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THE ANNUAL FINANCIAL STATEMENTS OF THE LESOTHO HIGHLANDS DEVELOPMENT AUTHORITY FOR THE YEAR ENDED 31 MARCH 2025

GENERAL INFORMATION

DIRECTORS	**:**	Ms. K. Rattay (Acting Chairperson)-Appointed 12th March 2025 Mr. S. Phakisi (Chairperson)-Term Ended 7th March 2025 Ms. K. Rattay (Deputy Chairperson) Mrs. N. Phakoana-Foulo Mr. R. Mbwana. Pr Eng Mr. P. Molapo Dr. T. Lets'ela Mr. M. Malishe Mr. L. Makibinyane Mr. Tente. Pr Eng (Chief Executive)
NATURE OF BUSINESS	**:**	Implementation, operation and maintenance of the Lesotho Highlands Water Project
AUDITORS	**:**	Moores Rowland Chartered Accountants Lesotho and Forvis Mazars
REGISTERED OFFICE AND PHYSICAL ADDRESS	**:**	Lesotho Highlands Development Authority LHDA Tower Kingsway Rd Maseru 100 Lesotho
BANKERS	**:**	Standard Lesotho Bank Limited
ATTORNEYS	**:**	In-house legal team headed by Adv. Thenjiswa Matshikiza. Webber Newdigate is consulted where matters are significant and require specialist reporting or a second opinion.
CORPORATE SECRETARY	**:**	Adv. Mpho Sebusi-Maholi
COUNTRY OF INCORPORATION	**:**	Kingdom of Lesotho (Lesotho)
LEGAL FORM	**:**	An Authority in Lesotho operating in the form of a body corporate with perpetual succession. The Authority was established in terms of Lesotho Highlands Development Authority Order No 23 of 1986 (The Order) as amended by LHDA Amendment Act of 2000.
PRESENTATION & FUNCTIONAL CURRENCY	**:**	Lesotho Loti (LSL) (plural: Maloti)

BOARDS' STATEMENT OF RESPONSIBILITY

At 31 March 2025

The Board is required to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the Lesotho Highlands Development Authority (Authority) as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with IFRS® Accounting Standards as issued by the International Accounting Standards Board (IASB). The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with IFRS Accounting Standards as issued by the IASB and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

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

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

The Board has reviewed the Authority's cash flow forecast for the year to 12 months after date of authorisation and, in light of this review and the current financial position, they are satisfied that the Authority has access to adequate resources to continue in operational existence in the foreseeable future.

The External Auditors are responsible for independently auditing and reporting on the Authority's financial statements. The financial statements have been examined by the Authority's External Auditors, and their report is presented on page 4 and 5.

THE ANNUAL FINANCIAL STATEMENTS OF THE LESOTHO HIGHLANDS DEVELOPMENT AUTHORITY FOR THE YEAR ENDED 31 MARCH 2025

APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

The Annual Financial Statements, set out on pages **8 to 64 and the supplementary information on page 65-66,** were approved by the Board and signed on behalf of the Board by:

Ms. K. Rattay	**Mr. T. Tente, Pr Eng**
ACTING CHAIRPERSON	**CHIEF EXECUTIVE**
30 September 2025	30 September 2025
DATE	**DATE**

Moores Rowland

Chartered Accountants (Lesotho)

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Lesotho

Independent Auditor's Report

To the members of the Lesotho Highlands Development Authority

Opinion

We have audited the financial statements of Lesotho Highlands Development Authority ("the authority") set out on pages 8 to 63, which comprise the statement of financial position as at 31 March 2025, statement of changes in funds and reserves, statement of profit or loss and other comprehensive income and statement of cash flows for the year then ended, and notes to the Financial Statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Lesotho Highlands Development Authority ("the authority") as at 31 March 2025, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the financial statements section of our report. We are independent of the authority in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B) (IESBA Code) and other independence requirements applicable to performing audits of financial statements in Lesotho. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and in accordance with other ethical requirements applicable to performing audits in Lesotho. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The directors are responsible for the other information. The other information comprises the information included in the pages 6 - 7 and 64 - 65 document titled "Lesotho Highlands Development Authority Annual Financial Statements at 31 March 2025", which includes the Statement of Activities as well as the Detailed Statement of Profit or Loss and Other Comprehensive Income. The other information does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, 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.

In preparing the Financial Statements, the directors are responsible for assessing the authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the director either intend to liquidate the authority or to cease operations, or have no realistic alternative but to do so.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 authority’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the authority’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the authority to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

MOORES ROWLAND

Moores Rowland Lesotho
Partner: Ramothamo ‘Nyane
Registered Auditors (LIA)
Sentinel Park,
15th United Nations Road
Maseru

Date:30 September 2025

STATEMENT OF ACTIVITIES

The Authority is entrusted with the responsibility for the implementation, operation and maintenance of the Lesotho Highlands Water Project (LHWP) as defined in the Treaty of the Lesotho Highlands Water Project signed by the Government of the Kingdom of Lesotho (GOL) and the Government of the Republic of South Africa (RSA) on 24 October 1986.

