



Central Bank of Lesotho
Financial Statements
for the year ended 31 December 2013

Central Bank of Lesotho

Financial Statements for the year ended 31 December 2013

General Information

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

Central Bank of Lesotho

Financial Statements for the year ended 31 December 2013

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Central Bank of Lesotho

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Corporate Governance Report

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

1. Corporate Governance Report for the Year

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

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

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



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

Central Bank of Lesotho

Financial Statements for the year ended 31 December 2013

Directors' Responsibilities and Approval

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

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

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

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

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

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



Dr. R.A. Matlanyane
Governor



Mrs. O. Letebele
Director

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CENTRAL BANK OF LESOTHO

Report on the Annual Financial Statements

We have audited the annual financial statements of the Central Bank of Lesotho, set out on pages 8 to 58 which comprise the statement of financial position as at 31 December 2013, the statement of 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 2013, 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 2013, we have read the report of the directors 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 2014

LETACC

LETACC
Firm of Chartered Accountants and Auditors
Per Letuka Sephelane
Partner
26 March 2014

Central Bank of Lesotho

Financial Statements for the year ended 31 December 2013

Directors' Report

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

1. Review of activities

Nature of business

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

Financial results

The Bank has chosen to use International Financial Reporting Standards (IFRS) as a guide in deciding on the most '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 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 of the Act. These appropriations have been fully disclosed in the statement of changes in equity on page 10. Amounts paid and due in terms of the Act were as follows:

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

2. Amounts due to Government of Lesotho

Amounts payable to the Government of Lesotho Consolidated Fund in terms of Section 21 (5) of the Act are set out in the statement of financial position on page 8.

3. Share capital

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

4. Directors

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

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

Central Bank of Lesotho

Financial Statements for the year ended 31 December 2013

Directors' Report

5. Secretary

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

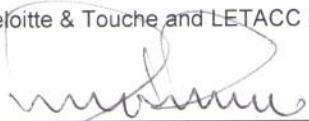
Mr M.G Malope (Adv.) who was previously appointed as Secretary to the board in October 2007, resigned in May 2013, and Mr Ntlhakana was appointed to act in the position.

6. Events subsequent to balance sheet date

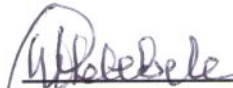
The Directors are not aware of any material events or circumstances, that could cause changes in the annual financial statements, which may have occurred between the financial year end and the date of this report.

7. Auditors

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



Dr. R.A. Matlanyane
Governor



Mrs. O. Letebele
Director

26-March-2014

Central Bank of Lesotho

Financial Statements for the year ended 31 December 2013

Directors' Report

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Central Bank of Lesotho

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Directors' Report

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Mr. T. Ntlhakana (Adv.)	May 2013	Acting Head of Corporate Governance

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Dr. R.A. Matlanyane
Governor

Mrs. O. Letebele
Director

26-March-2014

Central Bank of Lesotho

Financial Statements for the year ended 31 December 2013

Statement of Financial Position

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

Central Bank of Lesotho

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Statement of Comprehensive Income

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

Central Bank of Lesotho

Financial Statements for the year ended 31 December 2013

Statement of Changes in Equity

	Share capital	General reserve	Rand compensatory reserve	SDR revaluation reserve	Foreign Exchange revaluation reserve	Property revaluation reserve	Bond /Unit trust revaluation reserve	Accumulated profit/(loss)	Total equity
	M '000	M '000	M '000	M '000	M '000	M '000	M '000	M '000	M '000
Balance at 01 January 2012	100,000	158,363	344,510	43,560	1,599,780	85,843	46,482	-	2,378,538
Profit for the year	-	-	-	-	-	-	-	184,507	184,507
Transfer of foreign exchange	-	-	-	3,837	115,928	-	-	(119,765)	-
Increase in bond fair values	-	-	-	-	-	-	44,346	-	44,346
Asset revaluations for the year	-	-	-	-	-	(367)	-	-	(367)
Rand compensatory receipts	-	-	36,229	-	-	-	-	-	36,229
Transfer to general reserve	-	10,790	-	-	-	-	-	(10,790)	-
Dividends	-	-	-	-	-	-	-	(53,952)	(53,952)
Total changes	-	10,790	36,229	3,837	115,928	(367)	44,346	(64,415)	210,763
Balance at 01 January 2013	100,000	169,153	380,739	47,397	1,715,708	85,476	90,828	-	2,589,301
Profit for the year	-	-	-	-	-	-	-	849,982	849,982
Transfer of foreign exchange translation to designated reserve	-	-	-	20,325	702,641	-	-	(722,966)	-
Decrease in bond/unit trust fair values	-	-	-	-	-	-	(95,577)	-	(95,577)
Asset revaluation for the year	-	-	-	-	-	17,217	-	-	17,217
Rand compensatory receipts	-	-	36,012	-	-	-	-	-	36,012
Transfer to general reserve	-	21,169	-	-	-	-	-	(21,169)	-
Dividends	-	-	-	-	-	-	-	(105,847)	(105,847)
Total Changes	-	21,169	36,012	20,325	702,641	17,217	(95,577)	-	701,787
Balance at 31 December 2013	100,000	190,322	416,751	67,722	2,418,349	102,693	(4,749)	-	3,291,088

