	759	2,509
(Increase) in deferred currency expenditure	10	(26,187)	-
Purchase of intangible assets	14	(737)	(2,457)
(Increase)/decrease in other assets	12	18,874	(16,142)
(Increase)/Decrease in loans to staff	11	(10,024)	(8,822)
(Increase)/Decrease in Lesotho Government securities	9	(546)	(21)
(Increase)/Decrease in Treasury notes, bonds and unit trust		125,860	(784,137)
Net cash from investing activities		**71,976**	**(814,933)**
Cash flows from financing activities			
Movements in notes and coins	15	(33,885)	200,118
Total cash movement for the year		**1,470,033**	**1,214,152**
Cash at the beginning of the year		5,351,850	4,137,698
Total cash at end of the year	**2**	**6,821,883**	**5,351,850**

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 appropriate 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, land and buildings 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 reserves in equity. Decreases that offset previous increases of the same asset are charged against property revaluation 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 for the year ended December 2014. All other items of property, plant and equipment were last valued at 31 December 2010 as they are not consider material

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.

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 property revaluation reserves are transferred to profit and loss.

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.

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 profit and loss and other comprehensive income. Financial assets carried at fair value through statement of profit and loss and other comprehensive income are initially recognised at fair value, and transaction costs are expensed in the profit and loss. 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 profit and loss 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 profit and loss and other comprehensive income as part of other income. Dividends on available-for-sale equity instruments are recognised in the profit and loss 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 profit and loss and other 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 profit and loss and other 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 profit and loss. An impairment loss in respect of an equity instrument classified as available- for-sale is not reversed through the statement of profit and loss and other comprehensive income.

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.

1.3 Financial instruments (continued)

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.

1.3 Financial instruments (continued)

When a loan is uncollectable, 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.

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 profit and loss and other 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.

1.4 Current and deferred income tax (continued)

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 profit and loss and other 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 profit and loss and other 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.

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.

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.

1.8 Employee benefits (continued)

(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 average of the annual salary of the last three years multiplied 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 other comprehensive income.

(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.

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.

Interest income and expenses are recognised in the statement of profit and loss and other 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 profit and loss and other comprehensive income and then transferred to the statement of changes in equity under foreign currency reserves as required by the Central Bank of Lesotho Act, of 2000.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of profit and loss and other 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.

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 0.015% and the Holdings account earns interest income of 0.015%. 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. In the current period, the significant reclassifications relate to the application of IAS 19 Employee Benefits as amended. There was no impact on the statement of financial position and the statement of cash flows. The gains/ losses on employment benefits valuation has now been disclosed under other comprehensive income as opposed to operational expenses in previous years. The impact on the total comprehensive income is nil.

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.

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 SDR Revaluation Reserve Account. The profits or losses arising from such change are included in the statement of profit and loss and other 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.

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 2014, if the currency had weakened/strengthened by 5% against the functional currencies, the Bank's foreign assets would have been 2.02% 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 31 December 2014, if interest rates had fallen by 1%, the Bank's revenue would decline by 20%, 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 36 to 51.

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, there was an increase in the issued share capital and further allocations were made.

1.28 IMF Currency Holding Account

The IMF Holdings of Maloti are represented by the Non-Interest Bearing Note of SDR15,013,764 (2013: SDR18,045,087) issued by the Government of Lesotho (GOL) 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 securities 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 in IMF website.

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 leave, severance and gratuity obligations have been valued using the Projected Unit Credit discounted cashflow method. This method was used to determine the past-service liabilities at the valuation date and projected annual expenses in the year following the valuation date.

The key assumptions used in the calculations are economic and demographic assumptions, withdrawal and mortality rates. In the valuation the real discount rate of 0.58% pa has been used.

The assets and liabilities relating to the employees of the company cannot be separately determined and is therefore treated as defined contribution plan. Refer to further disclosure in note 23 and 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.

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.

	2014 M '000	2013 M '000
2. Cash and balances with Banks		
Cash and cash equivalents		
Foreign cash on hand	1,612	1,421
Rand currency holding	94,131	30,372
Cash in transit	19,230	57,817
Total cash and cash equivalents	114,973	89,610
Current and Call Accounts:		
Foreign Banks	57,019	403,719
South African Banks	3,739,047	2,293,425
Total Current and Call Accounts	3,796,066	2,697,144
Fixed deposits (with maturity shorter than 3 months):		
Foreign Banks	1,723,275	1,465,578
South African Banks	1,187,569	1,099,518
Total Fixed deposits (with maturity shorter than 3 months)	2,910,844	2,565,096
Balances with banks (with maturity shorter than 3 months)	6,706,910	5,262,240
Total cash and balances with Banks	6,821,883	5,351,850
3. Accrued interest due from Banks		
Accrued interest receivable:		
ZAR call accounts	571	355
ZAR fixed deposit accounts	7,777	9,159
Foreign call and fixed deposit accounts	240	140
	8,588	9,654

4. Investment in unit trust

2014	Available for sale	Total
Unit trusts at fair value	585,415	585,415
2013	Available for sale	Total
Units trusts at fair value	529,311	529,311

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 134.572551 (2013: 376,076 at 133.926213).

	2014 M '000	2013 M '000

5. Treasury notes and bonds

2014

	At fair value through profit and loss	Available-for-sale	Total
US Bonds at fair value	1,092,501	695,895	1,788,396
ZAR Bonds at fair value	-	2,191,722	2,191,722
US Bonds accrued interest	2,194	1,210	3,404
ZAR Bonds accrued interest	-	43,957	43,957
	1,094,695	**2,932,784**	**4,027,479**

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**

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 Subscription Account

	2014 M '000	2013 M '000
Balance at beginning of year	563,787	419,094
Exchange revaluation	21,786	144,693
Balance at end of year	**585,573**	**563,787**

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 0.0595997 (2013: 34,900,000 at 0.0619028).

7. IMF Holding of Special Drawing Rights (SDR)

	2014 M '000	2013 M '000
Balance at beginning of year	767,621	455,132
Net transactions - (decrease) / increase in rights	(17,384)	130,808
Exchange revaluation	29,688	181,681
Balance at end of year	**779,925**	**767,621**

The value of SDR 46,483,342 (2013: SDR 47,517,906) allocated by the International Monetary Fund less utilisation is converted at 0.0595997 (2013:0.0619028).

	2014	2013
	M '000	M '000

8. IMF Funded PRGF Advances

	2014 M '000	2013 M '000
Balance at beginning of year	834,453	504,895
Paid during the year	(17,641)	(23,803)
Received during the year	-	154,517
Exchange revaluation	32,269	198,844
Balance at end of year	849,081	834,453

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

	2014 M '000	2013 M '000
Maturing within 1 month	582	36

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

10. Deferred currency expenditure

	2014 M '000	2013 M '000
Balance at beginning of year	-	-
Expenditure incurred	36,891	-
Amortised during the year	(10,704)	-
Balance at end of year	26,187	-

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

11. Loans to staff

	2014 M '000	2013 M '000
Housing loans	25,040	20,163
Car loans	20,027	15,448
Furniture loans	1,101	1,110
Other loans and advances	14,663	14,086
	60,831	**50,807**

12. Other assets

	2014 M '000	2013 M '000
Cheques for collection and uncleared items	2,300	10,198
Other prepayments	4,458	14,469
Other receivables	7,652	8,617
	14,410	**33,284**

13. Property, plant and equipment

		2014 M '000			2013 M '000	
	Cost / Valuation	**Accumulated depreciation**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation**	**Carrying value**
CBL land and buildings	89,522	(12,638)	76,884	81,239	(11,304)	69,935
Lehakoe land and buildings	129,548	(14,383)	115,165	114,417	(12,375)	102,042
Residential land & buildings	12,652	(1,363)	11,289	13,491	(1,124)	12,367
Housing furniture	531	(502)	29	534	(479)	55
Office furniture	8,638	(5,940)	2,698	7,858	(5,863)	1,995
LRCC furniture	3,793	(3,308)	485	3,710	(3,208)	502
Motor vehicles	10,997	(8,369)	2,628	11,633	(7,125)	4,508
Office equipment	33,043	(27,490)	5,553	40,469	(32,839)	7,630
IT equipment	19,327	(12,600)	6,727	14,321	(10,943)	3,378
Sports and music	9,058	(7,361)	1,697	233	(233)	-
Housing equipment	211	(186)	25	190	(190)	-
Security equipment	17,999	(9,180)	8,819	16,950	(7,580)	9,370
Work in progress	50,493	-	50,493	25,593	-	25,593
Total	**385,812**	**(103,320)**	**282,492**	**330,638**	**(93,263)**	**237,375**

13. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Disposals	Transfers	Revaluations	Depreciation	Total
CBL land and buildings	69,935	108	-	-	8,175	(1,334)	76,884
Lehakoe land and buildings	102,042	-	-	-	15,131	(2,008)	115,165
Residential land and buildings	12,367	-	-	-	(839)	(239)	11,289
Housing furniture	55	-	(6)	-	-	(20)	29
Office furniture	1,995	156	(50)	1,078	-	(481)	2,698
Motor vehicles	4,508	-	-	-	-	(1,880)	2,628
Office equipment	7,630	902	(5)	(716)	-	(2,258)	5,553
IT equipment	3,378	2,862	(9)	2,805	-	(2,309)	6,727
LRCC furniture	502	83	-	-	-	(100)	485
Sports and music equipment	-	-	-	2,287	-	(590)	1,697
Housing equipment	-	29	-	-	-	(4)	25
Security equipment	9,370	1,529	-	-	-	(2,080)	8,819
Work in progress	25,593	30,354	-	(5,454)	-	-	50,493
	237,375	**36,023**	**(70)**	**-**	**22,467**	**(13,303)**	**282,492**

13. Property, plant and equipment

	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 vehicle	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 & 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
Work in progress	25,593	30,354		-	(5,454)	-	-	50,493
	217,954	**5,863**	**(504)**	**-**	**24,653**	**(9,309)**	**(1,282)**	**237,375**

14. Intangible assets

	2014			2013		
	Cost / Valuation	**Accumulated amortisation**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation**	**Carrying value**
Computer software	23,305	(21,613)	1,692	22,568	(20,877)	1,691

Reconciliation of intangible assets - 2014

	Opening balance	Additions	Amortisation	Total
Computer software	1,691	737	(736)	1,692

Reconciliation of intangible assets - 2013

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

15. Notes and coins issued

Notes	1,148,648	1,180,893
Coins	17,089	18,72
	1,165,737	**1,199,622**

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

Deposits from Banks - Non-interest bearing		
Banks	565,095	442,211
Other Deposits - Non-interest bearing		
International Institutions	3,874	2,022
Parastatals and others	337,061	333,077
	906,030	**777,310**

17. IMF Maloti Currency Holding

Securities account	251,910	291,507
General resources account	269,707	211,429
	521,617	**502,936**

18. IMF Special Drawing Rights Allocation

Balance at beginning of year	531,126	394,816
Exchange revaluation	20,872	136,310
Balance at end of year	**551,998**	**531,126**

Lesotho's allocation by IMF of SDR32,878,186 is converted at 0.0595997 (2013:0.0619028)

	2014 M '000	2013 M '000
19. IMF-PRGF Facility		
Balance at beginning of year	834,453	504,895
Paid during the year	(17,641)	(23,803)
Received during the year	-	154,517
Exchange revaluation	32,269	198,844
	849,081	**834,453**

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 SDR 50,605,000, converted at 0.0595997 as at 31 December 2014 (2013: SDR 51,655,000 at 0.0619028). The loan has been on-lent as per note 8. Interest expense and exchange rate differences are borne by the Government of Lesotho.