The Authority is also conferred with general functions in relation to water resources, electricity, monitoring activities, land acquisition and settlement action planning.

A THE PRINCIPAL FEATURES OF PHASE 1A, NOW COMPLETED, ARE:

(a) A 185m high double curvature concrete arch dam on the Malibamatšo River at Katse;
(b) A 45km transfer tunnel from the Katse reservoir to the Hydropower complex at ‘Muela;
(c) A 72MW underground Hydropower complex at ‘Muela;
(d) The delivery tunnel made up of two sections: The Delivery Tunnel South (15km), from ‘Muela power station to the Lesotho-South Africa border, and the Delivery Tunnel North (22), from Mohokare the border to the Ash River Outfall in South Africa. between the Kingdom of Lesotho and the Republic of South Africa.
(e) Associated infrastructure, including construction of new roads, upgrading and rehabilitation of existing roads, three major road bridges, upgrading of border crossing facilities and new river crossings, camps, communications, power supply, communication systems etc.
(f) Associated conservation, environmental and rural development activities.

B THE PRINCIPAL FEATURES OF PHASE 1B, WHICH IS NOW COMPLETE, ARE:

(a) The 145m high rock filled Mohale Dam with concrete face.
(b) A 32km transfer tunnel from the Mohale intake to the Katse Reservoir.
(c) The Matsoku Weir and a 5.6km diversion tunnel from the weir to the Katse Reservoir.
(d) Associated infrastructure, including construction of new roads, upgrading and rehabilitation of existing roads, camps, communications and power supplies.
(e) Associated conservation, environmental and rural development activities.

C PHASE II OF THE LESOTHO HIGHLANDS WATER PROJECT, WHICH IS STILL UNDER CONTRACTION:

- **WATER TRANSFER COMPONENT**

i. Construction of Polihali dam, concrete-faced rock fill embankment 165m high and crest length of 921m and associated infrastructure. An 49m-high saddle dam will also be built.
ii. An estimated 38km-long with nominal bore 5m-diameter water transfer tunnel from Polihali to existing Katse Dam reservoir will also be built.
iii. Activities for the implementation of Phase II continued during the current financial year.

- **HYDROPOWER COMPONENT**

The Feasibility study for the Hydropower component was completed in 2019, and the Government of Lesotho made a decision in 2021 to proceed with design of the recommended hydropower option, Oxbow.

Work to supplement the residual scope which could not be completed as part of the 2019 feasibility studies, both on the engineering and social-environmental aspects commenced in July 2024 and is scheduled for completion in October 2024.

Negotiations with main Consultants for implementation both the engineering services and ESIA consultants are also underway with the aim to have these concluded ahead of the said 2019 feasibility studies gap-filling activities.

Once this work has been completed, it is expected that the Government of Lesotho will use the updated feasibility studies report to solicit funding for the full implementation of the project covering design through construction.

STATEMENT OF FINANCIAL POSITION AS OF 31 MARCH 2025

	NOTE	2025 M'000	2024 M'000
ASSETS			
Non-Current Assets		**26 628 274**	**20 243 393**
Property, Plant and Equipment	5	26 617 870	20 234 690
Investment Property	6	4 418	4 718
Intangible Assets	7	4 600	3 084
Right of Use Asset	8	1 386	901
Current Assets		**3 185 064**	**4 147 825**
Contract Assets	9	759 945	2 584 449
Other Receivables	10	6 096	3 592
Prepayments	11	31 182	27 180
Tax Receivable	12	1 387 602	710 131
Cash and Cash Equivalents	13	239 442	597 129
Related Party Receivable	14	760 797	225 345
Total Assets		**29 813 338**	**24 391 218**
FUNDS AND LIABILITIES			
Funds and Reserves		**(341 668)**	**(341 668)**
Funds and Reserves		(341 668)	(341 668)
Non-Current Liabilities		**26 656 659**	**20 985 762**
Lease Liability	8	838	517
Deferred Income	15	26 649 934	20 972 175
Contract Payables, Accruals and Retentions	16	5 887	13 070
Current Liabilities		**3 498 347**	**3 747 124**
Current Portion of Lease Liability	8	641	448
Current Portion of Deferred Income	15	921 034	743 118
Contract Payables, Accruals and Retentions	16	1 681 363	2 235 852
Other Payables	17	227 243	212 851
Provisions	18	668 066	554 855
Total Funds and Liabilities		**29 813 338**	**24 391 218**

STATEMENT OF CHANGES IN FUNDS AND RESERVES
AS AT 31 MARCH 2025

TOTAL FUNDS AND RESERVES	AMOUNT M'000
Balance at 31 March 2023	**(341 668)**
Profit for the year	-
Other Comprehensive Income	-
Balance at 31 March 2024	**(341 668)**
Profit/(Loss) for the year	-
Other Comprehensive Income	-
Balance at 31 March 2025	**(341 668)**