Central Bank of Lesotho

Financial Statements for the year ended 31 December 2013

Statement of Cash Flows

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

Central Bank of Lesotho

Financial Statements for the year ended 31 December 2013

Accounting Policies

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

1. Presentation of Financial Statements

These financial statements are prepared in accordance with the requirements of the Central Bank of Lesotho Act, No. 2 of 2000. The Bank has chosen to use International Financial Reporting Standards (IFRS) as a guide in deciding on the most 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, property, plant and equipment are reflected at a valuation based on open-market fair value as determined by an independent professional valuers, less accumulated depreciation.

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

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

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

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

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

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

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

Central Bank of Lesotho

Financial Statements for the year ended 31 December 2013

Accounting Policies

1.1 Property, plant and equipment (continued)

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

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

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

1.2 Intangible assets

Computer software

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

1.3 Financial instruments

Classification

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

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

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

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the financial year end date. These are classified as non-current assets. Subsequent to initial recognition loans and receivable are carried at amortised cost using the effective interest rate method less any provision for impairment.

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the financial year end date. Subsequent to initial recognition available for sale financial assets are carried at fair value.

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

(d) Held-to-maturity investments

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

Central Bank of Lesotho

Financial Statements for the year ended 31 December 2013

Accounting Policies

1.3 Financial instruments (continued)

Initial recognition and measurement

Regular purchases and sales of financial assets are recognised on the settlement-date. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through statement of comprehensive income. Financial assets carried at fair value through statement of comprehensive income are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Bank has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest rate method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the statement of comprehensive income within 'other income/expenses' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the statement of comprehensive income as part of other income when the Bank's right to receive payments is established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available for sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in profit or loss; translation differences on nonmonetary securities are recognised in equity. Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in equity.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as 'gains and losses from investment securities'.

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

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

Offsetting financial instruments

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

Impairment of financial assets

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

Available-for-sale financial assets

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

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

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Accounting Policies

1.3 Financial instruments (continued)

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

Financial assets carried at amortised cost

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

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

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

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

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

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

Financial liabilities measured at amortised cost

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

Central Bank of Lesotho

Financial Statements for the year ended 31 December 2013

Accounting Policies

1.3 Financial instruments (continued)

Cash and cash equivalents

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

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

1.4 Current and deferred income tax

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

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

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

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

Deferred tax assets and liabilities

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

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

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

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

1.5 Leases

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

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Financial Statements for the year ended 31 December 2013

Accounting Policies

1.5 Leases (continued)

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

1.6 Non-current assets held for sale

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

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Accounting Policies

1.7 Share capital

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

(b) *Dividends on ordinary shares*

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

1.8 Employee benefits

(a) Post employment benefits

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

(b) Other long-term employee benefits

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

Long-term employee benefits include:

- Severance pay - this is calculated as two weeks salary for each completed year of service from 1993.
- Gratuity - this is calculated at 12.5% of the 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 profit and loss in full.

