Central Bank of Lesotho
Financial statements
for the year ended 31 December 2012

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 M.G. Malope (Adv.)
Lawyers:	Webber & Newdigate Knowles Husain Lindsay Inc

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Corporate Governance Report

The Central Bank of Lesotho is committed to principles of transparency, integrity, accountability and openness in its dealings with all its stakeholders. The Governor and Board of Directors are committed to ascertaining that compliance with corporate governance principles remains an integral part of the manner in which the Bank conducts its business.

1. Corporate Governance Report for the Year

The Bank has a unitary Board of Directors which comprises five non-executive director and three executive director positions. The office of Governor became substantively filled from 1 January 2012, following the passing of the predecessor in 2011. The positions of Deputy-Governors 1 and 2, who serve as two of the three executive directors also became filled from 1 January 2012. All vacant positions of non-executive directors became filled by the beginning of May 2012. The directors represented a wide range of skills and experience. They hold financial, economic, commercial, accounting, management, governance and legal expertise. All the directors were fully aware of their duties to ensure that the Bank maintained a high standard of corporate governance.

The Board of Directors exercised responsibility for the performance of the affairs of the Bank, and retained full and effective control over the Bank. It determined strategic direction of the Bank and monitored executive management in the implementation and execution of its strategies. 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 2012, the Board met ten times to review strategy, operational performance, capital expenditure, internal controls, approve budgets and oversee other material governance aspects pertaining to the Bank's business. The Board's committees, namely the Audit and Risk Committee and the Human Resources and Remuneration Committee also convened to deliberate upon matters requiring specialised attention.

All directors of the Bank have had access to the advice and services of the Head of Corporate Affairs Department as Secretary of the Board, who is responsible for ensuring that Board procedures are followed and that applicable rules and regulations are complied with.

Mr.M.G. Malope
Head of Corporate Affairs Department
Secretary of the Board

Directors' Responsibilities and Approval

The Directors are responsible for the maintenance of adequate accounting records and the preparation and integrity of the financial statements and related information. The auditors are responsible for reporting on the fair presentation of the financial statements. The financial statements presented on pages 6 to 58 have been prepared in accordance with the requirements of the Central Bank of Lesotho Act, No. 2 of 2000 and the accounting policies set out in note 1 of the financial statements.

The Directors are also responsible for the Bank's systems of internal financial control. These are designed to provide reasonable, but not absolute, assurance as to the reliability of the financial statements, and to adequately safeguard, verify and maintain accountability of the assets, and to prevent and detect misstatement and loss. Nothing has come to the attention of the Directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

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

The financial statements were approved by the Board of Directors on 26 March 2013 and are signed on its behalf by:

Dr. R.A. Matlanyane
Governor

Mrs. O. Letebele
Director

Deloitte.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBER OF CENTRAL BANK OF LESOTHO

Report on the 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 2012, 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 2012, 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 2012, 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 this report.

Deloitte & Touche

Deloitte & Touche
Registered Auditors
Per Stephen Munro
Partner
26 March 2013

LETACC

LETACC
Firm of Chartered Accountants and Auditors
Per Letuka Sephelane
Partner
26 March 2013

Directors' Report

The Directors present their annual report, which forms part of the audited financial statements of the Central Bank of Lesotho, for the year ended 31 December 2012. The financial statements are expressed in Maloti, the national currency of Lesotho and the functional currency of the Bank.

1. Review of activities

Nature of business

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

Financial results

The Bank has chosen to use International Financial Reporting Standards (IFRS) as a guide in deciding on the most approriate accounting policies to adopt and as a model for the presentation and disclosure framework followed in its 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 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 2012	53,952
31 December 2011	44,047

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.A. 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, 2008	Non-Executive Director
Mr J.Q. Lesitha	December, 2005 - March 2012	Non-Executive Director
Mr. M. Posholi	December, 2008	Non-Executive Director
Mr. S. Malebanye	May, 2012	Non Executive Director
Mrs. O. Letebele	May, 2012	Non-Executive Director
Mrs. M. Rapapa	May, 2012	Non-Executive Director

Directors' Report

5. Secretary

Name	Date of appointment	Position held
Mr M.G. Malope (Adv.)	October, 2007	Head of Department of Corporate Affairs

6. Events subsequent to balance sheet date

The Directors are not aware of any material events or circumstances, which could cause changes in the 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 2013

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Statement of Financial Position

	Notes	2012 M '000	2011 M '000
Assets			
Cash and balances with Banks	2	4,137,698	3,303,628
Accrued interest due from Banks	3	4,981	3,101
Investment in unit trusts	4	425,765	-
Treasury notes and bonds	5	3,528,852	3,553,807
IMF Subcription Account	6	419,094	372,444
IMF Holding of Special Drawing Rights (SDR)	7	455,132	376,875
IMF Funded PRGF Advances	8	504,895	207,352
Lesotho Government Securities	9	15	19
Deferred currency expenditure	10	-	13,796
Loans to staff	11	41,985	32,549
Other assets	12	7,725	5,526
Property, plant and equipment	13	217,954	215,500
Intangible assets	14	4,618	6,673
Taxation receivable	20	-	25,699
Total Assets		**9,748,714**	**8,116,969**
Equity and Liabilities			
Liabilities			
Notes and coins issued	15	999,504	844,626
Deposits	16	662,334	940,559
Lesotho Government Deposits		3,993,097	2,869,107
IMF Maloti Currency Holding	17	374,751	334,250
IMF Special Drawing Rights Allocation	18	394,816	350,868
IMF-PRGF Facility	19	504,895	207,352
Taxation payable	20	8,617	-
Due to Government of Lesotho Consolidated Fund	21	53,952	44,047
Other liabilities	22	56,801	62,643
Long-term employee benefit obligation	23	89,173	68,190
Deferred taxation	24	21,473	16,789
Total Liabilities		**7,159,413**	**5,738,431**
Equity			
Share capital	25	100,000	100,000
General reserve		169,153	158,363
Rand compensatory reserve		380,739	344,510
SDR revaluation reserve		47,397	43,560
Foreign exchange revaluation reserve		1,715,708	1,599,780
Property revaluation reserve		85,476	85,843
Bond /Unit trust revaluation reserve		90,828	46,482
		2,589,301	**2,378,538**
Total Equity and Liabilities		**9,748,714**	**8,116,969**