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2025

	NOTE	2025	2024
		M'000	M'000
Revenue		**854 392**	**689 349**
Grant Income	20	854 392	689 349
Other Income		**349 400**	**261 590**
Grant Income Lesotho Biodiversity	15	3 194	3 887
Foreign Exchange Gain	23	164 005	142 063
Tax Refund	24	157 488	91 101
Other Income	25	24 713	24 539
Revenue and Other Income		**1 203 792**	**950 939**
Foreign Exchange Losses	23	(121 084)	(24 344)
Depreciation and Amortisation	5, 6, 7 & 8	(329 402)	(327 585)
Resettlement and Compensation Costs	27	(79 949)	(49 238)
Salaries and Wages	28	(259 556)	(223 487)
Other Administrative and Operating Expenditure	30	(182 857)	(64 866)
Expected Credit Loss Provision	10	2 010	(934)
Tax Refund Impairment Provision	12	(263 980)	(285 012)
Loss before financing activities		**(31 026)**	**(24 526)**
Finance Income	22	31 167	24 607
Finance Costs	8	(142)	(82)
Net Profit for the year		-	-
Other Comprehensive Income		-	-
Total Comprehensive Income		-	-

STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31 MARCH 2025

		2025 M'000	2024 M'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Profit/(Loss) for the year		-	-
Adjustment for non-cash items and finance income:			
Depreciation and Amortisation	5,6,7 & 8	329 402	327 585
Finance Costs	8	142	82
Finance Income Received	22	(31 167)	(24 606)
Foreign Exchange Gain	23	(164 005)	(142 063)
Foreign Exchange (Loss)	23	121 084	24 344
Grant Income	15 & 20	(857 586)	(693 236)
Lease Smoothing Asset	10	(343)	-
Loss on Sale of Assets	36	798	556
Movement in Expected Credit Loss Provision	10	(2 010)	934
Net Non-Cash Movement of Lease Liabilities and ROU Assets	8	(7)	-
Non-Cash Movement in Provisions	18	113 211	38 216
Provision for Tax Impairment	12	263 980	285 012
		(226 501)	**(183 176)**
Changes in Working Capital			
Decrease/(Increase) in Contract Assets	9	1 824 504	(433 627)
(Increase) in Other Receivables, Prepayments, Tax Receivable and Related Party Transactions	10,11, 12 14	(1 481 057)	(379 622)
(Decrease)/ Increase in Contract Payables, Accruals and Retentions	16	(518 750)	1 414 460
Increase in Other Payables	17	14 391	270 597
Increase in Deferred Income	15	6 713 260	4 994 922
Cash Generated from Operations		**6 325 848**	**5 683 554**
Finance Income Received	22	31 167	24 606
Cash Generated from Operations		**6 357 015**	**5 708 160**
CASH FLOWS FROM INVESTING ACTIVITIES			
Net Cash (Outflow) from Investing Activities		**(6 713 880)**	**(5 497 961)**
Additions to Property, Plant and Equipment	5	(6 712 818)	(5 500 205)
Additions to Intangible Assets	7	(1 885)	(151)
Proceeds on Sale of Assets	5 & 36	823	2 395
CASH FLOWS FROM FINANCING ACTIVITIES			
Net Cash (Outflow)/Inflow from Financing Activities		**(821)**	**(435)**
Repayments of Lease Liability	8	(821)	435
Net (Decrease)/ Increase in Cash and Cash Equivalents		**(357 687)**	**209 762**
Cash and Cash Equivalents at the beginning of the period		597 129	387 367
Cash and Cash Equivalents at the end of the period	13	**239 442**	**597 129**

NOTES SUPPORTING AMOUNTS PRESENTED IN THE ANNUAL FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

1.1 ACCOUNTING POLICIES: BASIS OF PREPARATION

The principal accounting policies adopted in the preparation of the financial statements are set out in notes. The policies have been consistently applied to all years presented, unless otherwise stated. The financial statements of the Authority shall be approved by the Board within six (6) months following end of the financial year and be signed on its behalf by Chief Executive and the Board Chairperson.

A STATEMENT OF COMPLIANCE

The annual financial statements have been prepared in accordance with the IFRS Accounting Standards as issued by the IASB. The Authority presents its statement of financial position based on expectations regarding recovery or settlement within twelve months after reporting date (current) and more than twelve months (non-current).

The preparation of financial statements in compliance with adopted IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires the Authority Management to exercise judgement in applying the Authority`s accounting policies. The areas where significant judgement and estimates have been made in preparing the financial statements and their effect are disclosed in note 1.3.

B BASIS OF PRESENTATION

The financial statements are presented in Maloti (M), and all values are rounded to the nearest thousand (M'000) except where otherwise indicated.

C BASIS OF MEASUREMENT

The financial statements have been prepared on historical cost basis. Investment property is measured at cost less depreciation and impairment. The fair value of the investment property has also been disclosed however this is purely for disclosure purposes only.

1.2 ACCOUNTING POLICIES: AMENDED IFRS ACCOUNTING STANDARDS PRONOUNCEMENT ADOPTED IN THE CURRENT PERIOD

In the current year, the Authority has considered all new IFRS Accounting Standards pronouncements that are effective for the current financial year.