(d) Accrual for leave pay

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

1.9 Provisions

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

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

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

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

1.10 Revenue

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

Central Bank of Lesotho

Financial Statements for the year ended 31 December 2013

Accounting Policies

1.10 Revenue (continued)

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

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

Non-interest revenue

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

1.11 Borrowings

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

1.12 Translation of foreign currencies

(a) Functional and presentation

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

(b) Transactions and balances

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

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

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

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

Central Bank of Lesotho

Financial Statements for the year ended 31 December 2013

Accounting Policies

1.13 Impairment of non-financial assets

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

1.14 Claims on staff

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

1.15 Deferred currency expenditure

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

1.16 Dividend distribution

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

1.17 Notes and coins

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

1.18 IMF Holding of Special Drawing Rights and IMF subscription account

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

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

1.19 IMF Funded PRGF Advances

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

1.20 Comparative figures

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

1.21 General Reserve

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

Central Bank of Lesotho

Financial Statements for the year ended 31 December 2013

Accounting Policies

1.22 Rand Compensatory Reserve

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

1.23 Foreign Exchange Revaluation Reserve Account

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

1.24 SDR Revaluation Reserve

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

1.25 Property Revaluation Reserve

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

1.26 Bond/Unit Trust Revaluation Reserve

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

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Accounting Policies

1.27 Financial Risk Management

Financial risk factors

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

(a) Market Risk

(i) Foreign Exchange Risk

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

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

(ii) Interest Rate Risk

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

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

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

(b) Credit risk

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

(c) Liquidity risk

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

Refer to the Risk Management Statements on pages 41 to 57.

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

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Accounting Policies

1.28 IMF Currency Holding Account

The IMF Holdings of Maloti are represented by the Non-Interest Bearing Note of SDR18,045,087 (2012: SDR20, 439,573) issued by the Government of Lesotho in favour of the IMF. GOL chose to substitute non-interest bearing notes for a portion of the balance held in its Fund's No. 1 account and the 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 as revalued by the IMF.

1.29 Critical accounting estimates and judgements

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

Critical accounting estimates and assumptions

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

(a) Income taxes

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

(b) Employee benefits

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

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

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

(c) Fair values

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

i) Balances due to and from banks

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

ii) Loans and advances

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

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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.

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Notes to the Financial Statements

	2013 M '000	2012 M '000
2. Cash and balances with Banks		
Cash and cash equivalents		
Foreign cash on hand	1,421	1,113
Rand currency holding	30,372	11,670
Cash in transit	57,817	5,888
Total cash and cash equivalents	89,610	18,671
Current and Call Accounts:		
Foreign Banks	403,719	63,970
South African Banks	2,293,425	1,975,731
Total Current and Call Accounts	2,697,144	2,039,701
Fixed deposits (with maturity shorter than 3 months):		
Foreign Banks	1,465,578	1,281,601
South African Banks	1,099,518	797,725
Total Fixed deposits (with maturity shorter than 3 months)	2,565,096	2,079,326
Balances with banks (with maturity shorter than 3 months)	5,262,240	4,119,027
Total cash and balances with Banks	5,351,850	4,137,698
3. Accrued interest due from Banks		
Accrued interest receivable:		
ZAR call accounts	355	320
ZAR fixed deposit accounts	9,159	4,516
Foreign call and fixed deposit accounts	140	145
	9,654	4,981

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Notes to the Financial Statements

	2013 M '000	2012 M '000
4. Investment in unit trust		
2013		
	Available for sale	Total
Unit trusts at fair value	529,311	529,311
2012		
	Available for sale	Total
Units trusts at fair value	425,765	425,765

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

5. Treasury notes and bonds

2013			
	At fair value through profit and loss	Available-for- sale	Total
US Bonds at fair value	1,054,905	610,142	1,665,047
ZAR Bonds at fair value	-	2,487,019	2,487,019
US Bonds accrued interest	933	977	1,910
ZAR Bonds accrued interest	-	55,467	55,467
	1,055,838	3,153,605	4,209,443
2012			
	At fair value through profit and loss	Available-for- sale	Total
US Bonds at fair value	851,206	613,795	1,465,001
ZAR Bonds at fair value	-	2,018,728	2,018,728
US Bonds accrued interest	909	2,379	3,288
ZAR Bonds accrued interest	-	41,835	41,835
	852,115	2,676,737	3,528,852

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

6. IMF Subscription Account

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

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

Central Bank of Lesotho

Financial Statements for the year ended 31 December 2013

Notes to the Financial Statements

	2013 M '000	2012 M '000
7. IMF Holding of Special Drawing Rights (SDR)		
Balance at beginning of year	455,132	376,875
Net transactions - increase in rights	130,808	31,051
Exchange revaluation	181,681	47,206
Balance at end of year	767,621	455,132

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

8. IMF Funded PRGF Advances

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

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

9. Lesotho Government Securities

Maturing within 1 month	36	15
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Treasury bills are debt securities issued by the Lesotho Treasury Department for a term of three months, six months or a year. All bills are subject to fixed interest rate risk and are held to maturity.