Statement of Comprehensive Income

	Notes	2012 M '000	2011 M '000
Interest income	26	275,757	239,543
Interest expense	27	(11,821)	(28,610)
Net interest income		**263,936**	**210,933**
Other income	28	41,872	33,481
Revaluation gain on foreign exchange activities		119,765	766,114
Operating profit		**425,573**	**1,010,528**
Operating expenses	29	(217,345)	(178,352)
Profit before taxation		**208,228**	**832,176**
Taxation	30	(23,721)	(13,206)
Profit for the year		**184,507**	**818,970**
Other comprehensive income:			
Bond/Unit trust revaluation reserve			
Increase/(decrease) in bond fair values		59,128	(21,179)
Tax effect		(14,782)	5,295
Net movement		44,346	(15,884)
Property revaluation reserve			
(Decrease)/increase in property revaluations		(489)	29,502
Tax effect		122	(7,376)
Net movement		(367)	22,126
Rand compensatory reserve			
Increase in reserve		36,229	31,036
Tax effect		-	-
Net movement		36,229	31,036
Other comprehensive income for the year net of taxation		**80,208**	**37,278**
Total comprehensive income		**264,715**	**856,248**

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 2011	**100,000**	**149,554**	**313,474**	**50,313**	**826,913**	**63,717**	**62,366**	**-**	**1,566,337**
Profit for the year	-	-	-	-	-	-	-	818,970	818,970
Transfer of foreign exchange	-	-	-	(6,753)	772,867	-	-	(766,114)	-
Increase in bond fair values	-	-	-	-	-	-	(15,884)	-	(15,884)
Asset revalutions for the year	-	-	-	-	-	22,126	-	-	22,126
Rand compensatory receipts	-	-	31,036	-	-	-	-	-	31,036
Transfer to general reserve	-	8,809	-	-	-	-	-	(8,809)	-
Dividends	-	-	-	-	-	-	-	(44,047)	(44,047)
Total changes	-	8,809	31,036	(6,753)	772,867	22,126	(15,884)	-	812,201
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 translation to designated reserve	-	-	-	3,837	115,928	-	-	(119,765)	-
Increase in bond/unit trust fair values	-	-	-	-	-	-	44,346	-	44,346
Disposal of assets during the year	-	-	-	-	-	(367)	-	-	(367)
Rand compensatory receipts	-	-	36,229	-	-	-	-	-	36,229
Transfer to general reserve	-	10,790	-	-	-	-	-	(10,790)	-
Dividends	-	-	-	-	-	-	-	(53,952)	(53,952)
Total changes	-	10,790	36,229	3,837	115,928	(367)	44,346	-	210,763
Balance at 31 December 2012	**100,000**	**169,153**	**380,739**	**47,397**	**1,715,708**	**85,476**	**90,828**	**-**	**2,589,301**

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Statement of Cash Flows

	Note(s)	2012 M '000	2011 M '000
Cash flows from operating activities			
Cash generated from operations	31	850,824	86,747
Interest income		275,757	239,543
Loss on revaluation of treasury notes and bonds		(11,821)	(28,610)
Tax paid		-	-
Rand compensatory reserve		36,229	31,036
Payments to Government of Lesotho Consolidated Fund	21	(44,047)	(60,910)
Net cash from operating activities		**1,106,942**	**267,806**
Cash flows from investing activities			
Deferred currency expenditure	10	-	(846)
(Increase)/decrease in loans to staff	11	(9,436)	4,789
(Increase)/decrease in other assets	12	(2,199)	1,031
Decrease/(increase) in Lesotho Government Securities	9	4	(18)
Decrease in treasury bills		-	137,527
Increase in treasury notes, bonds and unit trusts	5	(400,810)	(309,226)
Movement in deposits held by Foreign Banks		1,812,472	(1,267,172)
Purchase of property, plant and equipment	13	(14,467)	(18,325)
Proceeds from disposal of property, plant and equipment	13	2,850	2,656
Purchase of intangible assets	14	(3,693)	(3,806)
Net cash from investing activities		**1,384,721**	**(1,453,390)**
Cash flows from financing activities			
Movement in notes and coins		154,878	206,468
Total cash movement for the year		**2,646,541**	**(979,116)**
Cash at the beginning of the year		1,491,157	2,470,273
Total cash at end of the year	2	**4,137,698**	**1,491,157**

Accounting Policies

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

1. Presentation of Financial Statements

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

The preparation of financial statements require the use of certain critical accounting estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

1.1 Property, plant and equipment

Owner-occupied properties

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

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

Subsequent to initial recognition, property, plant and equipment are reflected at a valuation based on open-market fair value as determined every year end by 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 2011. 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%
Motor vehicles	25%
IT equipment	20%
Office and sports equipment	20%
Housing equipment	20%
Housing furniture	10%
Office furniture	10%
Security equipment	20%

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

Accounting Policies

1.1 Property, plant and equipment (continued)

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

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

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

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

1.2 Intangible assets

Computer software

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

1.3 Financial instruments

Classification

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

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

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

(b) Loans and receivables

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

(c) Available-for-sale financial assets

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

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

(d) Held-to-maturity investments

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

Accounting Policies

1.3 Financial instruments (continued)

Initial recognition and measurement

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

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

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

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

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

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

Offsetting financial instruments

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

Impairment of financial assets

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

Available-for-sale financial assets

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

1.3 Financial instruments (continued)

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.

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

Financial assets carried at amortised cost

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

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

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

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

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

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

Financial liabilities measured at amortised cost

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

Accounting Policies

1.3 Financial instruments (continued)

Cash and cash equivalents

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

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

1.4 Current and deferred income tax

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

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

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

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

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.