The following amendments were considered for their potential impact on the financial reporting of the authority.

1.2.1 SUPPLIER FINANCE ARRANGEMENTS- AMENDEMENTS TO IAS 7 AND IFRS 7

The amendment applies to circumstances where supplier finance arrangements exist. These are arrangements whereby finance providers pay the suppliers of the entity, thus providing the entity with extended payment terms or the suppliers with early payment terms. The entity then pays the finance providers based on their specific terms and conditions. The amendment requires the disclosure of information about supplier finance arrangements that enable users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows as well as on the entity's exposure to liquidity risk.

The effective date of the amendment is for years beginning on or after 01 January 2024.

The Authority has adopted the amendment for the first time in the 2025 annual financial statements.

The impact of the amendment is not material.

1.2.2 NON-CURRENT LIABILITIES WITH CONVENANTS – AMENDMENTS TO IAS 1

The amendment applies to the classification of liabilities with loan covenants as current or non-current. If an entity has the right to defer settlement of a liability for at least twelve months after the reporting period, but subject to conditions, then the timing of the required conditions impacts whether the entity has a right to defer settlement. If the conditions must be complied with at or before the reporting date, then they affect whether the rights to defer settlement exist at reporting date. However, if the entity is only required to comply with the conditions after the reporting period, then the conditions do not affect whether the right to defer settlement exists at reporting date. If an entity classifies a liability as non-current when the conditions are only required to be met after the reporting period, then additional disclosures are required to enable the users of financial statements to understand the risk that the liabilities could become repayable within twelve months after the reporting period.

The effective date of the amendment is for years beginning on or after 01 January 2024.

The Authority has adopted the amendment for the first time in the 2025 annual financial statements.

The impact of the amendment is not material.

1.2.3 LEASE LIABILITY IN A SALE AND LEASEBACK AMENDMENT TO IFRS 16

The amendment requires that a seller-lessee in a sale and leaseback transaction, shall determine “lease payments” or “revised lease payments” in a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use retained by the seller-lessee.

The effective date of the amendment is for years beginning on or after 01 January 2024.

The Authority has adopted the amendment for the first time in the 2025 annual financial statements.

The impact of the amendment is not material.

1.3 ACCOUNTING POLICIES
NEW AND AMENDED STANDARDS (AND INTERPRETATIONS) ISSUED BEFORE 31 MARCH 2025, BUT NOT YET EFFECTIVE

The Authority has chosen not to adopt the following standards and interpretations, which have been published and are mandatory for the Authority’s accounting periods beginning on or after 01 April 2025 or later periods.

1.3.1 IFRS 18 PRESENTATION AND DISCLOSURE IN FINANCIAL STATEMENTS

This is a new standard which replaces IAS 1 Presentation of Financial Statements and introduces several new presentation requirements. The first relates to categories and subtotals in the statement of financial performance. Income and expenses will be categorized into operating, investing, financing, income taxes and discontinued operations categories, with two new subtotals, namely "operating profit" and "profit before financing and income taxes" also being required. These categories and sub totals are defined in IFRS 18 for comparability and consistency across entities. The next set of changes requires disclosures about management-defined performance measures in a single note to the financial statements. These include reconciliations of the performance measures to the IFRS defined subtotals, as well as a description of how they are calculated, their purpose and any changes. The third set of requirements enhances the guidance on grouping of information (aggregation and disaggregation) to prevent the obscuration of information.

The effective date of the amendment is for years beginning on or after 01 January 2027.

The Authority expects to adopt the amendment for the first time in the 2028 annual financial statements.

This will have an impact on the disclosure of the Statement of Profit or Loss and Other Comprehensive Income and Statement of Cash Flows.

1.3.2 AMENDMENT TO IFRS 9 AND IFRS 7: AMENDMENTS TO THE CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS.

The amendments clarify the classification of financial assets with environmental, social and corporate governance (ESG) and similar features, as such features could affect whether the assets are measured at amortized cost or fair value. The amendment also clarifies the date on which a financial asset or financial liability is derecognized in cases where liabilities are settled through electronic payment systems.

The effective date of the amendment is for years beginning on or after 01 January 2026.

The Authority expects to adopt the amendment for the first time in the 2027 annual financial statements.

It is unlikely that the amendment will have a material impact on the Authority's annual financial statements.

1.3.3 LACK OF EXCHANGEABILITY - AMENDMENT TO IAS 21.

The amendments apply to currencies which are not exchangeable. The definition of exchangeable is provided as being when an entity can obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations. The amendments require an entity to estimate the spot exchange rate at a measurement date when a currency is not exchangeable into another currency. Additional disclosures are also required to enable users of financial statements to understand the impact of non-exchangeability on financial performance, financial position and cash flow.

The effective date of the amendment is for years beginning on or after 01 January 2026.

The Authority expects to adopt the amendment for the first time in the 2026 annual financial statements.

It is unlikely that the amendment will have a material impact on the Authority's annual financial statements.