10. Deferred currency expenditure

Balance at beginning of year	-	13,796
Amortised during the year	-	(13,796)
Balance at end of year	-	-

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

Central Bank of Lesotho

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Notes to the Financial Statements

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

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

Central Bank of Lesotho

Financial Statements for the year ended 31 December 2013

Notes to the Financial Statements

13. Property, plant and equipment

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

Central Bank of Lesotho

Financial Statements for the year ended 31 December 2013

Notes to the Financial Statements

13. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2013

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

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

Central Bank of Lesotho

Financial Statements for the year ended 31 December 2013

Notes to the Financial Statements

13. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2012

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

14. Intangible assets

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

Reconciliation of intangible assets - 2013

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

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Notes to the Financial Statements

	2013 M '000	2012 M '000		
14. Intangible assets (continued)				
Reconciliation of intangible assets - 2012				
	Opening balance	Additions	Amortisation	Total
Computer software	6,673	3,693	(5,748)	4,618
15. Notes and coins issued				
Notes		1,180,893		980,772
Coins		18,729		18,732
		<u>1,199,622</u>		<u>999,504</u>
<p>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.</p>				
16. Deposits				
Deposits from Banks - Non-interest bearing				
Banks		442,211		328,672
Other Deposits - Non-interest bearing				
International Institutions		2,022		2,422
Parastatals and others		333,077		331,240
		<u>777,310</u>		<u>662,334</u>
17. IMF Maloti Currency Holding				
Securities account		291,507		245,447
General resources accounts		211,429		129,304
		<u>502,936</u>		<u>374,751</u>
18. IMF Special Drawing Rights Allocation				
Balance at beginning of year		394,816		350,868
Exchange revaluation		136,310		43,948
Balance at end of year		<u>531,126</u>		<u>394,816</u>
<p>Lesotho's allocation by IMF of SDR32,878,186 is converted at 0.0619028 (2012:0.0832748)</p>				
19. IMF-PRGF Facility				
Balance at beginning of year		504,895		207,352
Paid during the year		(23,803)		(37,826)
Received during the year		154,517		309,397
Exchange revaluation		198,844		25,972
		<u>834,453</u>		<u>504,895</u>

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

Central Bank of Lesotho

Financial Statements for the year ended 31 December 2013

Notes to the Financial Statements

	2013 M '000	2012 M '000
20. Taxation payable/(receivable)		
Balance at beginning of year	8,617	(25,699)
Paid during the year	(39,501)	-
Current year charge	40,473	34,316
Balance at end of year	9,589	8,617
21. Due to Government of Lesotho Consolidated Fund		
Balance at beginning of year	53,952	44,047
Paid during the year	(53,952)	(44,047)
Profit appropriations for the current year	105,847	53,952
Balance at end of year	105,847	53,952
<p>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.</p>		
Profit after tax appropriates as follows:		
Profit after tax	849,982	184,507
Gain on foreign exchange activities	(722,966)	(119,765)
Profit after tax net of gain on foreign exchange activities	127,016	64,742
Transfer to General Reserve	(21,169)	(10,790)
	105,847	53,952
22. Other liabilities		
Donations - Referral Hospital	46,207	44,177
Divisional cheques accounts	1,791	1,572
Other	3,591	897
Various accruals	14,675	10,155
	66,264	56,801
<p>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.</p>		
23. Long-term employee benefit obligation		
Provision for severance pay		
Opening obligation	21,758	15,453
Interest cost	1,695	1,371
Current service cost	2,696	1,358
Actuarial (loss)/gain	(876)	4,724
Benefits paid	(2,064)	(1,148)
Closing obligation	23,209	21,758
Provision for gratuity		
Opening obligation	67,415	52,737
Interest cost	5,057	4,623
Current service cost	5,278	3,712
Actuarial loss/(gain)	(8,238)	18,584
Benefits paid	(10,668)	(12,241)
Closing obligation	58,844	67,415
Total	82,053	89,173

Central Bank of Lesotho

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Notes to the Financial Statements