	2014 M '000	2013 M '000
20. Taxation payable/(receivable)		
Balance at beginning of year	9,589	8,617
Paid during the year	(46,014)	(39,501)
Current year charge	51,760	40,473
Balance at end of year	**15,335**	**9,589**
21. Due to Government of Lesotho Consolidated Fund		
Balance at beginning of year	105,847	53,952
Paid during the year	(105,847)	(53,952)
Profit appropriations for the current year	131,166	105,847
Balance at end of year	**131,166**	**105,847**

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.

	2014 M '000	2013 M '000
Profit after tax appropriates as follows:		
Profit after tax (after actuarial (loss)/gain)	512,159	849,982
Gain on foreign exchange activities	(354,760)	(722,966)
Profit after tax net of gain on foreign exchange activities	157,399	127,016
Transfer to General Reserve	(26,233)	(21,169)
	131,166	**105,847**
22. Other liabilities and long term employee benefits		
Donations - Referral Hospital	48,214	46,207
Divisional cheques accounts	1,153	1,791
Other	2,397	3,591
Various accruals	30,938	14,675
	82,702	**66,264**

	2014 M '000	2013 M '000

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.

23. Long-term employee benefit obligation

	2014 M '000	2013 M '000
Provision for severance pay		
Opening obligation	23,209	21,758
Interest cost	1,745	1,695
Current service cost	1,974	2,696
Actuarial (loss)/gain	861	(876)
Benefits paid	(4,880)	(2,064)
Closing obligation	22,909	23,209
Provision for gratuity		
Opening obligation	58,844	67,415
Interest cost	3,958	5,057
Current service cost	4,255	5,278
Actuarial loss/(gain)	16,728	(8,238)
Benefits paid	(23,442)	(10,668)
Closing obligation	60,343	58,844
Total	**83,252**	**82,053**

Net expense recognised in profit and loss (inclusive of leave pay provision)

	2014 M '000	2013 M '000
Current service cost	**6,229**	**7,974**
Interest cost	5,782	6,751
	12,011	**14,725**

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:

	2014 M '000	2013 M '000
Deferred tax asset/(liability)	(1,346)	**197**

Reconciliation of deferred taxation

	2014 M '000	2013 M '000
Balance at beginning of year	**197**	**(21,473)**
Movements in profit and loss	(3,064)	**(4,328)**
Movements in equity	1,521	**25,998**
Balance at end of year	**(1,346)**	**197**

	2014 M '000	2013 M '000
Reconciliation of deferred taxation		
Accelerated capital allowance for tax purposes	**280**	**(1,161)**
Liabilities for Health care benefits accrued	**(21,723)**	**(20,794)**
Deferred expenses	**423**	**4,000**
Bond/unit trust revaluation reserve	**(2,593)**	**(1,583)**
Property revaluation reserve	**24,959**	**19,735**
Balance at end of year	**1,346**	**197**

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

Foreign currency deposits	**296,250**	**195,685**
Interest on treasury bills	773	**460**
Interest on bonds	170,912	**176,603**
	467,935	**372,748**

27. Interest expense

Parastatals and Government deposits	17	13
Local bank deposits	-	93
IMF SDR allocation account	513	368
Interest on bonds	4,680	6,562
	5,210	**7,036**

28. Other income

Rental income	241	157
Profit on sale of bonds	4,273	4,951
Interest on staff loans	1,042	848
Lehakoe proceeds	11,439	15,294
Other income	1,263	1,233
Gain on instruments designated as fair value through profit and loss	6,229	4,751
Profit on sale of fixed assets	689	2,005
	25,176	**29,239**

	2014 M '000	2013 M '000
29. Operating costs and expense per nature		
Administration and other expenses	**65,992**	**58,336**
Auditor's remuneration	**1,981**	**1,895**
Deferred currency expense amortised	**10,704**	**-**
Intangible assets amortised	**736**	**5,384**
Depreciation and impairments	**13,303**	**10,591**
Property, plant and equipment maintenance expenses	**14,722**	**13,147**
Loss on revaluation of treasury notes and bonds	**6,459**	**5,225**
Personnel costs:		
Staff welfare expenses	17,846	15,505
Non-executive directors' fees	1,050	691
Executive directors' salaries	5,271	5,024
Key management (heads of departments)	8,075	6,653
Staff salaries and expenses	97,910	90,138
Pension fund contributions	5,360	4,934
Gratuity and severance pay (interest and service cost)	12,011	14,725
	261,420	**232,248**
30. Taxation		
Major components of the taxation expense		
Current		
Normal taxation for the year	56,857	38,194
Deferred		
Deferred taxation arising on other profit and loss items	(3,064)	4,328
	53,793	**42,522**
Included in other Comprehensive income		
Tax on Actuarial gain/ (loss)	**(5,097)**	**2,279**
Reconciliation of the taxation expense		
Chargeable profit (before foreign exchange gain/loss and after actuarial gain/loss)	206,095	174,871
Statutory tax rate	25%	25%
Permanent differences:		
Donations	4.45 %	3.12 %
50 % Entertainment	9.58 %	0.32 %
Training expenses additional 25%	(6.71)%	(0.83)%
Other	(8.69)%	(1.54)%
Effective tax rate	**23.63 %**	**26.07 %**

	2014	2013
	M '000	M '000
31. Cash generated from operations		
Profit before taxation	560,855	894,783
Adjustments for:		
Depreciation	13,303	10,591
Deferred computer software amortised	**736**	**5,384**
Profit on sale of assets	**(689)**	**(2,005)**
Interest income	**(467,935)**	**(372,748)**
Interest expense	**5,210**	**7,036**
Deferred currency amortisation	10,704	-
Actuarial losses	20,386	(9,114)
Loss on revaluation of treasury bills and bonds	6,459	5,225
Unrealised exchange rate fluctuation	(41,589)	(444,731)
Movement in deposits	946,897	1,311,100
Movement in accrued interest	1,066	(4,673)
Changes in IMF Maloti currency holding	18,681	128,185
Changes in IMF subscription account	(21,786)	(144,693)
Other liabilities and long term employee benefits	17,637	46
Changes in IMF Special Drawing Rights Holding	8,568	136,310
	1,078,503	**1,520,696**

32. Commitments

Contracted	27,000	45,500

These capital commitments are in respect of professional fees for the Bank's extension which will be funded from internal resources in 2015.

Uncontracted	228,556	88,843

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 extension of the Bank's Building Project and software for core banking and ERP systems.

33. Post retirement obligation

Total employer contributions	5,360	4,934

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 separately 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 M4.5 million. The Bank's lawyers and management hold a strong view that these cases leveled against the Bank are weak.

		2014	2013
		M '000	M '000

35. Related parties transactions/ balances

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.

		2014 M '000	2013 M '000
Gross advances made during the year to:	Car loans	4,596	4,200
Heads of Departments and Division Heads	Furniture loans	99	87
	Housing loans	1,454	464
Balances due at end of December:			
Heads of Departments and Division Heads	**Car loans**	7,558	3,777
	Furniture loans	102	83
	Housing loans	7,314	4,882
General Staff	Car loans	12,469	11,671
	Furniture loans	999	1,027
	Housing loans	17,726	15,281
General Staff and Heads of Department	Other loans	14,663	14,086
Interest charged for the year:			
Heads of Departments and Division Heads	Car loans	98	56
	Furniture loans	13	3
	Housing loans	104	70

During the current year, The Governor was advanced a furniture and car loan amounting to M50,000 and M147,233 respectively. At year end, the furniture loan had a balance of M41,666 while the car loan had a balance of M100,959.

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.

Annual remuneration to key management which includes car allowances and housing allowances:	2014 M '000	2013 M '000
Executive Directors' salaries	5,271	5,024
Key management salaries	8,075	6,653

	2014	2013
	M '000	M '000

36. Financial assets by category

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

2014
M '000

Financial assets	Loans and receivables	Available for sale	Assets at fair value through profit and loss	Total
Cash and balances with Banks	6,821,883	-	-	6,821,883
Accrued interest due from Banks	8,588	-	-	8,588
Unit trusts	-	585,415	-	585,415
Treasury notes and bonds	-	2,932,784	1,094,695	4,027,479
IMF Subscription Account	585,573	-	-	585,573
IMF Holding of Special Drawing Rights	779,925	-	-	779,925
IMF Funded PRGF Advances	849,081	-	-	849,081
Lesotho Government Securities	582	-	-	582
Loans to staff	60,831	-	-	60,831
	9,106,463	**3,518,199**	**1,094,695**	**13,719,357**

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
Treasury bills	-	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**

	2014	2013
	M '000	M '000

37. Financial liabilities by category

2014

M '000

	Financial liabilities at amortised cost	Total
Notes and coins issued	**1,165,737**	**1,165,737**
Deposits	**906,030**	**906,030**
Lesotho Government Deposits	**6,007,398**	**6,007,398**
IMF Maloti Currency Holding	**521,617**	**521,617**
IMF Special Drawing Rights Allocation	**551,998**	**551,998**
IMF PRGF Facility	**849,081**	**849,081**
	10,001,861	**10,001,861**

	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**

38. Operating lease

Amount receivable within 12 months	241	151
Amount receivable within 13 to 24 months	482	332
	723	**483**

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:

	2014	2013
	M '000	M '000

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 2014	Value of Currency 000	Exchange Rate	Maloti Equivalent M'000
Cash and balances with Banks	-	-	6,821,883
South Africa	5,260,475	1.0000	5,260,475
United States	106,596	11.5665	1,232,944
Botswana	543	1.2166	660
England	18,521	18.0200	333,470
European Union	144	14.0620	2,019
Switzerland	60	11.6961	700
IMF	46,483	16.7530	778,735
Treasury notes, bonds and unit trusts			
South Africa	2,235,679	1.0000	2,235,679
United States	154,907	11.5665	1,791,730
Unit trust - US Dollar based	50,613	11.5665	585,415

	Value of Currency 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**	**14.4722**	**350,107**
Switzerland	**22**	**11.7992**	**259**
	-	**-**	**36**
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

	2014	2013
	M '000	M '000

39. Risk management (continued)

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 counterpart 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.

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.