2. ACCOUNTING POLICIES: SUMMARY OF MATERIAL ACCOUNTING POLICIES

The financial statements incorporate the following principal accounting policies, which have been consistently applied in all material respects:

2.1 ACCOUNTING POLICIES: PROPERTY, PLANT AND EQUIPMENT (PPE COMPLETED WORKS)

A PPE: MEASUREMENT

Property, plant and equipment is initially recognised at cost, which is the amount transferred from capital work-in-progress, upon completion. The cost excludes the costs of day-to-day servicing. The property, plant and equipment is subsequently measured at cost less accumulated depreciation and impairment (if applicable). Cost includes the cost of replacing part of such plant and equipment, if the recognition criteria are met, and recognised during the period the cost is incurred.

Depreciation is calculated on a straight-line basis over the useful life of items of property, plant and equipment, or their significant components, when appropriate. The carrying values of items are reviewed for impairment when events, or changes in circumstances, indicate that the carrying value may not be recoverable.

An item of property, plant and equipment is de-recognised upon disposal, or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset, calculated as the difference between the net disposal proceeds and the carrying amount of the asset, is included in the profit or loss in the year the asset is derecognised.

The residual values, useful lives and depreciation methods of material items of property, plant and equipment are reviewed by management at each financial year-end.

When a major refurbishment of an item of property, plant and equipment is performed, and the recognition criteria are satisfied, the cost of such a refurbishment is recognised as part of the cost of property, plant and equipment. If there were previous refurbishments performed, the cost will be accounted for as a replacement of the previous refurbishment. Refurbishment costs are depreciated over a period to the next refurbishment.

The average useful lives of the major classes of property, plant and equipment, and therefore the estimated periods over which depreciation is recognised, are as follows:

Classes of property, plant and equipment	**Estimated useful lives in years**
Hydropower civil works	50
Hydropower plant	25
Water transfer civil works	50
Office furniture and equipment	6
Motor vehicles	4
Computer equipment	3
Land and buildings (relating to Building portion only)	30

B PROPERTY PLANT AND EQUIPMENT:

CAPITAL WORK-IN-PROGRESS: PROPERTY PLANT AND EQUIPMENT UNDER CONSTRUCTION

Costs incurred on the implementation and construction of the Lesotho Highlands Water Project, as well as directly attributable costs incurred during construction (including costs incurred prior to the establishment of the Authority on 24 October 1986 but excluding the cost of operations are capitalised and shown as work in progress under non-current assets in the statement of financial position. Components related to hydropower and water transfer, are transferred to property, plant and equipment upon completion of the relevant components.

These costs comprise all directly attributable costs of bringing the asset or group of assets to working condition for their intended use, and include inter alia:

- costs of investigations, surveys, feasibility studies, engineering studies, preparation of designs, construction, construction supervision, procurement and commissioning.
- costs incurred in establishing the Authority.
- costs relating to measures taken by the Authority in order to ensure that members of local communities in Lesotho, are not adversely affected by Project related activities, including the actual cost of providing compensation, as well as providing for estimated future compensation.

Costs incurred on property, plant and equipment under construction, are recognised and presented as capital work in progress. The costs are apportioned to one or more of the following activities:

- Generation of hydro-electric power in the Kingdom of Lesotho (“Hydropower”).
- Delivery of water to South Africa (“Water Transfer”).
- Ancillary developments in the Kingdom of Lesotho (“Ancillary Developments”).

C PROPERTY PLANT AND EQUIPMENT:

APPORTIONMENT OF CAPITAL COSTS

The apportionment of capital costs between hydropower, water transfer and ancillary development is subject to agreement by the Parties to the Treaty. This is achieved by the mandatory annual ratification of cost allocation, by the parties to the Treaty.

The Government of the Kingdom of Lesotho is, by way of Cost Related Payments, responsible for the costs of the hydropower and ancillary development activities. In the same manner the Government of the Republic of South Africa is responsible for the costs of the water transfer activities, also by way of cost related payments.

The costs of operating and maintaining the property, plant and equipment, including depreciation and financing costs are divided between hydropower and water transfer activities, on the basis of an agreement between Lesotho and South Africa dated February 2002. The allocation of those costs shared between the parties, and the allocation is subject to ratification by the parties to the Treaty, in the same manner as operating costs and revenues.

2.2 ACCOUNTING POLICIES: INVESTMENT PROPERTY

A INVESTMENT PROPERTY: CLASIFICATION AND MEASUREMENT

Investment property, which is property held to earn rentals and/or for capital appreciation, including property under construction for such purposes, is measured initially at cost, including the purchase price, transaction costs and any costs directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by the Authority's' management.

Subsequent to initial recognition, investment properties are carried at cost, less accumulated depreciation and impairment (if applicable). As no finite useful life for land can be determined, the related carrying amount of the land portions are not depreciated.

Depreciation is provided on buildings, improvements to the properties and all other significant depreciable components that constitute the investment properties, on a straight-line basis, to write down the cost less estimated residual value (i.e., the depreciable amount). Depreciation on assets under construction does not commence until they are complete and available for use.