	2013 M '000	2012 M '000
23. Long-term employee benefit obligation (continued)		
Net expense recognised in profit and loss		
Current service cost	7,974	5,070
Interest cost	6,751	5,994
Actuarial losses/(gains)	(9,114)	23,308
	<u>5,611</u>	<u>34,372</u>
Key assumptions used		
Assumptions used on last valuation on 31 December 2013.		
Mortality and pre-retirement is determined based on the SA 85-90 Ultimate table.		
Chance of withdrawal:		
Age	Rate	Rate
20-24	15.0 %	15.0 %
25-29	10.0 %	10.0 %
30-34	7.0 %	7.0 %
35-39	4.0 %	4.0 %
40-44	2.0 %	2.0 %
Discount rate	8.40 %	7.00 %
Inflation rate	6.42 %	5.50 %
Salary increase rate	7.67 %	6.75 %
24. Deferred taxation		
The deferred tax assets and the deferred tax liability relate to income tax in the same jurisdiction, and the law allows net settlement. Therefore, they have been offset in the statement of financial position as follows:		
Deferred tax asset/(liability)	<u>197</u>	<u>(21,473)</u>
Reconciliation of deferred taxation		
Balance at beginning of year	(21,473)	(16,789)
Movements in profit and loss	(4,328)	10,595
Movements in equity	25,998	(15,279)
Balance at end of year	<u>197</u>	<u>(21,473)</u>
Reconciliation of deferred taxation		
Accelerated capital allowances for tax purposes	(1,161)	736
Liabilities for health care benefits care benefits accrued	(20,794)	22,700
Deferred expenses	4,000	(1,154)
Bond/Unit trust revaluation reserve	36,666	(30,410)
Property revaluation reserve	(18,514)	(13,345)
	<u>197</u>	<u>(21,473)</u>

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Notes to the Financial Statements

	2013 M '000	2012 M '000
25. Share capital		
Authorised		
Authorised capital	100,000	100,000
Issued		
Issued and fully paid	100,000	100,000
The entire issued share capital is held by the Government of Lesotho.		
26. Interest income		
Foreign currency deposits	195,685	122,286
Interest on treasury bills	460	1,254
Interest on bonds	176,603	152,217
	372,748	275,757
27. Interest expense		
Parastatal and Government deposits	13	13
Local bank deposits	93	27
IMF SDR allocation account	368	512
Interest on bonds	6,562	11,269
	7,036	11,821
28. Other income		
Rental income	157	127
Profit on sale of bonds	4,951	21,631
Interest on staff loans	848	633
Lehakoe proceeds	15,294	10,371
Other income	1,233	1,121
Gain on instruments designated as fair value through profit and loss	4,751	5,576
Profit on sale of fixed assets	2,005	2,413
	29,239	41,872
29. Operating costs and expense per nature		
Administration and other expenses	58,336	40,474
Auditor's remuneration	1,895	2,029
Deferred currency expense amortised	-	13,796
Intangible assets amortised	5,384	5,748
Depreciation and impairments	10,591	9,346
Property, plant and equipment maintenance expenses	13,147	11,208
Loss on revaluation of treasury notes and bonds	5,225	2,861
Personnel costs:		
Staff welfare expenses	11,792	11,086
Non-executive directors' fees	691	542
Executive directors' salaries	5,024	4,638
Key management (heads of departments)	6,653	5,124
Staff salaries and expenses	90,138	77,259
Pension fund contributions	4,934	4,820
Gratuity and severance pay	9,324	28,414
	223,134	217,345

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Financial Statements for the year ended 31 December 2013

Notes to the Financial Statements

	2013 M '000	2012 M '000
30. Taxation		
Major components of the taxation expense		
Current		
Normal taxation for the year	40,473	34,316
Deferred		
Deferred taxation arising on other profit and loss items	4,328	(10,595)
	44,801	23,721
Reconciliation of the taxation expense		
Chargeable profit (before foreign exchange gain/loss)	174,871	88,463
Statutory tax rate	25 %	25 %
Permanent differences:		
Donations	3.12 %	5.42 %
50 % Entertainment	0.32 %	0.25 %
Training expenses additional 25%	(0.83)%	(2.49)%
Other	(1.54)%	(1.37)%
Effective tax rate	26.07 %	26.81 %
31. Cash generated from operations		
Profit before taxation	894,783	208,228
Adjustments for:		
Depreciation	10,591	9,346
Deferred computer software amortised	(5,384)	(6,191)
Profit/loss on disposal of fixed assets	(2,005)	(2,413)
Interest income	(372,748)	(275,757)
Interest expense	7,036	11,821
Actuarial losses	(9,114)	23,308
Deferred currency expenses amortised	-	13,796
Loss on revaluation of treasury notes and bonds	5,225	2,861
Unrealised exchange rate fluctuation	(444,731)	55,158
Movements in accrued interest	(4,673)	(1,180)
Deposits accounts	1,311,100	845,765
Changes in IMF Maloti currency holding	128,185	40,501
Changes in IMF subscription account	(144,693)	(46,650)
Other liabilities	46	(5,842)
Changes in IMF Special Drawing Rights Holding	136,310	(34,309)
Total cash generated from operations	1,520,696	850,824

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Notes to the Financial Statements

	2013 M '000	2012 M '000
32. Commitments		
Contracted	45,500	600

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

Uncontracted	88,843	202,113
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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.