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

1.6 Non-current assets held for sale

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

Accounting Policies

1.7 Share capital

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

(b) Dividends on ordinary shares

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

1.8 Employee benefits

(a) Post employment benefits

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

(b) Other long-term employee benefits

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

Long-term employee benefits include:

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

(c) Actuarial gains/losses

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

(d) Accrual for leave pay

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

1.9 Provisions

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

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

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

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

Accounting Policies

1.10 Revenue

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

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

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

Non-interest revenue

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

1.11 Borrowings

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

1.12 Translation of foreign currencies

(a) Functional and presentation

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

(b) Transactions and balances

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

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

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

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

Accounting Policies

1.13 Impairment of non-financial assets

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

1.14 Claims on staff

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

1.15 Deferred currency expenditure

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

1.16 Dividend distribution

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

1.17 Notes and coins

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

1.18 IMF Holding of Special Drawing Rights and IMF subscription account

Upon joining the International Monetary Fund (IMF), Lesotho was allocated a special drawing right, currently amounting to 34 900 000 units and an IMF subscription account, the 34 900 000 is the subscription itself. 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 IMF holding and subscription accounts are stated at amortised cost by using the effective interest rate method. The Special Drawing Rights were initially recorded by accounting for the Allocation of the Special Drawing Rights as a liability and corresponding entry as the Holdings of Special Drawing rights under external assets. As the Special Drawing Rights are utilised by the Government, the Holdings of the Special Drawing Rights are decreased. The allocation of Special Drawing Rights accrues interest expense at an average rate of 2.02% and the Holdings of Special Drawing Rights an income of 2.02%. Annually, the rights 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.

Accounting Policies

1.21 General Reserve

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

1.22 Rand Compensatory Reserve

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

1.23 Foreign Exchange Revaluation Reserve Account

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

1.24 SDR Revaluation Reserve

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

1.25 Property Revaluation Reserve

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

1.26 Bond/Unit Trust Revaluation Reserve

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

Accounting Policies

1.27 Financial Risk Management

Financial risk factors

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

(a) Market Risk

(i) Foreign Exchange Risk

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

In order to manage the foreign exchange risk exposure, the Bank holds functional currencies in which its obligations are denominated in the ratio of their historic cash flows. As of 31st December 2012, 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 2012, if interest rates had fallen by 1%, the Bank's revenue would decline by 21%, based on the simulation performed. However, if rates had increased by 1%, revenue would increase by 27%.

(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 40-58.

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.

1.28 IMF Currency Holding Account

The IMF Holdings of Maloti are represented by the Non-Interest Bearing Note of SDR20 439 573 (2011: SDR22 999735) issued by the Government of Lesotho in favour of the IMF. GOL chose to substitute non-interest bearing notes for a portion of the balance held in its Fund's No. 1 account and the securites substituted for currency are recorded in the Securities Account. GOL's holding in IMF SDR Department is posted in the No.1 account and is used for the Fund's operational transactions e.g. purchases and repurchases, whereas the No. 2 account is used for the payment of operational expenses incurred by the Fund in Maloti. The Bank revalues the IMF accounts in its Statement of Financial Position in accordance with the practices of the IMF Treasury Department. The revaluation of the SDR rates by the IMF is effected annually on 30 April, and whenever there are IMF transactions using the Maloti. The IMF accounts have been revalued using the latest prevailing SDR rates as revalued by the IMF.

1.29 Critical accounting estimates and judgements

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

Critical accounting estimates and assumptions

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

(a) Income taxes

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

(b) Employee benefits

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

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

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

(c) Fair values

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

i) Balances due to and from banks

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

ii) Loans and advances

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

Accounting Policies

iii) Investment securities

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

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

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

Notes to the Financial Statements

	2012 M '000	2011 M '000
2. Cash and balances with Banks		
Cash and cash equivalents		
Foreign cash on hand	1,113	520
Rand Currency Holding	11,670	28,194
Currency in transit	5,888	10,937
Total cash	18,671	39,651
Current and Call Accounts:		
Foreign Banks	63,970	20,688
South African Banks	1,975,731	1,335,123
Total Current and Call Accounts	2,039,701	1,355,811
Fixed deposits (with maturity shorter than 3 months):		
Foreign Banks	1,281,601	-
South African Banks	797,725	95,694
Total fixed deposits (with maturity shorter than 3 months)	2,079,326	95,694
Total balances with Banks (with a maturity shorter than 3 months)	4,119,027	1,451,505
Sub-total (Cash and Cash Equivalents)	**4,137,698**	**1,491,156**
Fixed deposits (with maturity longer than 3 months):		
Foreign Banks	-	1,492,472
South African Banks	-	320,000
Sub-total fixed deposits (with maturity longer than 3 months)	-	1,812,472
Total cash and balances with Banks	**4,137,698**	**3,303,628**

The total Cash and balances with Banks include currency in transit. In 2011 Currency in Transit, M10.9 million was included under note 3, Accrued interest due from Banks. Both Accrued Interest due from Banks and Cash and balances with Banks for 2011 has been reclassified accordingly. The reclassification of Currency in Transit has not had any effect on the profit and loss reported for the 2011 financial year.

	2012	2011
3. Accrued interest due from Banks		
Accrued interest receivable:		
ZAR call accounts	320	250
ZAR fixed deposit accounts	4,516	2,441
Foreign call and fixed deposit accounts	145	410
	4,981	**3,101**

4. Investment in unit trusts

2012

	Available for sale	Total
Unit trusts at fair value	425,765	425,765

Notes to the Financial Statements

	2012 M '000	2011 M '000

4. Investment in unit trusts (continued)

2011

	Available for sale	Total
Units trusts at fair value	-	-
	-	-

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.

5. Treasury notes and bonds

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**

2011

	At fair value through profit and loss	Available-for-sale	Total
US Bonds at fair value	738,124	1,311,279	2,049,403
ZAR Bonds at fair value	-	1,461,450	1,461,450
US Bonds accrued interest	2,310	6,721	9,031
ZAR Bonds accrued interest	-	33,923	33,923
	740,434	**2,813,373**	**3,553,807**

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 Reserves Advisory Management Program (RAMP) are treated as held-for-trading instruments and are stated at fair value through profit and loss.

6. IMF Subcription Account

	2012	2011
Balance at beginning of year	372,444	386,190
Exchange revaluation	46,650	(13,746)
Balance at end of year	**419,094**	**372,444**

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 date is converted at the rate of 0.0832748 (2011: 0.0937054).

Notes to the Financial Statements

7. IMF Holding of Special Drawing Rights (SDR)

	2012 M '000	2011 M '000
Balance at beginning of year	376,875	378,032
Net transactions - increase in rights	31,051	12,299
Exchange revaluation	47,206	(13,456)
Balance at end of year	**455,132**	**376,875**

The value of SDR 37,901,041 allocated by the International Monetary Fund less utilisation is converted at 0.0832748 (2011: SDR 35,315,262 at 0.0937054).