B INVESTMENT PROPERTY: DEPRECIATION

Depreciation is provided over the following periods;

- Buildings - 30 years
- Improvements - The depreciation of the improvements is done over the remaining lease term as these improvements are specific requests from the lessee. Management considers it highly probable that these improvements will become redundant once the current lessee leaves the premises, hence the depreciation over the remaining lease term.

Investment property income is included as part of other income on the statement of profit or loss. Rent receivable is recognised on a straight-line basis over the period of the lease.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss either within other income or other expenses.

2.3 ACCOUNTING POLICIES: INTANGIBLE ASSETS

A EXTERNALLY ACQUIRED INTANGIBLE ASSETS

Externally acquired intangible assets are initially recognised at cost and subsequently amortised on a straight-line basis over their useful economic lives.

The significant intangible assets recognised by the Authority are computer software and their useful economic lives are estimated as approximately 8 years.

3 ACCOUNTING POLICIES: FINANCIAL INSTRUMENTS

3.1 FINANCIAL INSTRUMENTS: FINANCIAL ASSETS

The Authority holds other receivables, related party receivables and cash and cash equivalents, as financial assets at amortised cost.

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

As an exception, an instrument that meets the definition of a financial liability is classified as an equity instrument if it has all the features and meets the conditions in paragraphs 16A, 16B, 16C or 16D of IAS32.

The classification possibilities, which are adopted by the company, as applicable, are as follows: -

- Financial Assets – Amortised Cost.
- Financial Liabilities – Amortised Cost.

The specific accounting policies for the classification, recognition and measurement of each type of financial instrument held by the Authority are presented below.

A FINANCIAL ASSETS: OTHER AMOUNTS RECEIVABLES

Other receivables (sundry receivables and utilities), staff advances (travel advances), sundry receivables (interest receivable, refundable deposits and leasing smooth asset) and staff receivables (maize and bean receivables, staff auction receivables and mobile phone receivables) are disaggregated into amounts which stem from contractual rights.

Other receivables are recognised when the Authority becomes a party to the contractual provisions of the receivables. They are measured on initial recognition at fair value plus transaction costs, if any. They are subsequently measured at amortised cost, using the effective interest rate method.

B FINANCIAL ASSETS:
CASH AND CASH EQUIVALENTS

Cash and short-term deposits in the statement of financial position comprise cash at banks and in hand and short-term deposits. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Cash and cash equivalents are subsequently measured at amortised cost.

3.2 IMPAIRMENT OF FINANCIAL ASSETS

The Authority assess at each reporting date whether a financial asset or group of financial assets is impaired.

The Authority recognizes an allowance for expected credit losses for financial assets held at amortized cost. Expected credit losses are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Authority expects to receive, discounted at an approximation of the original effective interest rate.

Expected credit losses are recognized in three stages, as follows:

- i For credit exposures for which there has not been a significant increase in credit risk since initial recognition, expected credit losses are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL).
- ii For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL)
- iii For those credit exposures for which credit impairment provision has been recognized. For such credit impaired assets, interest income is recognized on the net basis (i.e. the gross amount receivable, less the expected credit loss impairment provision).

The Authority considers a financial asset in default when contractual payments are 90 days past due (refer to note 32.5 and 32.6 ECL table). However, in certain cases, the Authority may also consider a financial asset to be in default when internal or external information indicates that the Authority is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Authority. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows and usually occurs when past due for more than one year and not subject to enforcement activity.
At each reporting date, the Authority assesses whether financial assets carried at amortized cost are credit impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The Authority recognizes a loss allowance for expected credit losses on other receivables, excluding VAT and prepayments. The amount of expected credit losses is updated at each reporting date.

3.3 FINANCIAL INSTRUMENTS: FINANCIAL LIABILITIES

All financial liabilities are recognised initially at fair value and, in the case of other payables, net of directly attributable transaction costs. The subsequent measurement of financial liabilities depends on their classification, as described below:

A FINANCIAL LIABILITIES: CONTRACT PAYABLES AND ACCRUALS

Contract payables relate to all contracts that the Authority enters into an agreement with and is accounted for separately from other financial payables and accruals. Contract payables are accounted for at the invoice amounts exclusive of Value-Added Taxation if the services have been rendered prior to year-end. Contract accruals are determined based on the best estimate of the work completed prior to year-end where invoices have not yet been received from the contractor.

B FINANCIAL LIABILITIES: OTHER PAYABLES

Other payables include those transactions not included as part of contract payables and accruals. Other payables are initially recognised at the invoice amount, which is considered to reflect the fair value of other payables. Subsequent to initial recognition, other payables and accruals are measured at amortised cost.

C FINANCIAL LIABILITIES: ACCRUALS FOR COMPENSATION

Accruals consist of both, i) compensation relating to annuity payments that have not yet been collected by beneficiaries, and ii) amounts due to Local Legal Entities (LLE's) for compensation, but which have not yet been paid, due to the fact that appropriate LLE governance structures have not yet been implemented.