33. Post retirement obligations

Total employer contributions	4,934	3,882
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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 M3.5 million. The Bank's lawyers and management hold a strong view that these cases levelled against the Bank are weak.

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Notes to the Financial Statements

	2013 M '000	2012 M '000	
35. Related parties			
The Bank is owned by the Government of Lesotho.			
A number of banking transactions are entered into with the Government as the Bank also acts as banker to the Government in the normal course of business.			
The deposits with the Bank held by the Government is disclosed separately in the statement of financial position.			
All payments relating to taxes, property rates and service utilisation are made to Government.			
Loans to staff are disclosed in note 11.			
Gross advances made during the year to:			
Heads of Departments	Car loans Furniture loans Housing loans	3,010 50 -	- 101 -
Heads of Divisions	Car loans Furniture loans Housing loans	1,190 37 464	524 83 1,304
Balances due at end of December:			
Heads of Departments	Car loans Furniture loans Housing loans	2,420 51 404	35 57 1,388
Heads of Divisions:	Car loans Furniture loans Housing loans	1,357 32 4,478	1,805 32 5,827
Interest charged for the year:			
Heads of Departments	Car loans Furniture loans Housing loans	39 1 8	5 1 24
Heads of Divisions:	Car loans Furniture loans Housing loans	17 2 62	52 2 59
During the current year, Deputy Governor II was advanced a furniture loan amounting to M50,000. At year end, the loan was fully paid off.			
No provisions have been recognised in respect of loans given to related parties.			
The loans issued to directors and other key management personnel during the year are repayable monthly and have interest rates of 3% per annum.			
The Bank however requires and accordingly has the following as collateral: - terminal benefits - title deeds and registered mortgages in relation to housing loans			
Further, all short term and long term loans are covered by insurance policies to ensure recoveries in instances of death of employees. ³			
Annual remuneration to key management which includes car allowances and housing allowances:			
Executive Directors' salaries		5,024	4,638
Key management salaries		6,653	5,124

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Notes to the Financial Statements

36. Financial assets by category

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

2013
M '000

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

2012
M '000

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

37. Financial liabilities by category

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

2013
M '000

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

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Financial Statements for the year ended 31 December 2013

Notes to the Financial Statements

37. Financial liabilities by category (continued)

2012
M '000

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

38. Operating lease

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

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

39. Risk management

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

Management structures

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

Risk elements

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

Central Bank of Lesotho

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Notes to the Financial Statements

39. Risk management (continued)

Market price risk

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

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

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

Currency 2013	Value of Currency M'000	Exchange Rate	Maloti Equivalent M'000
Cash and balances with Banks			
South Africa	3,933,621	1.0000	3,933,621
United States	90,463	10.5092	950,691
Botswana	134	1.2002	161
England	7,330	17.3692	127,321
European Union	24,192	14.4723	350,107
Switzerland	22	11.7992	259
Treasury notes, bonds and unit trusts			
South Africa	2,542,486	1.0000	2,542,486
United States	158,619	10.5092	1,666,957
Unit trust - US Dollar based	50,366	10.5092	529,311
Currency 2012	Value of Currency M'000	Exchange Rate	Maloti Equivalent M'000
Cash and balances with Banks			
South Africa	2,785,127	1.0000	2,785,127
United States	139,204	8.4860	1,181,281
Botswana	80	1.0901	87
England	11,307	13.7220	155,159
European Union	892	11.1962	9,996
Switzerland	17	9.2750	161
Treasury notes, bonds and unit trusts			
South Africa	2,060,563	1.0000	2,060,563
United States	173,025	8.4860	1,468,289
Unit trust - US Dollar based	50,173	8.4860	425,765