8. IMF Funded PRGF Advances

	2012 M '000	2011 M '000
Balance at beginning of year	207,352	202,501
Paid during the year	(37,826)	(49,440)
Received during the year	309,397	61,594
Exchange revaluation	25,972	(7,303)
Balance at end of year	**504,895**	**207,352**

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

9. Lesotho Government Securities

	2012 M '000	2011 M '000
Maturing within 1 month	15	19

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 they are held to maturity.

10. Deferred currency expenditure

	2012 M '000	2011 M '000
Balance at beginning of year	13,796	29,143
Expenditure during the year	-	846
Amortised during the year	(13,796)	(16,193)
Balance at end of year	**-**	**13,796**

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

Notes to the Financial Statements

	2012 M '000	2011 M '000
11. Loans to staff		
Housing loans	17,604	14,958
Car loans	12,155	11,505
Furniture loans	1,254	1,103
Other loans and advances	10,972	4,983
	41,985	**32,549**
12. Other assets		
Cheques for collection and uncleared items	2,015	388
Other prepayments	2,527	1,937
Other receivables	3,183	3,201
	7,725	**5,526**

Notes to the Financial Statements

Figures in Maloti thousands

13. Property, plant and equipment

	2012 M '000			2011 M '000		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
CBL land and buildings	71,652	(10,184)	61,468	70,185	(9,085)	61,100
Lehakoe land and buildings	98,626	(10,855)	87,771	98,437	(9,282)	89,155
Residential land & buildings	11,309	(932)	10,377	11,309	(741)	10,568
Housing furniture	534	(463)	71	534	(441)	93
Office furniture	7,670	(5,608)	2,062	7,570	(5,223)	2,347
LRCC furniture	3,490	(2,855)	635	3,632	(2,672)	960
Motor vehicles	12,956	(7,970)	4,986	10,564	(6,924)	3,640
Office equipment	32,350	(24,218)	8,132	23,417	(21,995)	1,422
IT equipment	13,558	(9,684)	3,874	12,641	(8,313)	4,328
Sports and music	8,072	(6,232)	1,840	7,881	(5,980)	1,901
Housing equipment	190	(190)	-	190	(190)	-
Security equipment	7,819	(7,485)	334	7,638	(7,420)	218
Work in progress	36,404	-	36,404	39,768	-	39,768
Total	**304,630**	**(86,676)**	**217,954**	**293,766**	**(78,266)**	**215,500**

Notes to the Financial Statements

Figures in Maloti thousands

13. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2012

	Opening balance	Additions	Disposals	Transfers	Revaluations	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 vehicles	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 and 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**

Notes to the Financial Statements

Figures in Maloti thousands

13. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2011

	Opening balance	Additions	Disposals	Transfers	Revaluations	Depreciation	Total
CBL land and buildings	53,795	105	-	-	8,092	(892)	61,100
Lehakoe land and buildings	73,063	20	-	-	17,326	(1,254)	89,155
Residential land and buildings	7,730	95	-	-	2,886	(143)	10,568
Housing furniture	108	6	-	-	-	(21)	93
Office furniture	2,551	207	-	-	-	(411)	2,347
Motor vehicle	4,971	813	(580)	-	-	(1,564)	3,640
Office equipment	3,480	644	(950)	-	-	(1,752)	1,422
IT equipment	3,191	2,643	(354)	-	-	(1,152)	4,328
LRCC furniture	1,437	15	(354)	-	-	(138)	960
Sports & music equipment	992	2,031	(418)	-	-	(704)	1,901
Housing equipment	17	-	-	-	-	(17)	-
Security equipment	1,363	203	-	-	-	(1,348)	218
Work in progress	28,427	11,543	-	(202)	-	-	39,768
	181,125	**18,325**	**(2,656)**	**(202)**	**28,304**	**(9,396)**	**215,500**

14. Intangible assets

	2012			2011		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Computer software	20,111	(15,493)	4,618	16,418	(9,745)	6,673

Reconciliation of intangible assets - 2012

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

Notes to the Financial Statements

	2012 M '000	2011 M '000

14. Intangible assets (continued)

Reconciliation of intangible assets - 2011

	Opening balance	Additions	Amortisation	Total
Computer software	7,413	3,806	(4,546)	6,673

15. Notes and coins issued

	2012 M '000	2011 M '000
Notes	980,772	827,347
Coins	18,732	17,279
	999,504	**844,626**

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

16. Deposits

	2012 M '000	2011 M '000
Deposits from Banks - Non-interest bearing		
Bankers	328,672	326,499
Other Deposits - Non-interest bearing		
International Institutions	2,422	2,501
Parastatals and others	331,240	611,559
	662,334	**940,559**

17. IMF Maloti Currency Holding

	2012 M '000	2011 M '000
Securities account	245,447	245,447
General resources accounts	129,304	88,803
	374,751	**334,250**

18. IMF Special Drawing Rights Allocation

	2012 M '000	2011 M '000
Balance at beginning of year	350,868	363,817
Exchange revaluation	43,948	(12,949)
Balance at end of year	**394,816**	**350,868**

Lesotho's allocation by IMF of SDR32,878,186 converted at 0.0832748 (2011:SDR 32,878,186 at 0.0937054).

19. IMF-PRGF Facility

	2012 M '000	2011 M '000
Balance at beginning of year	207,352	202,501
Paid during the year	(37,826)	(49,440)
Received during the year	309,397	61,594
Exchange revaluation	25,972	(7,303)
Balance at end of year	**504,895**	**207,352**

Notes to the Financial Statements

	2012 M '000	2011 M '000

19. IMF-PRGF Facility (continued)

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 balance due to the IMF amounted to SDR42,045,000 converted at 0.0832748 as at 31 December 2012 (2011: SDR19,430,000 at 0.0937054). The loan has been on-lent as per note 8. Interest expense and exchange rate differences are borne by the Government of Lesotho.