39. Risk management (continued)

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

Credit risk analysis

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

2014

Cash	Carrying amount M'000	Maximum exposure M'000	Held in Denomination	Type of collateral held	Credit rating
ZAR	113,361	113,361	ZAR	none	n/a
USD	1,238	1,238	USD	none	n/a
GBP	251	251	GBP	none	n/a
EUR	123	123	EUR	none	n/a
	114,973	**114,973**			

Current and call account	Carrying amount M'000	Maximum exposure M'000	Held in Denomination	Type of collateral held	Credit rating
ABSA Bank	20,897	20,897	ZAR	none	P2/Baa2
B.I.S	41	41	EUR	none	Supranational
B.I.S	930	930	GBP	none	Supranational
B.I.S	960	960	USD	none	Supranational
Bank of N.Y	21,257	21,257	ZAR	none	P-1/Aa2
Bank of England	914	914	GBP	none	P-1/Aa1
Bank of N.Y	30	30	USD	none	P-1/Aa2
Bank of N.Y RAMP	233	233	ZAR	none	P-1/Aa1
BankTrust	478	478	USD	none	P-1/A2
Citi Bank SA	21,556	21,556	ZAR	none	P-2/A3
Citi N.Y	4,433	4,433	USD	none	P-2/A3
Commerz	1,184	1,184	EUR	none	P-2/Baa1
Crown Agents	140	140	GBP	none	F1/A Fitch
Crown Agents	60	60	USD	none	F1/A Fitch
Deutsche Bundesbank	671	671	EUR	none	P-1/A2
Federal Reserve Bank of N.Y	2,063	2,063	USD	none	Aaa
First Rand	7,442	7,442	ZAR	none	P-2/Baa1
Investec Bank	63,146	63,146	ZAR	none	P-2/Baa1
Nedbank	3,348	3,348	ZAR	none	P-2/Baa1
South African Reserve Bank	3,639,411	3,639,411	ZAR	none	Baa1
Standard Chartered Botswana	341	341	BWP	none	n/a
Standard Chartered London	660	660	GBP	none	P-1/A1
Standard Merchant	4,626	4,626	ZAR	none	P-2/Baa1
Swiss Bank	700	700	CHF	none	Baa3
	3,796,066	**3,796,066**			

39. Risk management (continued)

Fixed deposits	Carrying amount M'000	Maximum exposure M'000	Held in Denomination	Type of collateral held	Credit rating
ABSA Bank	101,518	101,518	ZAR	none	P2/Baa2
Crown Agents	425,391	425,391	GBP	none	F1/A Fitch
Crown Agents	162,269	162,269	ZAR	none	F1/A Fitch
FedralReseve N.Y	124,918	124,918	USD	none	Aaa
Firstrand	370,350	370,350	USD	none	P2/Baa2
Investec	405,836	405,836	ZAR	none	P2/Baa2
NedBank	208,304	208,304	ZAR	none	P-3/Baa3
Standard Bank PLC	430,172	430,172	ZAR	none	P-3/Baa3
Standard Bank PLC	365,483	365,483	USD	none	P-3/Baa3
Standard Bank SA	101,561	101,561	USD	none	P-3/Baa3
Standard Chartered London	144,197	144,197	USD	none	P1/A1
World Bank	70,845	70,845	ZAR	none	Supranational
	2,910,844	**2,910,844**			

Accrued interest due from Banks	Carrying amount M'000	Maximum exposure M'000	Held in Denomination	Type of collateral held	Credit rating
ABSA	480	480	ZAR	none	P2/Baa2
Citibank SA	1	1	ZAR	none	P-1/A2
Crown Agents	2,333	2,333	GBP	none	F1/A Fitch
Crown Agents	31	31	ZAR	none	F1/A Fitch
Firstrand	127	127	ZAR	none	P2/Baa2
Firstrand	1	1	ZAR	none	P2/Baa2
Investec	2,380	2,380	ZAR	none	P2/Baa2
Nedbank	10	10	ZAR	none	P2/Baa2
South African Reserve Bank	559	559	ZAR	none	Baa1
Standard Bank SA	392	392	USD	none	P2/Baa2
Standard Bank PLC	170	170	USD	none	P-3/Baa3
Standard Chartered London	39	39	USD	none	P-1/Aa2
Standard Bank PLC	2,065	2,065	ZAR	none	P-3/Baa3
	8,588	**8,588**			

39. Risk management (continued)

Treasury notes, bonds and unit trusts	Carrying amount M'000	Maximum exposure M'000	Held in Denomination	Type of collateral held	Credit rating
South Africa	2,235,679	2,235,679	ZAR	none	Baa1
United States-BIS	585,415	585,415	USD	none	Aaa
United States-RAMP	1,094,695	1,094,695	USD	none	Aaa
United States	697,105	697,105	USD	none	Aaa
	4,612,894	**4,612,894**			

Loans to staff	Carrying amount M'000	Maximum exposure M'000	Held in Denomination	Type of collateral held	Credit rating
Housing Loans	25,040	25,040	LSL	Title deeds	n/a
Car loans	20,027	20,027	LSL	Terminal Benefits	n/a
Furniture loans	1,101	1,101	LSL	Terminal Benefits	n/a
Other loans and advances	14,663	14,663	LSL	Terminal Benefits	n/a
	60,831	**60,831**			

2013

Cash	Carrying amount M'000	Maximum exposure M'000	Held in Denomination	Type of collateral held	Credit rating
ZAR	30,372	25,040	ZAR	Title deeds	n/a
USD	1,291	1,291	USD	none	n/a
EUR	130	130	EUR	none	n/a
	31,793	**31,793**			

39. Risk management (continued)

Current and call accounts	Carrying amount M'000	Maximum exposure M'000	Held in Denomination	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	none	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
BankTrust	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 Denomination	Type of collateral held	Credit rating
ABSA Bank					
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 Denomination**	**Type of collateral held**	**Credit rating**
ABSA	1,301	1,301	ZAR	none	P-2/Baa1
Citibank	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
Firstrand	5	5	USD	none	P-2/Baa1
Investec	2,154	2,154	ZAR	none	P-2/Baa1
Nedbank	367	367	ZAR	none	P-2/Baa1
South African Reserve Bank	351	351	ZAR	none	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 Denomination**	**Type of collateral held**	**Credit rating**
South Africa	2,542,487	2,542,487	ZAR	none	Baa1
Unites 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 Denomination**	**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**			

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.

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

39. Risk management (continued)

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 December 31, 2014

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)

	December 31, 2014		December 31, 2013	
Currency	**Portfolio level**	**Exchange rate**	**Portfolio level in %**	**Portfolio level**
ZAR	7,496,154	1.00	6,476,107	1.00
USD	312,116	11.57	299,446	10.51
EUR	143	14.06	24,192	14.47
GBP	18,521	18.02	7,330	17.37
BWP	543	1.22	134	1.20
CHF	60	11.70	22	11.80
SDR	46,483	16.75	47,518	16.18

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

		December 31, 2014	
Currency	**Portfolio level**	**Portfolio level in %**	**Exchange rate**
ZAR	7,496,154	61.33 %	1.00
USD	3,610,090	29.54 %	11.57
EUR	2,019	0.02 %	14.06
GBP	333,740	2.73 %	18.02
BWP	660	0.01 %	1.22
CHF	700	0.01 %	11.70
SDR	778,735	6.37 %	16.75
	12,222,098	**100 %**	

39. Risk management (continued)

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

	December 31, 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
	10,869,948	**100 %**	

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

			December 31, 2014	
Currency	**Portfolio level**	**Portfolio level in %**	**Level change**	**Exchange rate**
ZAR	7,496,154		-	1.00
USD	3,790,595	30.43 %	(180,505)	12.14
EUR	2,120	0.02 %	(101)	14.77
GBP	350,427	2.81 %	(16,687)	18.92
BWP	693	0.01 %	(33)	1.28
CHF	735	0.01 %	(35)	12.28
SDR	817,672	6.56 %	(38,937)	17.59
	12,458,396	**100 %**		

% Change 1.93%

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**
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 %**		

39. Risk management (continued)

% Change 2.02%

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

		December 31, 2014		
Currency	**Portfolio level**	**Portfolio level in %**	**Level change**	**Exchange rate**
ZAR	7,496,153	62.84 %	-	1.00
USD	3,429,586	28.61 %	180,505	10.99
EUR	1,918	0.02 %	101	13.36
GBP	317,053	2.65 %	16,687	17.12
BWP	627	0.01 %	33	1.16
CHF	665	0.01 %	35	11.11
SDR	739,799	6.17 %	38,937	15.92
	11,985,801	**100 %**		

% Change - (1.93%)

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

		December 31, 2013		
	Portfolio level	**Portfolio level in %**	**Level change**	**Exchange rate**
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)

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.

2014

Currency	Cash	0 to 6 months	6 months to 1 year	1 year to 5 years	More than 5 years	Total
	2014 M '000	2014 M '000	2014 M '000	2014 M '000	2014 M '000	2014 M '000
ZAR	113,361	5,147,113	-	852,443	1,383,237	7,496,154
USD	1,238	1,485,096	328,282	1,795,474	-	3,610,090
EUR	123	1,896	-	-	-	2,019
GBP	251	333,489	-	-	-	333,740
Other	-	780,095	-	-	-	780,095
Total	**114,973**	**7,747,689**	**328,282**	**2,647,917**	**1,383,237**	**12,222,098**

Base case yields	0-6 mnth	6 mnth - 1yr	1-5 yr	5yr+
ZAR	6.21 %	6.65 %	7.63 %	7.25 %
USD	0.48 %	0.59 %	0.71 %	- %
EUR	0.10 %	- %	- %	- %
GBP	0.70 %	- %	- %	- %
Other	- %	- %	- %	- %

100 Basis points increase in yields	0-6 mnth	6 mnth - 1yr	1-5 yr	5yr+
ZAR	7.21 %	7.65 %	8.63 %	8.25 %
USD	1.48 %	1.59 %	1.71 %	1.00 %
EUR	1.10 %	- %	- %	- %
GBP	1.70 %	- %	- %	- %
Other	1.00 %	- %	- %	- %

100 Basis points decrease in yields	0-6 mnth	6 mnth - 1yr	1-5 yr	5yr+
ZAR	5.21 %	5.65 %	6.63 %	6.25 %
USD	- %	- %	- %	- %
EUR	- %	- %	- %	- %
GBP	- %	- %	- %	- %
Other	- %	- %	- %	- %

39. Risk management (continued)

Nominal return in base case yields	**0-6 mnth**	**6 mnth - 1yr**	**1-5 yr**	**5yr+**		
	M'000	**M'000**	**M'000**	**M'000**		
ZAR	319	-	65	100		
USD	7	2	13	-		
EUR	-	-	-	-		
GBP	2	-	-	-		
Other	-	-	-	-	Nominal Income	% Change
	-	-	-	-	509	-

Nominal return in increasing yields	**0-6 mnth**	**6 mnth - 1yr**	**1-5 yr**	**5yr+**		
	M'000	**M'000**	**M'000**	**M'000**		
ZAR	371	-	74	114		
USD	22	5	31	-		
EUR	-	-	-	-		
GBP	6	-	-	-		
Other	8	-	-	-	Nominal Income	% Change
	-	-	-	-	630	24

Nominal return in decreasing yields	**0-6 mnth**	**6 mnth - 1yr**	**1-5 yr**	**5yr+**		
	M'000	**M'000**	**M'000**	**M'000**		
ZAR	268	-	56	86		
USD	-	-	-	-		
EUR	-	-	-	-		
GBP	-	-	-	-		
Other	-	-	-	-	Nominal Income	% Change
	-	-	-	-	411	(19)

Sensitivity: For a 1 percentage increase in yields, Income increases by 24%
For a 1 percentage decrease in yields, income decreases by -19 %

39. Risk management (continued)

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

100 Basis points increase in yields	**0-6 mnth**	**6 mnth - 1yr**	**1-5 yr**	**5yr+**
ZAR	7.35 %	9.50 %	9.50 %	8.50 %
USD	1.75 %	1.40 %	1.46 %	0.46 %
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 %	.44 %
USD	- %	- %	- %	- %
EUR	- %	- %	- %	- %

Nominal return in base case yields	**0-6 mnth**	**6 mnth - 1yr**	**1-5 yr**	**5yr+**		
	M'000	**M'000**	**M'000**	**M'000**		
ZAR	270	9	52	110		
USD	9	1	8	-		
GBP	1	-	-	-		
EUR	1	-	-	-		
	-	-	-	-	460,201	-

Nominal return in increasing yields	**0-6 mnth**	**6 mnth - 1yr**	**1-5 yr**	**5yr+**		
	M'000	**M'000**	**M'000**	**M'000**		
ZAR	313	10	58	128		
USD	20	4	25	-		
GBP	5	-	-	-		
EUR	2	-	-	-		
Other	8	-	-	-	Nominal Income	% Change
	-	-	-	-	569	24