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

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

Credit risk

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

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

Central Bank of Lesotho

Financial Statements for the year ended 31 December 2013

Notes to the Financial Statements

39. Risk management (continued)

Operational risk

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

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

Human resource risk

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

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

Legal risk

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

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

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

Reputational risk

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

Central Bank of Lesotho

Financial Statements for the year ended 31 December 2013

Notes to the Financial Statements

39. Risk management (continued)

Credit risk analysis

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

2013

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

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

Fixed deposits	Carrying amount M'000	Maximum exposure M'000	Held in Deno- mination	Type of collateral held	Credit rating
ABSA Bank	279,260	279,260	ZAR	none	P-2/Baa1
Crown Agents	95,814	95,814	GBP	none	F2/BBB+
Crown Agents	300,000	300,000	ZAR	none	F2/BBB+
FedralReseve N.Y	106,143	106,143	USD	none	Aaa
Firststrand	52,546	52,546	USD	none	P-2/Baa1
Firststrand	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			

Central Bank of Lesotho

Financial Statements for the year ended 31 December 2013

Notes to the Financial Statements

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
Citibank SA	1	1	ZAR	none	P-2/A3
Crown Agents	18	18	GBP	none	F2/BBB+
Crown Agents	2,375	2,375	ZAR	none	F2/BBB+
Firststrand	743	743	ZAR	none	P-2/Baa1
Nedbank	367	367	ZAR	none	P-2/Baa1
South African Reserve Bank	351	351	ZAR	none	Baa1
Firststrand	5	5	USD	none	P-2/Baa1
ABSA	1,301	1,301	ZAR	none	P-2/Baa1
Investec	2,154	2,154	ZAR	none	P-2/Baa1
Standard Bank SA	37	37	USD	none	P-2/Baa1
Standard Bank PLC	75	75	USD	none	P-2/Baa1
Standard Chartered London	47	47	USD	none	P-1/A1
Standard Bank PLC	2,180	2,180	ZAR	none	P-2/Baa1
	9,654	9,654			

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

Loans to staff	Carrying amount M'000	Maximum exposure M'000	Held in 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			

Central Bank of Lesotho

Financial Statements for the year ended 31 December 2013

Notes to the Financial Statements

39. Risk management (continued)

2012

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

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

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

Central Bank of Lesotho

Financial Statements for the year ended 31 December 2013

Notes to the Financial Statements

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
Citibank	1	1	ZAR	none	none
Crown Agents	1,303	1,303	ZAR	none	none
Crown Agents	14	14	GBP	none	none
Crown Agents	33	33	USD	none	none
Firststrand	1	1	ZAR	none	none
Firststrand	1,124	1,124	ZAR	none	none
Investec	1	1	ZAR	none	none
Nedbank	1	1	ZAR	none	none
South African Reserve Bank	88	88	ZAR	none	none
Standard Bank	221	221	ZAR	none	none
Nedbank	536	536	ZAR	none	none
Reserve Bank Special Rand	229	229	ZAR	none	none
ABSA	258	258	ZAR	none	none
Investec	702	702	ZAR	none	none
Investec	94	94	ZAR	none	none
Investec	187	187	ZAR	none	none
Standard Bank SA	90	90	USD	none	none
Standard Bank PLC	98	98	USD	none	none
	4,981	4,981			

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

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

All financial assets were fully performing at year end.

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

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

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

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

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

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

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

Sensitivity Analysis for the year ended 31 December 2013

Central Bank of Lesotho

Financial Statements for the year ended 31 December 2013

Notes to the Financial Statements

39. Risk management (continued)

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

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

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

Base case

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

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

Base case

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

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

Central Bank of Lesotho

Financial Statements for the year ended 31 December 2013

Notes to the Financial Statements

39. Risk management (continued)

5% increase in exchange rate

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

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

% Change 2.02%

5% increase in exchange rate

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

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

% Change 2.86%

5% decrease in exchange rate

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

Currency	Portfolio level	31 December 2013		Exchange rate
		Portfolio level in %	Level change	
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%