20. Taxation payable/(receivable)

	2012 M '000	2011 M '000
Balance at beginning of year	(25,699)	(46,351)
Paid during the year	-	-
Current year charge	34,316	20,652
Balance at end of year	**8,617**	**(25,699)**

21. Due to Government of Lesotho Consolidated Fund

	2012 M '000	2011 M '000
Balance at beginning of year	44,047	60,910
Paid during the year	(44,047)	(60,910)
Profit appropriations for the current year	53,952	44,047
Balance at end of year	**53,952**	**44,047**

The Foreign exchange differences 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.

Profit after tax appropriates as follows:	2012 M '000	2011 M '000
Profit after tax	184,507	818,970
Gain on foreign exchange activities	(119,765)	(766,114)
Profit after tax net of gain on foreign exchange activities	64,742	52,856
Transfer to General Reserve	(10,790)	(8,809)
	53,952	**44,047**

22. Other liabilities

	2012 M '000	2011 M '000
Donations - Referral Hospital	44,177	42,124
Divisional cheques accounts	1,572	2,652
Other	897	7,177
Various accruals	10,155	10,690
	56,801	**62,643**

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.

Notes to the Financial Statements

23. Long-term employee benefit

	2012 M '000	2011 M '000
Provision for severance pay		
Opening obligation	15,453	13,179
Interest cost	1,371	1,203
Current service cost	1,358	1,258
Actuarial loss/(gain)	4,724	599
Benefits paid	(1,148)	(786)
Closing obligation	21,758	15,453
Provision for gratuity		
Opening obligation	52,737	45,684
Interest cost	4,623	4,080
Current service cost	3,712	3,241
Actuarial loss/(gain)	18,584	4,189
Benefits paid	(12,241)	(4,457)
Closing obligation	67,415	52,737
Total	**89,173**	**68,190**

Net expense recognised in profit and loss

	2012 M '000	2011 M '000
Current service cost	5,070	4,499
Interest cost	5,994	5,283
Actuarial losses/(gains)	23,308	4,788
	34,372	**14,570**

Key assumptions used

Assumptions used on last valuation on 31 December 2012.

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

Chance of withdrawal:

Age	Rate (2012)	Rate (2011)
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 %

	2012	2011
Discount rate	7.00 %	8.25 %
Inflation rate	5.50 %	5.50 %
Salary increase rate	6.75 %	6.75 %

Notes to the Financial Statements

	2012 M '000	2011 M '000

24. Deferred taxation

Reconciliation of deferred taxation

	2012 M '000	2011 M '000
Balance at beginning of year	16,789	22,154
Movements in profit and loss	(10,595)	(7,446)
Movements in equity	15,279	2,081
Balance at end of year	**21,473**	**16,789**

Deferred taxation comprises

	2012 M '000	2011 M '000
Accelerated capital allowances for tax purposes	(736)	(242)
Liabilities for health care benefits care benefits accrued	(22,700)	(17,048)
Deffered expenses	1,154	5,118
Bond/Unit trust revaluation reserve	30,410	15,494
Property revaluation reserve	13,345	13,467
	21,473	**16,789**

25. Share capital

	2012 M '000	2011 M '000
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

	2012 M '000	2011 M '000
Foreign currency deposits	122,286	78,005
Interest on treasury bills	1,254	1,960
Interest on bonds	152,217	159,578
	275,757	**239,543**

27. Interest expense

	2012 M '000	2011 M '000
Parastatal and Government deposits	13	18
Local bank deposits	27	94
IMF SDR allocation account	512	1,587
Interest on bonds	11,269	16,424
Other interest paid	-	10,487
	11,821	**28,610**

Notes to the Financial Statements

28. Other income

	2012 M '000	2011 M '000
Rental income	127	284
Profit on sale of treasury bills	-	6
Profit on sale of bonds	21,631	19,409
Interest on staff loans	633	520
Lehakoe proceeds	10,371	11,123
Other income	1,121	656
Gain on instruments designated as fair value through profit and loss	5,576	3,390
Profit/(loss) on sale of fixed assets	2,413	(1,907)
	41,872	**33,481**

29. Operating costs and expense per nature

	2012 M '000	2011 M '000
Administration and other expenses	40,474	32,389
Auditor's remuneration	2,029	2,005
Deferred currency expense amortised	13,796	16,193
Intangible assets amortised	5,748	4,546
Depreciation and impairments	9,346	9,396
Property, plant and equipment maintenance expenses	11,208	12,131
Loss on revaluation of treasury notes and bonds	2,861	7,657
Personnel costs:		
Staff welfare expenses	11,086	9,282
Non-executive directors' fees	542	279
Executive directors' salaries	4,638	1,732
Key management (heads of departments)	5,124	3,777
Staff salaries and expenses	77,259	61,098
Pension fund contributions	4,820	3,297
Gratuity and severence expenses	28,414	14,570
	217,345	**178,352**

Notes to the Financial Statements

30. Taxation

	2012 M '000	2011 M '000
Major components of the taxation expense		
Current		
Normal taxation for the year	34,316	20,652
Deferred		
Deferred taxation arising on other profit and loss items	(10,595)	(7,446)
	23,721	**13,206**
Reconciliation of the taxation expense		
Chargeable profit (before foreign exchange gain/loss)	88,463	66,062
Statutory tax rate	25 %	25 %
Permanent differences:		
Donations	5.42 %	1.10 %
50 % Entertainment	0.25 %	0.21 %
Training expenses additional 25%	(2.49)%	(2.55)%
Other	(1.37)%	(3.77)%
Effective tax rate	**26.81 %**	**19.99 %**

31. Cash flows from operating activities

	2012 M '000	2011 M '000
Profit before taxation	208,228	832,176
Adjustments for:		
Depreciation	9,346	9,396
Deferred computer software amortised	6,191	-
Profit/loss on disposal of fixed assets	(2,413)	-
Interest income	(275,757)	(239,543)
Interest expense	11,821	28,610
Acturial losses	23,308	4,788
Deferred currency expenses amortised	13,796	16,193
Loss on revaluation of treasury notes and bonds	2,861	7,657
Unrealised exchange rate fluctuation	55,158	(27,928)
Movement in accrued interest	(1,180)	1,712
Deposit accounts	845,765	(512,769)
Changes in IMF Maloti currency holding	40,501	(12,336)
Changes in IMF subscription account	(46,650)	13,746
Treasury bills	-	(23,163)
Other liabilities	(5,842)	(12,949)
Changes in IMF Special Drawing Rights Holding	(34,309)	1,157
	850,824	**86,747**

Notes to the Financial Statements

	2012 M '000	2011 M '000
32. Capital commitments		
Contracted	600	2,460

These capital commitments are in respect of the on-going implementation of HR Management Solution which will be funded from internal resources in 2013. The 2012 capital commitments related to the upgrade of HR Management Solution and Automated Clearing House (ACH).