39. Risk management (continued)

Nominal return in decreasing yields	**0-6 mnth**	**6 mnth - 1yr**	**1-5 yr**	**5yr+**		
	M'000	**M'000**	**M'000**	**M'000**		
ZAR	228	8	46	95		
GBP	-	-	-	-		
EUR	-	-	-	-		
Other	-	-	-	-	Nominal Income	% Change
	-	-	-	-	376	(18)

Sensitivity: For a 1 percentage increase in yields, income increases by 24%
For a 1 percentage decrease in yields, income decreases by -18%

2013

Currency	**Cash**	**0 to 6 months**	**6 months to 1 year**	**1 year to 5 years**	**More than 5 years**	**Total**
	2014 M '000	**2014 M '000**	**2014 M '000**	**2014 M '000**	**2014 M '000**	**2014 M '000**
ZAR	30,372	4,255,389	102,380	608,269	1,479,697	6,476,107
USD	1,290	1,160,374	261,247	1,724,052	-	3,146,963
GBP	130	349,977	-	-	-	350,107
EUR	-	127,321	-	-	-	127,321
Other	-	769,450	-	-	-	769,450
Total	**31,792**	**6,662,511**	**363,627**	**2,332,321**	**1,479,697**	**10,869,948**

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:

2014

	Redeemable on demand	Maturing within 1 month	Maturing after 1 but within 6months	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	3,911,038	2,077,658	833,187	-	-	-	6,821,883
Accrued interest due from banks	571	5,612	2,405	-	-	-	8,588
Treasury Notes, Bonds and Unit trusts	585,415	81,007	171,370	328,324	1,960,789	1,485,989	4,612,894
IMF accounts	779,925	-	-	-	-	1,434,654	2,214,579
Lesotho Government Securities	-	-	582	-	-	-	582
Loans to staff	-	-	-	14,663	21,128	25,040	60,831
Total Financial Assets	**5,276,949**	**2,164,277**	**1,007,544**	**342,987**	**1,981,917**	**2,945,683**	**13,719,357**
Financial liabilities							
Notes & coins issued	1,165,737	-	-	-	-	-	1,165,737
Deposits	906,030	-	-	-	-	-	906,030
Lesotho Government Deposits	6,007,398	-	-	-	-	-	6,007,398
IMF Accounts	1,922,696	-	-	-	-	-	1,922,696
Total Financial liabilities	**10,001,861**	**-**	**-**	**-**	**-**	**-**	**10,001,861**
Net liquidity gap	**(4,724,912)**	**2,164,277**	**1,007,544**	**342,987**	**1,981,917**	**2,945,683**	**3,717,496**

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 6months	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	-	-	-	17
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	1,922,696	-	-	-	-	-	1,922,696
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	2014 M '000	2013 M '000
40. Fair value information			
Levels of fair value measurements			
Level 1			
Assets			
Available for sale financial assets			
Bonds			
Unit trusts	5	585,415	529,311
Total available for sale financial assets		**3,518,199**	**3,682,916**
Financial assets designated at fair value through profit or loss			
Bonds	5	1,094,695	1,055,838
Total		**4,612,894**	**4,738,754**

TABLE OF CONTENTS FOR STATISTICAL APPENDIX

Table A1

GROSS DOMESTIC PRODUCT BY KIND OF ECONOMIC ACTIVITY

(2004 = 100)

Million Maloti

	2005	2006	2007	2008	2009	2010	2011	2012	2013*	2014*
Primary Sector:	**913.50**	**879.57**	**994.49**	**1099.16**	**1142.14**	**1231.42**	**1388.15**	**1395.69**	**1483.61**	**1526.75**
Agriculture	711.87	638.47	632.60	735.05	697.59	769.27	839.94	723.67	847.19	853.22
Mining & Quarrying	201.63	241.10	361.89	364.12	444.55	462.15	548.20	672.01	636.42	673.53
Secondary Sector:	**2172.96**	**2307.79**	**2356.43**	**2502.17**	**2441.33**	**2796.50**	**2629.82**	**2753.52**	**2798.84**	**2824.88**
Manufacturing	1411.05	1531.56	1563.45	1597.81	1495.09	1703.88	1503.15	1451.64	1305.44	1214.60
Electricity & Water	382.60	402.21	416.15	419.11	436.26	439.66	450.62	459.85	470.12	477.25
Building & Construction	379.31	374.02	376.83	485.25	509.98	652.95	676.05	842.04	1023.28	1133.03
Tertiary Sector:	**4399.85**	**4645.00**	**4834.99**	**5025.84**	**5326.40**	**5581.82**	**5938.29**	**6286.69**	**6623.66**	**6974.58**
Wholesale and Retail Trade, repairs	555.55	580.04	615.45	663.31	667.33	715.58	765.88	861.29	948.96	1026.97
Hotels and Restaurants	108.32	115.33	117.68	118.43	116.96	120.07	124.40	128.70	134.90	135.84
Transport & Communication	481.98	534.90	599.79	667.50	754.86	823.71	886.21	935.17	987.21	1049.53
Transport and Storage	248.40	250.06	257.27	272.31	281.76	294.01	305.47	317.81	339.79	355.94
Post and Telecommunicatios	233.57	284.84	342.52	395.19	473.10	529.70	580.74	617.36	647.42	693.59
Financial Intermediation	323.77	395.55	440.44	474.44	540.92	622.86	705.60	755.72	877.04	931.91
Real Estate & Business Services	1168.03	1185.84	1218.51	1236.83	1314.30	1283.22	1323.84	1381.96	1411.39	1452.13
Owner-occupied Dwellings	848.80	863.87	877.07	888.99	912.71	926.43	947.12	974.83	964.47	980.42
Other Real Estate & Business Services	319.23	321.97	341.45	347.84	401.59	356.78	376.72	407.13	446.93	471.71
Public Administration	873.93	916.09	946.80	974.18	962.39	1001.07	1017.93	1040.73	1008.23	1026.53
Education	640.49	662.59	641.55	631.84	695.87	736.51	748.29	741.72	749.27	773.80
Health & Social Work	151.23	155.45	153.83	156.46	169.81	174.19	258.32	331.12	391.89	460.54
Community, Social & Personal Services	96.57	99.21	100.93	102.84	103.96	104.62	107.83	110.27	114.77	117.33
GDP at Factor Cost (unadjusted)	**7486.32**	**7832.37**	**8185.90**	**8627.17**	**8909.87**	**9609.75**	**9956.25**	**10435.90**	**10906.11**	**11326.21**
Less: Imputed Bank Serv. Charg.	-56.23	-78.45	-106.82	-137.10	-162.68	-193.03	-213.60	-219.40	-225.68	-239.80
GDP at Factor Cost	**7430.09**	**7753.92**	**8079.09**	**8490.07**	**8747.19**	**9416.71**	**9742.65**	**10216.50**	**10680.43**	**11086.41**
Plus: Indirect taxes, Net	758.06	786.93	866.05	967.93	1030.90	1130.63	1231.39	1305.67	1372.22	1425.93
GDP at Market Prices	**8188.15**	**8540.86**	**8945.13**	**9458.00**	**9778.09**	**10547.34**	**10974.04**	**11522.17**	**12052.65**	**12512.35**

Source: Bureau of Statistics

* CBL Projections

Table A2

GROSS DOMESTIC PRODUCT BY KIND OF ECONOMIC ACTIVITY

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	2005	2006	2007	2008	2009	2010	2011	2012	2013*	2014*
Primary Sector:	**18.62**	**-3.71**	**13.07**	**10.53**	**3.91**	**7.82**	**12.73**	**0.54**	**6.30**	**2.91**
Agriculture	1.39	-10.31	-0.92	16.19	-5.10	10.28	9.19	-13.84	17.07	0.71
Mining & Quarrying	196.48	19.57	50.10	0.61	22.09	3.96	18.62	22.58	-5.30	5.83
Secondary Sector:	**-5.68**	**6.20**	**2.11**	**6.18**	**-2.43**	**14.55**	**-5.96**	**4.70**	**1.65**	**0.93**
Manufacturing	-11.97	8.54	2.08	2.20	-6.43	13.97	-11.78	-3.43	-10.07	-6.96
Electricity & Water	13.91	5.13	3.47	0.71	4.09	0.78	2.49	2.05	2.23	1.52
Building & Construction	3.92	-1.39	0.75	28.77	5.10	28.03	3.54	24.55	21.52	10.72
Tertiary Sector:	**2.46**	**5.57**	**4.09**	**3.95**	**5.98**	**4.80**	**6.39**	**5.87**	**5.36**	**5.30**
Wholesale and Retail Trade, repairs	6.85	4.41	6.11	7.78	0.61	7.23	7.03	12.46	10.18	8.22
Hotels and Restaurants	-1.54	6.47	2.04	0.64	-1.24	2.66	3.61	3.46	4.82	0.70
Transport & Communication	13.30	10.98	12.13	11.29	13.09	9.12	7.59	5.52	5.56	6.31
Transport and Storage	9.49	0.67	2.88	5.85	3.47	4.35	3.90	4.04	6.92	4.75
Post and Telecommunicatios	17.65	21.95	20.25	15.38	19.72	11.96	9.63	6.31	4.87	7.13
Financial Intermediation	-0.44	22.17	11.35	7.72	14.01	15.15	13.28	7.10	16.05	6.26
Real Estate & Business Services	0.27	1.52	2.76	1.50	6.26	-2.37	3.17	4.39	2.13	2.89
Owner-occupied Dwellings	1.64	1.77	1.53	1.36	2.67	1.50	2.23	2.93	-1.06	1.65
Other Real Estate & Business Services	-3.18	0.86	6.05	1.87	15.45	-11.16	5.59	8.07	9.77	5.55
Public Administration	0.87	4.82	3.35	2.89	-1.21	4.02	1.68	2.24	-3.12	1.82
Education	0.44	3.45	-3.18	-1.51	10.13	5.84	1.60	-0.88	1.02	3.28
Health & Social Work	1.21	2.80	-1.04	1.71	8.53	2.58	48.30	28.18	18.35	17.52
Community, Social & Personal Services	1.09	2.74	1.73	1.90	1.09	0.63	3.07	2.27	4.08	2.23
GDP at Factor Cost (unadjusted)	**1.60**	**4.62**	**4.51**	**5.39**	**3.28**	**7.86**	**3.61**	**4.82**	**4.51**	**3.85**
Less: Imputed Bank Serv. Charg.	-16.53	39.51	36.17	28.35	18.66	18.66	10.66	2.71	2.86	6.26
GDP at Factor Cost	**1.77**	**4.36**	**4.19**	**5.09**	**3.03**	**7.65**	**3.46**	**4.86**	**4.54**	**3.80**
Plus: Indirect taxes, Net	12.83	3.81	10.05	11.76	6.51	9.67	8.91	6.03	5.10	3.91
GDP at Market Prices	**2.70**	**4.31**	**4.73**	**5.73**	**3.38**	**7.87**	**4.05**	**4.99**	**4.60**	**3.81**

Source: Bureau of Statistics

* CBL Projections

Table A3

GROSS DOMESTIC PRODUCT BY KIND OF ECONOMIC ACTIVITY

(At Current Prices)