Central Bank of Lesotho

Financial Statements for the year ended 31 December 2013

Notes to the Financial Statements

39. Risk management (continued)

5% decrease in exchange rate

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

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

% Change -2.86%

Central Bank of Lesotho

Financial Statements for the year ended 31 December 2013

Notes to the Financial Statements

39. Risk management (continued)

Interest rate risk

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

2013

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

Central Bank of Lesotho

Financial Statements for the year ended 31 December 2013

Notes to the Financial Statements

39. Risk management (continued)

Nominal return in increasing yields	0-6 mnth M'000	6mnth-1yr M'000	1-5yr M'000	5yr+ M'000	Nominal Income	% Change
ZAR	312,771	9,726	57,786	127,817	568,579	24
USD	20,301	3,648	25,210	-	-	-
EUR	4,585	-	-	-	-	-
GBP	2,042	-	-	-	-	-
Other	7,695	-	-	-	-	-
	-	-	-	-	-	-
Nominal return in decreasing yields	0-6 mnth M'000	6mnth-1yr M'000	1-5yr M'000	5yr+ M'000	Nominal Income	% Change
ZAR	227,663	7,679	45,620	95,230	376,192	(18)
EUR	-	-	-	-	-	-
GBP	-	-	-	-	-	-
Other	-	-	-	-	-	-
	-	-	-	-	-	-

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

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

Central Bank of Lesotho

Financial Statements for the year ended 31 December 2013

Notes to the Financial Statements

39. Risk management (continued)

2012

Currency	Cash 2012 M '000	0 to 6 Months 2012 M '000		6 months to 1 year 2012 M '000		1 year to 5 years 2012 M '000		More than 5 years 2012 M '000		Total 2012 M '000	
ZAR	11,670	2,778,201	360,207	746,472	953,884	4,850,434					
USD	1,092	1,333,551	190,698	1,550,215	-	3,075,556					
GBP	21	9,975	-	-	-	9,996					
EUR	-	155,173	-	-	-	155,173					
Other	-	494,553	-	-	-	494,553					
Total	12,783	4,771,453	550,905	2,296,687	953,884	8,585,712					
Base case yields											
ZAR		0-6 month	5.28 %	6 month - 1yr	5.35 %	1-5 yr	8.50 %	5yr+	7.50 %		
USD			0.90 %		0.77 %		0.23 %		- %		
GBP			0.27 %		- %		- %		- %		
EUR			0.60 %		- %		- %		- %		
Other			- %		- %		- %		- %		
100 Basis points increase in yields											
ZAR		0-6 month	6.28 %	6 month - 1yr	6.35 %	1-5 yr	9.50 %	5yr+	8.50 %		
USD			1.90 %		1.77 %		1.23 %		1.00 %		
GBP			1.27 %		- %		- %		- %		
EUR			1.60 %		- %		- %		- %		
Other			1.00 %		- %		- %		- %		
100 Basis points decrease in yields											
ZAR		0-6 month	4.28 %	6 month - 1yr	4.35 %	1-5 yr	7.50 %	5yr+	6.50 %		
GBP			- %		- %		- %		- %		
EUR			- %		- %		- %		- %		

Central Bank of Lesotho

Financial Statements for the year ended 31 December 2013

Notes to the Financial Statements

39. Risk management (continued)

Nominal return in base case yields	0-6 mnth M'000	6mnth-1yr M'000	1-5yr M'000	5yr+ M'000	
ZAR	146,689	19,271	63,450	71,541	
USD	12,002	1,475	3,500	-	
GBP	26	-	-	-	
EUR	923	-	-	-	
	-	-	-	-	318,878
Nominal return in increasing yields					
ZAR	174,471	22,873	70,915	81,080	
USD	25,337	3,382	19,002	-	
GBP	126	-	-	-	
EUR	2,475	-	-	-	
Other	4,943	-	-	-	
	-	-	-	-	404,611
					% Change
					27
Nominal return in decreasing yields					
ZAR	118,907	15,669	55,985	62,002	
GBP	-	-	-	-	
EUR	-	-	-	-	
Other	-	-	-	-	
	-	-	-	-	252,564
					% Change
					(21)

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

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

Central Bank of Lesotho

Financial Statements for the year ended 31 December 2013

Notes to the Financial Statements

39. Risk management (continued)

Liquidity risk

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

2013

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

Central Bank of Lesotho

Financial Statements for the year ended 31 December 2013

Notes to the Financial Statements

39. Risk management (continued)

2012

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

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Notes to the Financial Statements

40. Fair value information

Levels of fair value measurements

Level 1

Assets

Available for sale financial assets

Bonds	5	3,153,605	2,676,737
Unit trusts		529,311	425,765
Total available for sale financial assets		<u>3,682,916</u>	<u>3,102,502</u>

Financial assets designated at fair value through profit or loss

Bonds	5	1,055,838	852,115
Total		<u>4,738,754</u>	<u>3,954,617</u>