Uncontracted	202,113	67,405

These capital commitments are in respect of the purchase of various capital assets which will be funded from internal resources. The main items relates to the extention of the Bank Building, Disaster Recovery Site and ACH Cheque Truncation Project.

33. Post retirement obligations

Total employer contributions	3,882	3,297

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

34. Contingent liability

There is an industrial dispute against the Bank. The Bank lawyers and management hold a strong view that the case levelled against the Bank is weak. The total amount being claimed amounts to M5.5 million.

		2012 M '000	2011 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 Central 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.

		2012 M '000	2011 M '000
Gross advances made during the year to:			
Heads of Departments	Car loans	-	-
	Furniture loans	101	60
	Housing loans	-	-
Heads of Divisions	Car loans	524	709
	Furniture loans	83	50
	Housing loans	1,304	944
Balances due at end of December:			
Heads of Departments	Car loans	35	143
	Furniture loans	57	21
	Housing loans	1,388	-
Heads of Divisions:	Car loans	1,805	1,217
	Furniture loans	32	91
	Housing loans	5,827	1,353
Interest charged for the the year:			
Heads of Departments	Car loans	5	4
	Furniture loans	1	1
	Housing loans	24	-
Heads of Divisions:	Car loans	52	6
	Furniture loans	2	44
	Housing loans	59	3

No advances were made to the Governors and accordingly no balance is outstanding.

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 Central Bank however requires and accordingly has the following as collateral:

- termination benefits
- title deeds
- registered mortgages

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

	2012 M '000	2011 M '000
Annual remuneration to key management which includes car allowances and housing allowances:		
Executive Directors' salaries	4,638	1,732
Key management salaries	5,124	3,777

36. Financial assets by category

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

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
Unit trusts	-	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**

2011
M '000

Financial assets	Loans and receivables	Available for sale	Assets at fair value through profit and loss	Total
Cash and balances with Banks	3,303,628	-	-	3,303,628
Accrued interest due from Banks	3,101	-	-	3,101
Treasury notes and bonds	-	2,813,373	740,434	3,553,807
IMF Subscription Account	372,444	-	-	372,444
IMF Holding of Special Drawing Rights	376,875	-	-	376,875
IMF Funded PRGF Advances	207,352	-	-	207,352
Lesotho Government Securities	19	-	-	19
Loans to staff	32,549	-	-	32,549
	4,295,968	**2,813,373**	**740,434**	**7,849,775**

37. Financial liabilities by category

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

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	374,751	374,751
IMF Special Drawing Rights Allocation	394,816	394,816
IMF PRGF Facility	504,895	504,895
	6,929,397	**6,929,397**

37. Financial liabilities by category (continued)

2011
M '000

	Financial liabilities at amortised cost	Total
Notes and coins issued	844,626	844,626
Deposits	940,559	940,559
Lesotho Government Deposits	2,869,107	2,869,107
IMF Maloti Currency Holding	334,250	334,250
IMF Special Drawing Rights Allocation	350,868	350,868
IMF PRGF Facility	207,352	207,352
	5,546,762	**5,546,762**

38. Operating lease

Amount receivable within 12 months	144	138
Amount receivable within 13 to 24 months	302	276
	446	**414**

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

39. Risk management

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

Management structures

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

Risk elements

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

39. Risk management (continued)

Market price risk

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

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

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

Currency 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	50,173	8.4860	425,765

Currency 2011	Value of Currency M'000	Exchange Rate	Maloti Equivalent M'000
Cash and balances with Banks			
South Africa	1,781,570	1.0000	1,781,570
United States	142,961	8.1100	1,159,406
Botswana	75	1.0800	81
England	333	12.5202	4,169
European Union	33,404	10.4900	350,408
Switzerland	18	8.6200	158
	-	-	-
	-	-	-
Treasury notes, bonds and unit trusts			
South Africa	1,495,373	1.0000	1,495,373
United States	253,812	8.1100	2,058,415
Unit trust	-	-	-

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 a committee, which sets counterparty limits and security.

39. Risk management (continued)

Operational risk

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

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

Human resource risk

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

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

Legal risk

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

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

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

Reputational risk

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

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

2012

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

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

Fixed deposits	Carrying amount M'000	Maximum exposure M'000	Held in Deno-mination	Type of collateral held	Credit rating
ABSA Bank	100,000	100,000	ZAR	none	P2/Baa1
Crown Agents	123,506	123,506	GBP	none	F1/A Fitch
Crown Agents	300,000	300,000	ZAR	none	F1/A Fitch
Crown Agents	203,758	203,758	USD	none	F1/A Fitch
FedralReseve N.Y	59,402	59,402	USD	none	Aaa

39. Risk management (continued)

Firstrand	280,000	280,000	ZAR	none	P1/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 South PLC	382,684	382,684	USD	none	P2/Baa2
	2,079,326	**2,079,326**			

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

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

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

39. Risk management (continued)

2011

Cash	Carrying amount M'000	Maximum exposure M'000	Held in Deno-mination	Type of collateral held	Credit rating
ZAR	28,194	-	ZAR	none	n/a
USD	500	-	USD	none	n/a
GBP	20	-	EUR	none	n/a
	28,714	-			