Million Maloti

	2005	2006	2007	2008	2009	2010	2011	2012	2013*	2014*
Primary Sector:	**1021.63**	**1128.40**	**1618.15**	**2137.16**	**1939.88**	**2141.83**	**3069.44**	**2591.56**	**2464.88**	**3023.93**
Agriculture	721.01	708.68	790.34	991.87	1024.72	1211.68	1385.39	1300.49	1571.47	1640.08
Mining & Quarrying	300.62	419.72	827.80	1145.29	915.15	930.15	1684.05	1291.07	893.41	1383.86
Secondary Sector:	**2346.81**	**2757.55**	**2874.86**	**3475.98**	**3389.13**	**3614.55**	**3700.84**	**4174.19**	**4557.15**	**4922.30**
Manufacturing	1550.38	1887.91	1956.94	2350.49	2116.84	2019.00	1915.86	1980.93	1982.91	1988.15
Electricity & Water	413.18	459.30	476.81	510.39	551.56	653.33	759.24	841.14	824.03	890.78
Building & Construction	383.25	410.34	441.12	615.10	720.73	942.22	1025.74	1352.12	1750.21	2043.38
Tertiary Sector:	**4691.26**	**5194.61**	**5986.89**	**7061.15**	**8245.95**	**8831.40**	**9795.26**	**10794.65**	**11601.67**	**13148.20**
Wholesale and Retail Trade, repairs	593.81	688.56	800.49	1017.05	1018.45	1143.84	1332.45	1614.01	1838.36	2167.08
Hotels and Restaurants	111.96	128.31	144.79	162.91	156.28	182.38	201.48	216.22	215.00	219.88
Transport & Communication	519.82	580.12	660.30	757.34	851.65	982.78	1087.48	1193.93	1284.96	1458.52
Transport and Storage	279.05	293.46	321.70	369.71	404.18	441.51	470.26	534.27	598.52	661.09
Post and Telecommunicatios	240.77	286.66	338.60	387.63	447.47	541.27	617.22	659.65	686.44	797.43
Financial Intermediation	363.20	462.37	632.82	818.43	899.49	950.58	1039.93	1120.31	1319.42	1411.86
Real Estate & Business Services	1207.72	1296.88	1433.07	1606.66	1819.92	1837.44	1991.10	2190.07	2341.90	2540.28
Owner-occupied Dwellings	877.78	947.55	1039.55	1166.51	1281.43	1339.14	1437.51	1569.03	1608.19	1723.75
Other Real Estate & Business Services	329.94	349.33	393.52	440.15	538.49	498.30	553.59	621.04	733.70	816.53
Public Administration	935.82	1014.81	1136.27	1354.30	1745.04	1813.88	1859.42	1999.46	1968.17	2383.57
Education	701.29	744.78	871.58	1005.07	1332.96	1472.95	1696.53	1713.94	1768.38	1925.68
Health & Social Work	158.64	172.44	186.96	205.06	276.25	291.95	422.16	569.07	672.56	833.38
Community, Social & Personal Services	99.00	106.33	120.61	134.34	145.90	155.60	164.71	177.65	192.92	207.94
GDP at Factor Cost (unadjusted)	**8059.70**	**9080.55**	**10479.90**	**12674.30**	**13574.95**	**14587.78**	**16565.53**	**17560.40**	**18623.71**	**21094.44**
Less: Imputed Bank Serv. Charg.	-58.88	-90.05	-170.10	-269.84	-303.92	-297.18	-304.45	-293.12	-314.96	-337.02
GDP at Factor Cost	**8000.82**	**8990.50**	**10309.80**	**12404.46**	**13271.03**	**14290.60**	**16261.08**	**17267.28**	**18308.75**	**20757.42**
Plus: Indirect taxes, Net	700.95	684.98	945.06	1066.85	1231.46	1723.92	2061.26	2305.55	2427.32	2751.96
GDP at Market Prices	**8701.76**	**9675.48**	**11254.86**	**13471.31**	**14502.49**	**16014.52**	**18322.34**	**19572.83**	**20736.07**	**23509.38**

Source: Bureau of Statistics

* CBL Projections

Table A4

SUPPLY AND DEMAND FOR RESOURCES

(At Current Prices)

Million Maloti

	2005	2006	2007	2008	2009	2010	2011	2012	2013*	2014*
Supply										
GDP at Market Prices	8701.76	9675.48	11254.86	13471.31	14502.49	16014.52	18322.34	19572.83	20736.07	23509.38
Imports of Goods & Services	10518.15	11523.46	13280.98	16237.01	16347.76	17837.99	18959.85	20192.50	21677.61	23788.36
Total supply	**19219.91**	**21198.93**	**24535.84**	**29708.32**	**30850.25**	**33852.51**	**37282.20**	**39765.33**	**42413.68**	**47297.73**
Demand										**6974.58**
Consump. Expenditure	12736.55	13937.32	15879.84	18767.24	20624.32	22479.14	24593.90	26751.10	27813.29	30859.16
Gross Fixed Capital Formation	1837.57	2083.45	2471.42	3756.05	3697.36	4413.24	4630.37	5936.67	7537.66	6353.54
Changes in Stocks	74.93	-84.93	253.44	-35.60	-0.84	243.45	-526.42	-609.51	-445.54	0.00
Exports of Goods & Services	4253.02	5181.21	6137.68	7546.79	6535.97	7106.59	8864.00	8482.89	8656.88	10078.27
Total Demand	**18902.07**	**21117.04**	**24742.37**	**30034.49**	**30856.80**	**34242.42**	**37561.86**	**40561.15**	**43562.29**	**47290.98**

Source: Bureau of Statistics

* CBL Projections

Table A5

INCOME AND OUTLAY ACCOUNT

(At Current Prices)

Million Maloti

	2005	2006	2007	2008	2009	2010	2011	2012	2013*	2014*
Income										
Dom. Factor Incomes	8000.82	8990.50	10309.80	12404.46	13271.03	14290.60	16261.08	17267.28	18308.75	20757.42
Plus: Indirect taxes, Net	700.95	684.98	945.06	1066.85	1231.46	1723.92	2061.26	2305.55	2427.32	2751.96
GDP at Market Prices	8701.76	9675.48	11254.86	13471.31	14502.49	16014.52	18322.34	19572.83	20736.07	23509.38
Factor Income from abroad, Net	**4303.95**	**4620.82**	**4839.84**	**5303.87**	**4805.67**	**4827.73**	**3853.09**	**3563.17**	**3628.77**	**3452.20**
Gross National Income	13005.72	14296.29	16094.70	18775.18	19308.16	20842.25	22175.43	23136.00	24364.84	26961.58
Transfers from abroad, Net	3027.36	3900.98	4889.07	5661.61	6042.01	4945.52	4966.39	7265.65	9052.38	8645.61
Gross National Disposable Income	16033.08	18197.27	20983.77	24436.80	25350.17	25787.77	27141.82	30401.65	33417.22	35607.19
Outlay										
Consumption	12736.55	13937.32	15879.84	18767.24	20624.32	22479.14	24593.90	26751.10	27813.29	30859.16
Gross Saving	3296.53	4259.96	5103.93	5669.55	4725.85	3308.62	2547.91	3650.55	4615.82	4748.03
Gross National Disposable Income	16033.08	18197.27	20983.77	24436.80	25350.17	25787.77	27141.82	30401.65	33417.22	35607.19
Saving - GNI ratio (%)	25.35	29.80	31.71	30.20	24.48	15.87	11.49	15.78	18.94	17.61
Saving - GNDI ratio (%)	20.56	23.41	24.32	23.20	18.64	12.83	9.39	12.01	13.81	13.33

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)

	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Maize										
Area planted	120011	132542	149242	146862	141862	151717	153348	97711	114543	145665
Share harvested	93.58	93.18	82.86	93.39	96.83	93.16	78.53	82.17	91.60	91.10
Sorghum										
Area planted	30643	29037	37352	36572	19090	35614	28296	14151	24661	24121
Share harvested	96.88	96.78	86.14	97.22	92.12	93.07	76.60	80.03	93.00	90.00
Wheat										
Area planted	11794	9166	9453	15522	21500	14088	22000	13677	11259	13745
Share harvested	88.27	99.78	96.96	99.25	99.37	97.19	98.32	88.23	96.90	99.50
Beans										
Area planted	11465	24716	26461	13594	8453	30364	22201	18626	18855	18065
Share harvested	76.62	90.18	87.19	90.06	94.32	88.55	81.66	84.41	63.50	69.50
Peas										
Area planted	2803	1973	2456	2382	3990	3131	1862	4089	2641	1939
Share harvested	66.68	100.00	75.37	91.77	100.00	67.28	70.03	57.91	56.40	33.40

Source: Bureau of Statistics

* CBL Projections

Table A7

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

	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11/01	2011/12	2012/13	2013/14
Maize										
Production	100.72	76.91	60.31	59.65	57.13	128.21	83.95	42.47	86.33	90.07
Yield	0.66	0.62	0.49	0.44	0.42	0.91	0.73	0.53	0.82	0.68
Sorghum										
Production	**18.53**	**12.19**	**7.84**	**10.19**	**10.51**	**23.83**	**13.55**	**4.67**	**20.41**	**9.84**
Yield	0.60	0.43	0.21	0.29	0.60	0.72	0.50	0.41	0.89	0.45
Wheat										
Production	2.05	2.98	1.26	2.41	4.90	20.12	16.30	10.52	13.39	12.40
Yield	0.17	0.33	0.14	0.16	0.23	1.47	0.91	0.77	1.19	0.91
Beans										
Production	2.46	0.75	1.31	4.39	3.45	8.90	1.56	5.53	3.36	2.40
Yield	2.15	0.24	0.39	1.00	0.34	0.33	0.20	0.35	0.28	0.19
Peas										
Production	0.95	0.88	0.25	0.49	0.54	1.37	2.90	5.53	0.59	0.09
Yield	3.37	4.31	1.96	3.40	0.36	0.65	0.24	0.28	0.71	0.27

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Average number employed	**52042**	**54105**	**54729**	**50686**	**45276**	**41555**	**41427**	**37051**	**33513**	**30386**
Change over previous										853.22
year (%)	-10.29	3.96	1.15	-7.39	-10.67	-8.22	-0.31	-10.56	-9.55	-9.33

Source: TEBA

Table A8.1

TOTAL NUMBER OF GOVERNMENT EMPLOYEES

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Total Number of Employees	**37908**	**39065**	**40649**	**42352**	**43259**	**43781**	**43742**	**43282**	**44246**	**44248**
Change over previous year (%)	3.70	3.05	4.05	4.19	2.14	1.21	-0.09	-1.05	2.23	0.00

EMPLOYEES IN LNDC ASSISTED COMPANIES*

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Total number of employees	43131	47462	46633	47204	46386	45595	40861	45006	47971	46424
Change over previous year (%)	-14.77	10.04	-1.75	1.22	-1.73	-1.71	-10.38	10.14	6.59	-3.22