D FINANCIAL LIABILITIES: CONTRACT RETENTIONS

The Authority withholds a portion of payments relating to progress billings, until satisfaction of conditions specified in the contracts for payment of such amounts or until defects have been rectified. Subsequent to initial recognition, contract retentions are measured at amortised cost.

3.4 DERECOGNITION OF FINANCIAL LIABILITIES AND FINANCIAL ASSETS

A DERECOGNITION OF FINANCIAL LIABILITIES

The Authority derecognises financial liabilities when, and only when, the Authority obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

B DERECOGNITION OF FINANCIAL ASSETS

The Authority derecognised a financial asset only when the contractual rights to the cash flows from the asset have expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Authority neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Authority recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the company retains substantially all the risks and rewards of ownership of a transferred financial asset, the company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

3.5 ACCOUNTING POLICIES: PROVISIONS

Provisions are recognised when the Authority has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the effect of discounting to present value is material, provisions are adjusted to reflect the time value of money. For the compensation provision, a contractual charge of 4.5% is applied to the cash flows to bring the provision to the amount the Authority would need to pay on demand. The expense relating to the provision is presented in the statement of profit or loss. Refer to note 3.18.1 on Critical accounting judgements and estimates.

3.6 ACCOUNTING POLICIES: FOREIGN CURRENCY TRANSLATION

The financial statements are presented in Maloti, which is the Authority's functional and presentation currency. Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are re-translated at the functional currency rate of exchange ruling at the reporting date. All foreign exchange differences are taken to profit or loss.

3.7 ACCOUNTING POLICIES: IMPAIRMENT OF NON-FINANCIAL ASSETS

The Authority assesses at each reporting date whether there is an indication that an asset may be impaired. These assessments are carried out by the Authority's internal specialist that work with these assets on a daily basis. In testing for and determining the value-in-use of non-financial assets, management is required to rely on the use of estimates about the asset's ability to continue to generate cash flows (in the case of cash-generating assets). For non-cash-generating assets, estimates are made regarding the depreciated replacement cost, restoration cost, or service units of the assets, depending on the nature of the impairment and the availability of information.

3.8 ACCOUNTING POLICIES: PREPAYMENTS, NON-FINANCIAL INSTRUMENT RECEIVABLES

Prepayments and non-financial instrument receivables are initially recognized as assets at transaction price. Prepayments are payments made to secure the receipt of goods, services or other benefits in the future. The amounts reported as prepayments in the statement of financial position relates to amounts disbursed before the reporting date, but which represent non-monetary assets, or expenses, that management expect will be recognized after the end of the reporting period. Prepayment does not give rise to the present contractual right to receive cash, and therefore, it does not meet the definition of a financial asset.

Non-financial instrument receivables comprise tax receivables. These rights to receive cash, or other benefits, from RSL, stem from legislative rights and other non-contractual rights, respectively. Therefore, because non-financial instrument receivables stem from rights to receive cash, which are not contractual rights, classified amounts thus do not meet the definition of financial assets.

Prepayments for leases, and prepayments for other time-based services, are derecognized and corresponding expenditures recognized over the period of the lease, or the contractual service period, respectively, on a time basis. Prepayments for goods, or other benefits to be received at a point-in-time, are derecognized and the goods or expense recognized once-off, at such time as the goods are received or the Authority obtains the prepaid benefit, respectively.

At such time as, and to the extent that, a debtor settles an outstanding debt, the related non-financial instrument receivable is derecognized, cash assets recognized and cash inflows from customers/debtors presented in the statement of cash flows.

3.9 ACCOUNTING POLICIES: CONTRACT ASSETS

The Authority makes advance payments to certain contractors in terms of signed contractual agreements, which are negotiated between the Authority and the contractors during the negotiation phase of a project or contract. The terms and conditions of each contract asset is based on a specific evaluation by the Authority's management and is determined for each contract individually.

Contract asset balances owed to the Authority are either fully repayable or settled on a net basis in accordance with paragraph 42 of IAS 32. In the case of full repayment of an outstanding advance payment balance by the contractor, the Authority pays the contractor the original contract amount in full. Alternatively, if there is an outstanding balance owed to the Authority, such amounts are netted off against future amounts payable to the contractors. The latter option of settling contract assets on a net basis is made available to contractors to assist with cash flow requirements to meet their contractual obligations.

3.10 ACCOUNTING POLICIES: CAPITAL FUNDS

Cost Related Payments from the Governments of the Kingdom of Lesotho and the Republic of South Africa are recognised as government grants on the date of payment, in terms of the accounting policy on government grants below.

The Government of the Kingdom of Lesotho is, by way of cost related payments, responsible for the costs of the hydropower and ancillary development activities. In the same manner the Government of the Republic of South Africa is responsible for the costs of the water transfer activities, also by way of cost related payments.

The costs of operating and maintaining the property, plant and equipment, including depreciation and financing costs, are divided between hydropower and water transfer activities, on the basis of an agreement between Lesotho and South Africa, dated February 2002. The allocation of these costs are shared between the parties, and the allocation is subject to ratification by the parties to the Treaty, in the same manner as operating costs and revenues.