Current and call accounts	Carrying amount M'000	Maximum exposure M'000	Held in Deno-mination	Type of collateral held	Credit rating
ABSA Bank	29,095	29,095	ZAR	none	P-2/A3
B.I.S	1,195	1,195	EUR	none	n/a
B.I.S	641	641	GBP	none	n/a
B.I.S Basle	673	673	USD	none	n/a
Bank of England	717	717	GBP	none	P-1/Aaa
Bank of N.Y	54	54	USD	none	P-1/Aaa
Bank of N.Y	16	16	ZAR	none	P-1/Aaa
BankTrust.N.Y	330	330	USD	none	P-1/Aa3
Citi Bank	3,840	3,840	ZAR	none	P-1/A2
CITI N.Y	9,432	9,432	USD	none	P-1/A1
Commerz	2,588	2,588	EUR	none	P-1/A2
Crown Agents	98	98	GBP	none	F1/A Fitch
Crown Agents	424	424	USD	none	F1/A Fitch
Deutsche Bundesbank	490	490	EUR	none	n/a
Federal Reserve Bank of N.Y	926	926	USD	none	Aaa
First Rand	15,907	15,907	ZAR	none	P-1/A3
Investec Bank	55,708	55,708	ZAR	none	P-2/A3
Nedbank	7,832	7,832	ZAR	none	P-2/A3
South African Reserve Bank	1,218,578	1,218,578	ZAR	none	n/a
Standard Bank	4,068	4,068	ZAR	none	P-2/A3
Standard Chartered Botswana	81	81	BWP	none	n/a
Standard Chartered London	2,717	2,717	GBP	none	P-1/A1
Standard Merchant	80	80	ZAR	none	P-2/A3
Swiss Bank	151	151	CHF	none	A1
World Bank (IBRD)	170	170	USD	none	n/a
	1,355,811	**1,355,811**			

Fixed deposits	Carrying amount M'000	Maximum exposure M'000	Held in Deno-mination	Type of collateral held	Credit rating
Barclays PLC	83,904	83,904	EUR	none	P1/Aa3
Crown Agents	209,760	209,760	EUR	none	F1/A Fitch
Crown Agents	162,208	162,208	USD	none	P-2/A3
FedralReseve N.Y	29,198	29,198	USD	none	n/a
Firstrand	80,000	80,000	ZAR	none	P-2/A3
Investec	255,694	255,694	ZAR	none	P-2/A3
Standard Bank	80,000	80,000	ZAR	none	P-2/A3
Standard Chartered London	52,440	52,440	EUR	none	P-1/A3

39. Risk management (continued)

Standard Chartered London	308,338	308,338	USD	none	P-1/Aaa
Standard Bank plc	413,831	413,831	USD	none	P1/Aa3
World Bank	70,585	70,585	USD	none	n/a
Standard Bank SA	162,208	162,208	USD	none	P-2/A3
	1,908,166	**1,908,166**			

Accrued interest due from Banks	**Carrying amount M'000**	**Maximum exposure M'000**	**Held in Deno-mination**	**Type of collateral held**	**Credit rating**
ABSA	1	1	ZAR	none	P-2/A3
Barclays	39	39	USD	none	P1/Aa3
Citibank	1	1	ZAR	none	P-1/Aa3
Crown Agents	72	72	EUR	none	F1/A Fitch
Crown Agents	41	41	USD	none	F1/A Fitch
Firstrand	347	347	ZAR	none	P-1/A3
Investec	2	2	ZAR	none	P-2/A3
Nedbank	1	1	ZAR	none	P-2/A3
South African Reserve Bank	178	178	ZAR	none	P-2/A3
Standard Bank	373	373	ZAR	none	P-2/A3
Standard Bank	184	184	USD	none	P-2/A3
South African Reserve Special rand	64	64	ZAR	none	n/a
Firstrand	2	2	ZAR	none	P-1/A3
Investec	756	756	ZAR	none	P-2/A3
Investec	834	834	ZAR	none	P-2/A3
Standard Bank	131	131	USD	none	P-2/Aa3
Standard Bank	1	1	ZAR	none	P-1/A3
Standard Chartered	7	7	EUR	none	P-1/A3
Standard Chartered	67	67	USD	none	P-1/Aaa
	3,101	**3,101**			

Treasury notes & bonds	**Carrying amount M'000**	**Maximum exposure M'000**	**Held in Deno-mination**	**Type of collateral held**	**Credit rating**
South Africa	1,495,392	1,495,392	ZAR	none	P-2/a3
Unites States	740,434	740,434	USD	none	Aaa
United States	1,317,981	1,317,981	USD	none	Aaa
	3,553,807	**3,553,807**			

Loans to staff	**Carrying amount M'000**	**Maximum exposure M'000**	**Held in Deno-mination**	**Type of collateral held**	**Credit rating**
Housing Loans	14,958	14,958	LSL	Title deeds	n/a
Car Loans	11,505	11,505	LSL	Terminal Benefits	n/a
Furniture Loans	1,103	1,103	LSL	Terminal Benefits	n/a
Other Loans and Advances	4,983	4,983	LSL	Terminal Benefits	n/a
	32,549	**32,549**			

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.

39. Risk management (continued)

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 2012

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 statement in line with the Central Bank Act No.2 of 2000.

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

	31-December 2012		31- December 2011	
Currency	**Portfolio level**	**Exchange rate**	**Portfolio level**	**Exchange rate**
ZAR	4,850,434	1.00	3,276,942	1.00
USD	362,427	8.49	396,753	8.11
EUR	893	11.20	33,409	10.49
GBP	11,308	13.72	333	12.52
BWP	80	1.09	74	1.08
CHF	17	9.28	18	8.62
SDR	37,901	13.04	35,315	10.67

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

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

39. Risk management (continued)

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

Currency	December 2011 Portfolio level	Portfolio level in %	Exchange rate
ZAR	3,276,942	45.35 %	1.00
USD	3,217,828	44.53 %	8.11
EUR	350,403	4.85 %	10.49
GBP	4,173	0.06 %	12.52
BWP	81	- %	1.08
CHF	152	- %	8.62
SDR	376,875	5.22 %	10.67
	7,226,454	**100 %**	

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

Currency	December 2012 Portfolio level	Portfolio level in %	Level change	Exchange rate
ZAR	4,850,434	55.29 %	-	1.00
USD	3,229,334	36.81 %	(153,778)	8.91
EUR	10,495	0.12 %	(500)	11.76
GBP	162,931	1.86 %	(7,759)	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 2.18%

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

Currency	December 2011 Portfolio level	Portfolio level in %	Level change	Exchange rate
ZAR	3,276,942	44.14 %	-	1.00
USD	3,378,720	45.51 %	160,891	8.52
EUR	367,923	4.96 %	17,520	11.01
GBP	4,382	0.06 %	209	13.15
BWP	85	- %	4	1.14
CHF	159	- %	8	9.05
SDR	395,719	5.33 %	18,844	11.21
	7,423,930	**100 %**		