* 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 &										693.59
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										471.71
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	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
All Items										
Food and non-alcoholic beverages	71.51	75.85	81.93	90.71	97.20	100.86	105.95	112.43	118.01	124.31
Alcoholic beverages & Tobacco	62.54	68.16	77.81	90.01	97.97	93.57	108.16	118.78	125.16	131.80
Clothing & footwear	73.77	78.31	82.63	87.11	93.16	101.89	108.31	115.77	122.26	130.19
Housing, electricity gas & other fuels	**81.41**	**83.41**	**85.84**	**91.35**	**96.55**	**100.30**	**101.80**	**102.81**	**104.45**	**108.29**
Furniture, households equipment & routine maintenance of house	74.01	80.21	86.68	99.45	100.27	102.49	114.39	123.89	137.02	147.51
Health	82.90	86.29	87.68	91.22	96.99	100.73	104.98	107.13	111.17	114.32
Transport	94.81	95.96	94.69	96.19	97.81	100.78	102.80	102.70	103.30	104.38
Communication	76.69	79.65	82.41	91.03	96.51	100.20	103.26	110.37	114.89	126.64
Recreation and culture	96.71	98.63	100.00	100.00	100.00	100.57	101.70	101.19	101.14	101.14
Education	90.01	91.25	90.49	92.32	97.80	100.81	102.47	104.52	105.46	106.75
Restaurant & Hotels	87.08	87.91	90.04	92.33	94.73	99.99	100.81	101.73	115.42	123.59
Miscellaneous goods & services	61.45	66.52	78.97	89.49	97.05	102.31	106.65	106.28	107.12	109.52
	81.63	**83.74**	**86.28**	**91.31**	**97.29**	**100.97**	**103.46**	**105.81**	**108.74**	**113.56**
% Change from the previous year										
All Items										
Food and non-alcoholic beverages	3.44	6.07	8.01	10.72	7.16	3.77	5.05	6.11	4.97	5.34
Alcoholic beverages & Tobacco	2.64	8.98	14.15	15.68	8.84	-4.49	15.58	9.82	5.37	5.31
Clothing & footwear	5.89	6.16	5.52	5.41	6.95	9.38	6.30	6.89	5.60	6.48
Housing, electricity gas & other fuels	3.09	2.45	2.92	6.42	5.69	3.88	1.50	1.00	1.59	3.67
Furniture, households equipment & routine maintenance of house	7.61	8.37	8.07	14.73	0.83	2.21	11.61	8.30	10.60	7.66
Health	2.42	4.09	1.61	4.04	6.32	3.86	4.22	2.04	3.77	2.84
Transport	2.15	1.22	-1.32	1.58	1.69	3.03	2.01	-0.10	0.59	1.04
Communication	7.72	3.86	3.46	10.47	6.02	3.82	3.05	6.88	4.10	10.23
Leisure, entertainment & Culture	1.64	1.98	1.39	0.00	0.00	0.57	1.12	-0.50	-0.05	0.00
Education	0.27	1.38	-0.83	2.02	5.94	3.08	1.65	2.00	0.90	1.22
Restaurant & Hotels	1.06	0.95	2.43	2.54	2.60	5.55	0.82	0.91	13.47	7.07
Miscellaneous goods & services	4.07	8.24	18.73	13.32	8.45	5.43	4.24	-0.35	0.79	2.24
	2.79	2.59	3.03	5.83	6.54	3.79	2.47	2.27	2.77	4.44

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)

	2005	2006	2007	2008	2009	2010	2011	2012	2013+	2014*
I CURRENT ACCOUNT	**1041.22**	**1973.85**	**2624.48**	**2767.26**	**524.68**	**-1199.98**	**-1096.55**	**-2848.56**	**1327.68**	**-1608.91**
Goods, Services and Income	-4086.90	-4192.47	-4620.60	-5795.03	-8799.42	-9012.57	-8597.32	-10114.21	10487.78	-10254.52
a) GOODS	-6270.98	-6536.48	-7111.50	-8205.33	-10359.45	-10921.26	-10172.82	-10457.2	9939.87	-10641.61
Merchandise Exports f.o.b.	4038.36	4901.27	5839.07	7196.34	6124.69	6392.68	8457.4	7999.13	8181.3	9557.38
Merchandise Imports f.o.b.	-8189.77	-9162.08	-10602.07	-12508.48	-13238.76	-14395.68	15581.69	-18456.33	-18121.17	-20198.99
b) SERVICES	-2119.57	-2275.67	-2348.50	-2893.19	-3245.39	-2918.26	-3048.53	-3220.18	-3080.86	-3065.11
c) INCOME	4303.65	4619.68	4839.40	5303.49	4805.42	4826.95	4624.03	3563.17	3628.77	3452.20
Labour Income	3768.82	4094.17	4448.64	4652.41	4536.01	4417.26	4647.76	4496.28	4410.38	4248.33
Other	534.83	525.51	390.76	651.08	269.41	409.69	-23.73	-933.11	-781.61	-796.13
d) CURRENT TRANSFERS	3008.55	3890.65	4896.58	5669.10	6078.71	4894.33	4452.23	7265.65	8064.27	8645.61
Government, net	2152.21	2944.70	4002.92	4670.13	4966.57	3712.67	3159.09	5910.65	6642.68	7179.16
SACU Receipts	2007.91	2834.65	3826.21	4548.24	4827.41	3230.75	2518.39	5005.21	5827.50	6596.56
Other	144.30	110.05	176.71	121.89	139.16	481.92	640.70	905.44	815.18	582.60
Other Sectors	856.34	945.95	893.66	998.96	1112.14	1181.67	1293.15	1355.00	1421.59	1466.45
II CAPITAL AND FINANCIAL ACCOUNT	**-692.81**	**-1920.11**	**-665.83**	**-1130.08**	**734.90**	**-353.20**	**1614.02**	**3990.33**	**2691.22**	**3276.90**
e) CAPITAL ACCOUNT	93.03	46.51	170.79	148.97	592.48	990.85	1379.35	1274.01	827.63	484.16
f) FINANCIAL ACCOUNT	-785.84	-1966.62	-836.62	-1279.05	142.42	-1344.05	234.67	2716.32	1863.59	2792.74
III RESERVE ASSETS	**-274.75**	**-1294.30**	**-1867.56**	**-2202.99**	**643.90**	**1211.38**	**-588.75**	**-1221.23**	**-2400.82**	**-1377.56**
IV ERRORS AND OMISSIONS	**-166.56**	**878.34**	**31.40**	**-366.33**	**-742.73**	**605.08**	**-645.62**	**-340.8**	**411.94**	**-290.43**
V VALUATION ADJUSTMENT	**92.90**	**362.22**	**-122.49**	**932.14**	**-1160.75**	**-263.28**	**716.90**	**420.27**	**625.34**	**0.00**

Source: + Revised Estimates

* CBL Projections

Table A12

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

Million Maloti

	2005	2006	2007+	2008	2009	2010	2011	2012	2013+	2014*
Food and Livestock	90.04	115.20	194.48	302.66	243.66	180.49	248.19	248.40	266.13	258.2
Beverages and Tobacco	245.38	167.45	295.84	285.36	333.38	463.64	858.86	632.69	666.50	699.77
Crude Materials,Inedible	445.46	602.39	1138.81	1605.30	1139.64	1350.66	2644.48	2530.20	2320.62	3131.65
Minerals and Related Products	1.14	6.03	1.56	3.43	2.04	3.20	3.42	6.08	2.02	2.95
Chemicals and Related Products	11.93	35.68	3.74	6.18	8.34	3.27	10.21	10.27	22.21	37.84
Manufactured Goods (classified by material)	50.78	131.43	85.95	171.06	142.03	150.25	446.91	223.30	246.55	257.67
Machinery and Transport Equipment	263.93	414.64	510.06	994.87	825.19	1085.00	1162.91	1047.05	902.57	818.22
Miscellaneous and Manufactured Goods	2929.68	3428.43	3608.57	3827.26	3430.41	3156.17	3082.42	3275.62	3754.70	3756.34
Commodities										
TOTAL	**4038.34**	**4901.25**	**5839.01**	**7196.12**	**6124.69**	**6392.68**	**8457.40**	**7973.61**	**8181.30**	**8962.64**

Source: Bureau of Statistics and Customs Department

+ Revised Estimates

* CBL Projections

Table A13

DIRECTION OF TRADE - EXPORTS F.O.B.

Million Maloti

Region	2005	2006	2007	2008	2009	2010	2011	2012	2013+	2014*
World	**4038.36**	**4901.27**	**5839.07**	**7196.34**	**6124.69**	**6392.68**	**8457.40**	**7999.13**	**8181.30**	**8962.62**
Africa	716.36	1409.41	1914.45	2889.94	2782.53	2829.46	3391.92	3255.81	3008.98	2951.07
SACU	617.36	1309.86	1729.41	2767.76	2709.67	2703.01	3293.22	3204.9	2919.65	2908.44
SADC **	0.00	13.58	7.68	21.57	9.42	84.13	65.62	29.62	47.24	37.37
Other	99.00	85.97	177.36	100.61	63.44	42.32	33.08	21.29	42.09	5.26
Europe	**710.40**	**631.41**	**1186.44**	**1742.49**	**1139.98**	**1346.62**	**2591.84**	**2297.97**	**2276.97**	**3094.28**
EU	710.40	631.41	1186.41	1742.49	1138.92	1346.31	2572.69	2297.97	2276.97	3093.48
Other	0.00	0.00	0.03	0.00	1.06	0.31	19.15	0.00	0.00	0.80
North America	**2597.80**	**2842.27**	**2709.78**	**2536.68**	**2179.99**	**2150.70**	**2417.89**	**2340.01**	**2819.68**	**2823.83**
Asia	**13.80**	**18.18**	**27.57**	**24.18**	**16.54**	**53.24**	**42.94**	**86.47**	**51.06**	**43.41**
Oceania	**0.00**	**0.00**	**0.83**	**3.05**	**5.65**	**12.66**	**12.81**	**18.87**	**24.61**	**50.03**

Source: Bureau of Statistics and Customs Department

+ Revised Estimates

* CBL Projections

** SADC member states, excluding SACU

Table A14

DIRECTION OF TRADE - IMPORTS C.I.F.

Million Maloti

Region	2005	2006	2007	2008	2009	2010	2011	2012	2013+	2014*
World	**8189.77**	**9162.08**	**10602.07**	**12508.48**	**13238.76**	**14395.68**	**15581.69**	**18456.33**	**18121.17**	**19877.86**
Africa	6631.76	6932.02	7923.65	8873.89	8793.18	10809.70	13359.09	16991.62	16729.70	17531.10
SACU	6593.26	6856.12	7833.02	8775.97	8531.30	10703.15	13305.75	16926.01	16667.37	17512.36
SADC **	36.70	64.30	77.16	84.03	248.56	105.47	52.69	64.81	61.57	15.12
Other	1.80	11.60	13.47	13.89	13.32	1.08	0.65	0.8	0.76	3.62
Europe	**56.70**	**71.50**	**86.95**	**329.12**	**150.65**	**45.38**	**15.01**	**64.82**	**61.58**	**54.97**
EU	53.00	55.70	67.36	247.59	149.92	45.07	12.37	61.97	58.87	48.79
Other	3.70	15.80	19.59	81.53	0.73	0.31	2.64	2.85	2.71	6.18
North America	**32.80**	**25.60**	**30.62**	**93.20**	**19.52**	**25.60**	**53.52**	**65.83**	**62.54**	**8.90**
Asia	**1462.71**	**2103.66**	**2525.33**	**3129.53**	**4227.86**	**3499.98**	**2143.46**	**1323.21**	**1257.0495**	**2164.24**
Oceania	**5.80**	**29.30**	**35.52**	**82.74**	**47.55**	**15.02**	**10.61**	**10.85**	**10.31**	**118.65**

Source: Bureau of Statistics and Customs Department

+ Revised Estimates

* CBL Projections

** SADC member states, excluding SACU

Table A15

FOREIGN EXCHANGE RATES

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Botswana Pula	1.2550	1.1630	1.1406	1.2051	1.1754	1.0770	1.0596	1.0772	1.1980	1.2098
Euro	7.9150	8.5200	8.5310	12.0714	11.6921	9.7116	10.0976	10.5530	12.8301	14.3892
German Mark	4.0480	4.3530	4.4965	6.1697	5.9993	4.9669	5.1631	5.3959	6.5811	7.3623
Japanese Yen	0.0580	0.0580	0.0574	0.0802	0.0943	0.0858	0.0913	0.1030	10.1212	9.8163
Saudi Riyal	1.6990	1.8050	1.7640	2.2043	2.2479	1.9512	1.9364	2.2140	3.7489	3.7748
SDR	9.4120	9.9760	9.9904	13.0197	12.9608	11.1650	11.4539	12.5774	14.6161	16.4789
Swidish Kronor	0.8530	0.9210	0.9442	1.2526	1.1012	1.0330	1.1197	1.2179	0.7217	0.6312
Swiss Franc	5.1150	5.4090	5.4489	7.6134	7.7429	7.0379	8.1982	8.7528	10.4465	11.8488
UK Pound	11.5770	12.5070	12.7035	15.1093	13.1038	11.3173	11.6336	13.0172	15.0970	17.8751
US Dollar	6.3710	6.7800	6.6260	8.2671	8.4197	7.3198	7.2599	8.2120	9.6492	10.8789