% Change 2.86%

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

Currency	December 2012 Portfolio level	Portfolio level in %	Level change	Exchange rate
ZAR	4,850,434	57.75 %	-	1.00
USD	2,921,778	34.79 %	153,777	8.06

39. Risk management (continued)

EUR	9,496	0.11 %	500	10.64
GBP	147,414	1.76 %	7,758	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 -2.18%

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

Currency	December 2011 Portfolio level	Portfolio level in %	Level change	Exchange rate
ZAR	3,276,942	46.62 %	-	1.00
USD	3,056,937	43.49 %	(160,891)	7.70
EUR	332,883	4.74 %	(17,520)	9.96
GBP	3,964	0.06 %	(209)	11.89
BWP	77	- %	(4)	1.03
CHF	144	- %	(8)	8.19
SDR	358,032	5.09 %	(18,844)	10.14
	7,028,979	**100 %**		

% Change -2.86%

Notes to the Financial Statements

Figures in Maloti thousands

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.

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
EUR	21	9,975	-	-	-	9,996
GBP	-	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**

Notes to the Financial Statements

Figures in Maloti thousands

39. Risk management (continued)

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

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

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

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

Notes to the Financial Statements

Figures in Maloti thousands

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	174,471	22,873	70,915	81,080		
USD	25,337	3,382	19,002	-		
EUR	126	-	-	-		
GBP	2,475	-	-	-		
Other	4,943	-	-	-		
	-	-	-	-	404,611	27

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	118,907	15,669	55,985	62,002		
EUR	-	-	-	-		
GBP	-	-	-	-		
Other	-	-	-	-		
	-	-	-	-	252,564	(21)

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

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

Notes to the Financial Statements

Figures in Maloti thousands

39. Risk management (continued)

2011

Currency	Cash 2011 M '000	0 to 6 Months 2011 M '000	6 months to 1 year 2011 M '000	1 year to 5 years 2011 M '000	More than 5 years 2011 M '000	Total 2011 M '000
ZAR	28,194	1,753,376	209,669	679,046	606,657	3,276,942
USD	501	1,502,493	293,884	1,420,951	-	3,217,829
GBP	-	4,172	-	-	-	4,172
EUR	19	350,384	-	-	-	350,403
Other	-	377,252	-	-	-	377,252
Total	28,714	3,987,677	503,553	2,099,997	606,657	**7,226,598**

Base case yields	**0-6 mnth**	**6 mnth - 1yr**	**1-5 yr**	**5yr+**
ZAR	5.83 %	6.64 %	8.41 %	8.25 %
USD	0.09 %	2.68 %	1.06 %	-
GBP	0.31 %	- %	- %	- %
EUR	-	-	-	-
Other	- %	- %	- %	- %

100 Basis points increase in yields	**0-6 mnth**	**6 mnth - 1yr**	**1-5 yr**	**5yr+**
ZAR	6.83 %	7.64 %	9.41 %	9.25 %
USD	1.09 %	3.68 %	2.06 %	1.00 %
GBP	1.31 %	- %	- %	- %
EUR	1.00 %	- %	- %	- %
Other	1.00 %	- %	- %	- %

100 Basis points decrease in yields	**0-6 mnth**	**6 mnth - 1yr**	**1-5 yr**	**5yr+**
ZAR	4.83 %	5.64 %	7.41 %	7.25 %
USD	- %	1.68 %	0.06 %	- %
GBP	- %	- %	- %	- %
EUR	- %	- %	- %	- %

Notes to the Financial Statements

Figures in Maloti thousands

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	102,134	13,912	57,107	50,049		
USD	1,352	7,889	15,042	-		
GBP	12	-	-	-		
EUR	-	-	-	-		
	-	-	-	-	247,499	-

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	119,667	16,008	63,898	56,115		
USD	16,377	10,828	29,251	-		
GBP	55	-	-	-		
EUR	3,504	-	-	-		
Other	3,773	-	-	-		
	-	-	-	-	319,478	29

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	84,600	11,815	50,317	44		
USD	-	4,950.00	832	-		
GBP	-	-	-	-		
EUR	-	-	-	-		
Other	-	-	-	-		
	-	-	-	-	196,498	(21)

Sensitivity: For a 1 percentage increase in yields, income increases by 29%

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

Notes to the Financial Statements

Figures in Maloti thousands

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:

2012

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

Notes to the Financial Statements

Figures in Maloti thousands

39. Risk management (continued)

2011

	Redeemable on demand	Maturing within 1 month	Maturing after 1 but within 6 months	Maturing after 6 but within 12 months	Maturing after 1 but within 5 years	Maturing after 5 years	Total
Financial assets	M'000	M'000	M'000	M'000	M'000	M'000	M'000
Cash and balances with banks	1,384,525	1,457,214	450,952	-	-	-	3,292,691
Accrued interest due from Banks	-	2,357	744	-	-	-	3,101
Treasury Notes & Bonds	-	16,614	326,985	503,553	2,099,997	606,657	3,553,806
IMF accounts	376,875	-	-	-	-	579,796	956,671
Lesotho Government Securities	-	19	-	-	-	-	19
Loans to staff	-	-	-	4,983	12,608	14,958	32,549
Total Financial Assets	**1,761,400**	**1,476,204**	**778,681**	**508,536**	**2,112,605**	**1,201,411**	**7,838,837**
Financial liabilities							
Notes & Coins issued	844,626	-	-	-	-	-	844,626
Deposits	940,559	-	-	-	-	-	940,559
Lesotho Government Deposits	2,869,107	-	-	-	-	-	2,869,107
IMF Accounts	892,470	-	-	-	-	-	892,470
Total Financial liabilities	**5,546,762**	**-**	**-**	**-**	**-**	**-**	**5,546,762**
Net liquidity gap	**(3,785,362)**	**1,476,204**	**778,681**	**508,536**	**2,112,605**	**1,201,411**	**2,292,075**

Notes to the Financial Statements

39. Risk management (continued)

Fair value hierarchy

Analysis of fair value determination

	Quoted market price	Quoted market price
Trading financial assets	852,115	740,434
Available-for-sale financial assets	3,102,502	2,813,373
	3,954,617	**3,553,807**