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013*	2014*
FOREIGN ASSETS	**3625.55**	**4918.69**	**6786.26**	**8989.23976**	**8345.35**	**6749.51**	**7297.58**	**8545.23**	**9805.76**	**12066.24**
Cash and Balances	1920.65	2129.78	2848.21	4081.90	4560.22	3028.04	3310.27	4154.20	5372.69	6901.12
Investments	1335.64	2239.75	3362.37	3913.731	2882.8	3368.82	3553.64	3935.34	3867.60	4579.77
IMF Accounts	36.02	40.12	39.14	52.43	41.91	37.15	45.18	47.47	58.91	60.98
Holdings of SDRs	3.73	2.28	0.43	0.58	0.46	0.41	0.50	0.52	0.65	0.67
Reserve Tranche	32.28	37.84	38.71	51.85	41.45	36.75	44.68	46.95	58.26	60.31
Other Foreign Assets	333.25	509.05	536.54	941.18	861.42	315.5	388.50	408.21	506.56	524.37
CLAIMS ON GOVERNMENT	**222.16**	**257.56**	**263.48**	**529.86**	**308.33**	**250.07**	**211.11**	**461.92**	**634.90**	**847.76**
CLAIMS ON PRIVATE SECTOR	**19.48**	**20.10**	**22.19**	**26.11**	**27.03**	**27.08**	**32.63**	**42.26**	**50.91**	**60.99**
UNCLASSIFIED ASSETS	**260.43**	**222.18**	**279.26**	**281.92**	**250.61**	**368.24**	**251.67**	**257.07**	**285.04**	**349.44**
Fixed Assets	133.66	175.50	177.71	182.70	169.43	172.47	181.89	222.17	218.75	258.72
Other Assets	126.77	46.67	101.55	99.23	81.18	195.77	69.79	34.89	66.28	90.72
TOTAL	**4127.626344**	**5418.53**	**7351.19**	**9827.12376**	**8931.32**	**7394.91**	**7792.99**	**8844.57**	**10776.60**	**13324.43**

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
FOREIGN LIABILITIES	**549.33**	**541.45**	**608.95**	**738.21**	**680.46**	**610.64**	**545.36**	**374.77**	**1058.37**	**1355.55**
IMF Deposits	327.29	283.91	345.51	385.28	398.32	346.59	334.25	374.75	423.47	508.34
IMF Accounts	222.02	257.52	263.42	352.90	282.12	250.07	211.09	0.00	634.87	847.18
Trust Fund Loans/ PRGF	222.02	257.52	263.42	352.90	282.12	250.07	211.09	0.00	634.87	847.18
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	0.03	0.02	13.98	0.02	0.02	0.03	0.03
RESERVE MONEY	**574.78**	**490.62**	**535.05**	**580.32**	**819.61**	**875.07**	**1016.36**	**1186.52**	**1500.19**	**1657.64**
Maloti in Circulation Outside CBL	297.97	377.71	402.22	481.25	584.24	637.79	843.59	998.55	1197.97	1163.71
Rand Notes and Coins	29.47	33.30	47.72	70.37	50.49	39.38	27.16	10.57	28.72	92.25
Bankers Deposits	247.34	112.91	132.83	99.07	235.37	237.28	172.77	187.97	302.22	493.93
DEPOSIT LIABILITIES	**1610.85**	**2421.55**	**4144.42**	**4900.59**	**4858.07**	**4063.36**	**3085.89**	**4280.85**	**5471.93**	**6265.24**
Government	1422.01	2231.49	3992.30	4762.46	4661.68	3889.75	2931.05	4137.82	5334.88	6076.64
Official Entities	176.72	178.25	140.38	126.66	136.37	140.23	121.72	126.02	130.94	134.22
Private Sector	12.12	11.81	11.74	11.473	60.02	33.38	33.13	17.01	6.12	54.38
CAPITAL ACCOUNTS	**1338.41**	**1859.09**	**1962.43**	**3149.37**	**1752.19**	**1403.15**	**2246.80**	**2669.99**	**2711.06**	**3158.94**
UNCLASSIFIED LIABILITIES	**83.73**	**105.82**	**100.33**	**459.18**	**821.00**	**442.69**	**898.59**	**332.43**	**35.06**	**887.06**
other liabilities and payables	83.73	105.82	100.33	459.18	821.00	442.69	898.59	332.43	35.06	887.06
TOTAL	**4157.10**	**5418.53**	**7351.19**	**9827.12376**	**8931.32**	**7394.91**	**7792.99**	**8844.57**	**10776.60**	**13324.43**

Table A17

CONSOLIDATED BALANCE SHEET OF COMMERCIAL BANKS

(Million maloti: End of Period)

A - ASSETS

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
RESERVES	**275.41**	**238.32**	**233.93**	**210.76**	**347.29**	**371.52**	**387.31**	**526.69**	**677.39**	**897.41**
Rand Notes and Coins	20.26	59.25	44.95	56.35	65.87	58.44	95.25	107.46	144.34	125.51
Maloti Notes and Coins	85.19	68.29	62.91	79.17	97.06	98.83	154.90	229.50	244.64	222.22
Balances due from CBL	169.95	110.77	126.07	75.24	184.36	214.25	137.16	189.73	288.41	549.67
FOREIGN ASSETS	**1241.81**	**1845.39**	**2273.70**	**3013.726**	**3297.17**	**3917.5**	**3242.09**	**2418.75**	**3453.35**	**3159.28**
CLAIMS ON PRIVATE SECTOR	**772.17**	**784.64**	**1162.03**	**1437.043**	**1832.758**	**2166.75**	**2665.64**	**3746.50**	**4516.91**	**5072.85**
CLAIMS ON STATUTORY BODIES	**33.37**	**17.39**	**51.47**	**43.826**	**0.00**	**2.98**	**1.37**	**0.00**	**0.00**	**0.00**
CLAIMS ON GOVERNMENT	**461.65**	**598.26**	**559.28**	**453.96**	**384.12**	**466.31**	**712.30**	**829.19**	**663.90**	**610.33**
UNCLASSIFIED ASSETS	**1139.65**	**689.96**	**705.44**	**1005.289**	**1498.70**	**1368.40**	**1392.78**	**1294.31**	**2268.30**	**2685.18**
TOTAL	**3924.07**	**4173.95**	**4985.85**	**6164.60**	**7360.031**	**8293.46**	**8401.49**	**8815.45**	**11579.84**	**12425.04**

Table A17 (continued)

CONSOLIDATED BALANCE SHEET OF COMMERCIAL BANKS

(Million maloti: End of Period)

B - LIABILITIES

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
DEMAND DEPOSITS	**1599.62**	**2308.316**	**2723.12**	**3525.972**	**3518.013**	**4296.01**	**4383.27**	**4786.77**	**5530.12**	**5683.42**
Private Sector	1024.96	1712.146	1968.79	3128.15	3420.01	4007.54	4281.89	4709.28	3879.97	4155.81
Government	171.75	121.12	151.20	191.36	25.18	22.59	20.61	19.29	1588.42	1364.70
Statutory Bodies	402.90	475.05	603.13	206.46	72.82	265.88	80.78	58.20	61.74	162.91
TIME DEPOSITS	**284.71**	**403.96**	**685.79**	**582.14**	**941.53**	**918.00**	**889.19**	**845.78**	**1411.60**	**1522.75**
Private Sector	193.68	299.60	556.89	445.16	929.68	916.55	887.85	845.14	1399.94	1506.94
Government	0.00	0.01	0.04	0.03	0.03	0.02	0.02	0.02	11.66	12.32
Statutory Bodies	91.03	104.35	128.87	136.95	11.82	1.42	1.32	0.63	0.00	3.50
SAVINGS DEPOSITS	**437.25**	**417.10**	**407.59**	**425.73**	**627.69**	**672.49**	**671.45**	**715.72**	**658.61**	**783.43**
Private Sector	437.10	415.15	403.94	422.95	626.02	670.74	669.97	114.55	22.74	779.50
Government	0.13	1.95	3.55	2.68	1.559	1.65	1.39	1.30	2.38	3.94
Statutory Bodies	0.03	0.00	0.10	0.11	0.11	0.11	0.10	599.87	633.49	0.00
DEFERRED PAY FUND	**38.70**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**1.00**	**2.00**
FOREIGN LIABILITIES	**106.86**	**72.94**	**73.36**	**92.67**	**310.48**	**117.69**	**181.37**	**82.82**	**390.69**	**289.93**
CAPITAL ACCOUNTS	**403.83**	**312.32**	**413.07**	**464.69**	**631.69**	**713.59**	**815.27**	**954.99**	**1117.44**	**1271.03**
UNCLASSIFIED LIABILITIES	**1053.10**	**659.31**	**681.93**	**1072.40**	**1330.63**	**1575.68**	**1459.94**	**1429.37**	**2470.37**	**2872.48**
TOTAL	**3924.07**	**4173.95**	**4985.85**	**6164.602**	**7360.031**	**8293.46**	**8401.49**	**8815.45**	**11579.84**	**12425.04**

Table A18

MONETARY SURVEY

(Million Maloti: End of period)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Foreign Assets, Net	**4211.18**	**6149.69**	**8377.64**	**11172.63**	**10651.58**	**9938.69**	**9812.95**	**10506.39**	**11810.05**	**13580.04**
Commercial Banks	1134.95	1772.44	2200.34	2921.06	2986.69	3799.81	3060.72	2335.93	3062.66	2869.35
Central Bank of Lesotho	3076.23	4377.24	6177.30	8251.57	7664.89	6138.87	6752.22	8170.46	8747.39	10710.69
o/w Rands with Commercial Banks	20.26	59.25	44.95	56.35	65.87	58.44	95.25	107.46	144.34	125.51
Central Bank of Lesotho*	29.47	33.30	47.72	70.37	50.49	39.38	27.16	10.57	28.72	92.25
Domestic Credit	**-85.05**	**-676.63**	**-2071.06**	**-2465.73**	**-2136.21**	**-1000.82**	**669.99**	**459.40**	**-1070.72**	**-865.66**
Claims on private sector & Statutory Bodies	825.03	822.13	1235.69	1506.98	1859.79	2196.81	2699.64	3788.61	4567.81	5133.84
Claims on Government,net of deposits	-910.08	-1498.76	-3324.32	-3972.70	-3996.00	-3197.63	-2029.65	-3329.21	-5638.53	-5999.50
Money Supply (M2)	**2590.01**	**3505.77**	**4154.15**	**4880.99**	**5744.03**	**6574.81**	**6766.44**	**7239.60**	**7180.93**	**7740.74**
Narrow Money (M1)	**1829.48**	**2686.68**	**3063.36**	**3874.83**	**4176.40**	**4985.99**	**5206.20**	**5679.56**	**5032.09**	**5448.81**
Maloti with public	212.78	309.42	339.31	402.08	487.18	538.96	688.70	769.05	953.33	941.49
Demand and call deposits	1439.98	2199.00	2583.66	3346.09	3552.85	4306.80	4395.79	4784.49	3947.83	4373.10
Official entities deposits with CBL	176.72	178.25	140.38	126.66	136.37	140.23	121.72	126.02	130.94	134.22
Quasi-money	**760.54**	**819.10**	**1090.79**	**1006.16**	**1567.63**	**1588.82**	**1560.24**	**1560.03**	**2148.83**	**2291.93**
Time deposits	323.41	403.95	686.75	583.11	941.50	917.97	890.17	599.72	725.15	1512.44
Savings deposits	437.13	415.15	404.04	423.06	626.13	670.85	670.07	960.31	1423.68	779.50
Other items,net	**1536.12**	**1967.28**	**2152.43**	**3825.91**	**2771.34**	**2363.05**	**3716.50**	**3726.19**	**3558.41**	**4973.64**

* 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)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Private Sector Total	**791.66**	**799.98**	**1098.96**	**1353.31**	**1758.12**	**2127.93**	**2643.35**	**3698.36**	**4399.21**	**4940.80**
Business Enterprises	316.63	409.53	494.78	601.22	851.13	993.41	1140.19	1378.45	1386.74	1618.10
Households	369.28	390.45	603.18	752.09	905.99	1134.51	1502.17	2317.91	3009.47	3318.70
Other*	105.75	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4.00
Statutory bodies	**33.37**	**17.39**	**51.47**	**43.83**	**0.00**	**2.98**	**1.37**	**-0.15**	**0.00**	**0.00**
Government (net)	**-910.08**	**-1498.76**	**-3324.32**	**-3972.70**	**-3996.00**	**-3197.63**	**-2029.65**	**-3329.21**	**-5638.53**	**-5999.50**
Grand Total	**-85.05**	**-681.39**	**-2173.89**	**-2575.57**	**-2237.89**	**-1066.72**	**615.08**	**369.00**	**-1239.32**	**-1058.70**

* 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)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Commercial Banks	**1134.95**	**1772.44**	**2200.34**	**2921.057**	**2986.692**	**3799.81**	**3060.72**	**2335.93**	**3062.66**	**2869.35**
Assets	1241.81	1845.39	2273.70	3013.726	3297.17	3917.5	3242.09	2418.75	3453.35	3159.28
Liabilities	-106.86	-72.94	-73.36	-92.67	-310.48	-117.69	-181.37	-82.82	-390.69	-289.93
Central Bank	**3076.23**	**4377.24**	**6177.30**	**8251.57076**	**7664.8916**	**6138.87**	**6752.22**	**8170.46**	**8747.39**	**10710.69**
Assets	3625.55	4918.69	6786.26	8989.23976	8345.3521	6749.51	7297.58	8545.23	9805.76	12066.24
Liabilities	-549.33	-541.45	-608.95	-737.67	-680.46	-610.64	-545.36	-374.77	-1058.37	-1355.55
Net Foreign Assets	**4211.18**	**6149.69**	**8377.64**	**11172.63**	**10651.58**	**9938.69**	**9812.95**	**10506.39**	**11810.05**	**13580.04**

Table A21

BANKING SYSTEM'S CLAIMS ON GOVERNMENT

(Million Maloti:End of Period)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Commercial Banks	**289.77**	**475.17**	**404.50**	**259.90**	**357.35**	**442.05**	**690.29**	**808.59**	**-938.56**	**-770.62**
Claims	461.65	598.26	559.28	453.96	384.12	466.31	712.30	829.19	663.90	610.33
Less Deposits	171.88	123.09	154.79	194.06	26.77	24.26	22.01	20.61	1602.45	1380.95
Central Bank	**-1199.85**	**-1973.93**	**-3728.81**	**-4232.60**	**-4353.35**	**-3639.68**	**-2719.94**	**-4137.80**	**-4699.97**	**-5228.88**
Claims	222.16	257.56	263.48	529.86	308.33	250.07	211.11	0.02	634.90	847.76
Less Deposits	1422.01	2231.49	3992.30	4762.46	4661.68	3889.75	2931.05	4137.82	5334.88	6076.64
Net Total	**-910.08**	**-1498.76**	**-3324.32**	**-3972.70**	**-3996.00**	**-3197.63**	**-2029.65**	**-3329.21**	**-5638.53**	**-5999.50**
Memorandum Items: Securities held byBanks #										
Commercial Banks	461.11	598.26	559.28	453.96	384.12	466.31	712.30	829.19	663.90	610.33
Central Bank	0.14	0.04	0.06	176.96	26.21	0.00	0.02	0.02	0.04	0.58
Total	**461.25**	**598.30**	**559.34**	**630.92**	**410.33**	**466.31**	**712.32**	**829.21**	**663.93**	**610.91**

Figures at cost value

Table A22

HOLDINGS OF TREASURY BILLS

Million Maloti

	2007	2008	2009	2010	2011	2012	2013	2014
Total holdings	**560.20**	**544.62**	**573.76**	**623.89**	**497.69**	**561.16**	**539.35**	**585.97**
Banking system [1]	**470.62**	**485.78**	**473.12**	**604.18**	**377.13**	**456.33**	**402.54**	**407.25**
Central Bank	**0.32**	**0.32**	**0.32**	**0.125**	**0.55**	**0.91**	**0.01**	
Commercial Banks	470.3	485.46	472.8	604.06	376.58	455.42	402.52	407.25
Non-Bank Sector	**89.61**	**58.84**	**100.64**	**19.71**	**120.56**	**104.83**	**136.81**	**178.72**
NBFIs [2]	0.31	0.96	63.41	18.50	59.88	23.56	14.81	28.98
Other entities	**89.30**	**57.88**	**37.23**	**1.21**	**60.68**	**81.27**	**122.00**	**149.74**
Memorandum Item								
Yield	9.33	10.71	6.95	5.60	5.34	5.44	5.25	6.35

[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)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Central Bank (1)										
91-Day T-Bill Rate	6.95	6.76	8.82	10.05	6.66	5.52	5.27	5.37	5.18	6.25
Call rate	0.00	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	0.00
Commercial Banks										
Time deposits										
31 days	3.50	3.50	4.88	5.54	1.65	1.21	1.21	0.91	0.91	1.23
1 year	4.75	6.50	8.00	7.57	3.35	2.78	2.78	2.34	2.34	3.21
Savings deposits - (range)	0.97-	1.00-	3.00-	3.64-	0.75-	0.75-	0.75-	0.68-	0.68-	0.45-
	2.00	5.00	6.75	7.25	5.00	1.75	1.75	1.75	1.75	1.75
Prime lending	11.50	13.50	15.43	16.58	11.67	10.50	10.50	9.92	9.92	10.44
South Africa (2)										
91-Day T-Bill Rate	6.80	8.26	9.96	10.84	7.14	5.60	5.47	4.95	5.24	6.13
Prime lending	10.50	12.00	14.50	15.00	10.50	9.00	9.00	8.50	8.50	9.25
Call deposits (3)	6.00-	7.50-	10.00-	11.00	6.50	5.00	5.00	5.00	4.53	5.00
	6.50	8.50	10.50	---	---	---	---	---	---	
Repo	7.00	8.50	10.50	11.50	7.00	5.50	5.50	5.50	5.00	5.75

(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

	Projections 2013	Projections 2014
Total Revenue	13,040.91	14,096.19
1. Tax revenue	4,749.06	5,571.21
1.1. Taxes on income, profits, and capital gains	2,516.59	2,830.66
1.3. Taxes on property	**173.28**	**127.72**
1.4. Taxes on goods and services	1,887.18	2,220.69
O/W Value-added tax	1,741.79	2,053.24
1.5. Taxes on international trade and transactions	166.44	390.64
1.6. Other taxes	5.56	1.50
2. Social Contributions	**0.00**	**0.00**
3. Grants	1,284.79	663.94
3.1.1. Recurrent	296.68	0.00
3.1.2. Capital	988.11	663.94
4. Other revenue	974.56	1,071.86
5. SACU	6,032.49	6,789.19
Total Expense	-9,481.07	-10,709.18
1. Compensation of Employees	-4,155.75	-4,937.94
1.1. Wages and salaries	-3,617.45	-4,171.08
1.2. Social contributions	-538.29	-766.86
2. Purchases of goods and services	-2,413.85	-3,006.91
4. Interest Payments	-269.20	-292.28
5. Subsidies	-246.42	-189.78
6. Grants	-963.68	-916.77
O/W To other general government units	**-926.25**	**-880.47**
7. Social benefits	-736.13	-687.72
8. Other expense	**-696.05**	**-677.77**
O/W Household - students	-686.51	-667.11
Net Cash Inflow From Operating Activities	**3,559.83**	**3,387.01**
Total Nonfinancial Assets	-2,977.11	-3,040.25
3.1.1. Fixed Assets	-2,977.11	-3,040.25
3.1.4. Nonproduced assets	0.00	0.00
Cash deficit(-)/surplus(+)	582.72	346.76
Net Cash Inflow From Financing Activities	-692.88	-166.42
3.2. Net Financial assets	-996.21	-580.25
O/W Domestic	-996.21	-580.25
3.3. Net Liabilities	303.33	413.83
3.3.1. Domestic	31.53	11.66
3.3.2. Foreign	271.80	402.17
Statistical Discrepancy	-110.16	180.34

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

Source: Ministry of Finance and CBL Projections

Table A25

OUTSTANDING PUBLIC DEBT

(Million Maloti)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
B. DOMESTIC DEBT	**644.62**	**665.51**	**674.56**	**659.28**	**573.40**	**780.60**	**1,023.00**	**1,171.42**	**1,027.99**	**1,139.73**
5. Banks	**474.32**	**587.95**	**584.96**	**600.44**	**472.80**	**606.70**	**751.90**	**856.60**	**709.78**	**728.94**
Long-term	114.66	114.66	114.66	114.66	-	126.40	374.80	401.20	307.25	321.69
Short-term	**359.66**	**473.29**	**470.30**	**485.78**	**472.80**	**480.30**	**377.10**	**455.40**	**402.52**	**407.25**
o/w treasury bills	359.90	473.29	470.30	485.78	472.80	480.30	377.10	455.40	402.52	407.25
6. Non-bank	**170.30**	**77.56**	**89.60**	**58.84**	**100.60**	**173.90**	**271.10**	**314.82**	**318.21**	**410.79**
Short-term	170.30	77.56	89.60	58.84	100.60	113.00	120.60	104.12	136.81	178.72
Long-term	---	---	---	---	---	60.90	150.50	210.70	181.40	232.07
7. TOTAL (A + B)	**4,656.26**	**5,179.83**	**5,355.16**	**7,116.38**	**5,718.50**	**5,732.00**	**6,755.10**	**8,072.82**	**8,281.09**	**10,760.23**

Source: Ministry of Finance

Table A26

	2011	2012	2013	2014
incl. factor services	13,875.37	13,373.33	13,607.75	14,118.50
12.Exports of goods &				
non-factor services	8,457.40	7,999.13	8,181.30	9,859.54
Ratios				
Total debt as a % of GDP	36.85	40.55	40.05	45.76
External debt as a % of GDP	31.27	34.67	35.08	40.92
Domestic debt as a % of GDP	5.58	5.88	4.97	4.85
External debt as a % of total	84.86	85.49	87.59	89.41
Domestic debt as a % of total	15.14	14.51	12.41	10.59
Concessional as a % of				
external debt	90.60	85.86	89.79	74.84
Total Debt to Revenue	86.86	70.73	63.53	76.33
Total Debt to Exports	79.87	100.92	101.22	76.21
Total Debt to GNI	32.56	36.67	32.92	39.91
Debt service (1)	1.95	1.48	3.42	4.35
Debt service (2)	2.94	2.33	5.69	6.23

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.

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