3.11 ACCOUNTING POLICIES: TAXATION

3.11.1 TAXATION: WITHHOLDING TAX

As per the signed Phase II Agreement, taxes levied by Lesotho and paid by the LHDA and its Contracting Parties relating to the implementation, operations and maintenance of that part of the LHDA operations relating to the delivery of water to South Africa, shall be refunded by Lesotho to South Africa through the LHDA as a cost reduction of such water transfer costs. Lesotho shall be entitled to retain a 30% administration fee on all amounts to be refunded to South Africa.

3.11.2 TAXATION: VALUE ADDED TAX (VAT)

As per the signed Phase II Agreement, VAT levied by Lesotho and paid by the LHDA on activities relating to the implementation, operations and maintenance of that part of the Project relating to the delivery of water to South Africa, shall be refunded by Lesotho to South Africa, through the LHDA, as a cost reduction of such water delivery costs.

3.11.3 TAXATION: DUES AND CHARGES

As per the signed Phase II Agreement, Dues and Charges levied by Lesotho and paid by the LHDA on activities relating to the implementation, operations and maintenance of that part of the Project relating to the delivery of water to South Africa, shall be refunded by Lesotho to South Africa, through the LHDA, as a cost reduction of such water delivery costs.

3.11.4 TAXATION: INCOME TAX

As per the signed Phase II Agreement, Income Tax levied by Lesotho and paid by the LHDA or Contracting Parties relating to the implementation, operations and maintenance of that part of the Project relating to the delivery of water to South Africa, shall be refunded by Lesotho to South Africa, through the LHDA, as a cost reduction of such water delivery costs.

The relevant taxation provisions of the Phase II Agreement shall apply to both Phase I and II.

3.12 ACCOUNTING POLICIES: LEASES

The Authority assesses whether a contract is, or contains a lease, at the inception of the contract.

A contract is/or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

3.12.1 LEASES: LHDA AS LESSOR

Accounting for leases by lessors is as follows, leases that do not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Lease classification is reassessed only if there has been a modification.

3.12.2 LEASES: LHDA AS LESSEE

A LHDA AS LESSEE:

The Authority assesses whether a contract is, or contains a lease, at the inception of the contract.

A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Authority as Lessee

A lease liability and corresponding right-of-use asset are recognised at the lease commencement date, for all lease agreements for which the Authority is a lessee, except for short term leases of 12 months or less, or leases of low value assets (buildings leased for less than 12 months). For the leases, the Authority recognises the lease payments as an operating expense (note 30) on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from a leased asset are consumed.

Details of leasing arrangements where the Authority is a lessee are presented in note 8 leases (Authority as lessee).

Lease Liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Authority uses its incremental borrowing rate.

To determine the incremental borrowing rate, the Authority:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk, which does not have recent third-party financing; and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

The lease liability is presented as a separate line item on the Statement of Financial Position.

The lease liability is subsequently measured by increasing the carrying amount to reflect the interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. Interest charged on the lease liability is included in the finance costs (note 35).

The Authority remeasures the lease liability (and makes corresponding adjustment to the related right-of-use asset) when:

- there has been a change to the lease term, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;

- there has been a change in the assessment of whether the Authority will exercise a purchase, termination of extension option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- there has been a change to the lease payments due to a change in an index or a rate, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- there has been a change in expected payment under residual value guarantee, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate.
- A lease contract has been modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised payments using a revised discount rate.

Where the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recognised in profit or loss if the carrying amount of the right-of-use asset, or is recognised in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is presented as a separate line item on the Statement of Financial Position.

Right-of-use assets

Lease payments included in the measurement of the right-of-use asset comprise the following:

- the initial amount of the corresponding lease liability.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset, or the cost of the right-of-use asset reflects that the Authority expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. Depreciation starts at the commencement date of the lease.

For right-of-use assets which are depreciated over their useful lives, the useful lives are presented in the following table:

Item	Depreciation method	Average useful life
Buildings	Straight line	Shorter of useful life or lease term

The residual value, useful life and depreciation method of each asset is reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate. Each part of a right-of-use asset with a cost that is significant in relation to the total cost of the asset is depreciated separately.

The depreciation charge for each year is recognised in profit or loss unless it is included in the carrying amount of another asset.

3.13 ACCOUNTING POLICIES: PENSION, SHORT-TERM AND OTHER POST-EMPLOYMENT BENEFITS

The Authority contributes towards a defined contribution plan. A defined contribution plan is a pension plan under which the Authority pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

The Authority pays contributions to an externally administered pension insurance plan on a mandatory, contractual or voluntary basis. Once the contributions have been paid, LHDA has no further payment obligations. The regular contributions constitute periodic costs for the year in which they are due and as such are included in staff costs.

Contributions to defined contribution pension plans are recognised as employee costs in the statement of profit or loss **(Refer to Note 28).**

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care) are recognised in the period in which the service is rendered and are not discounted.

3.14 ACCOUNTING POLICIES: REVENUE RECOGNITION

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Authority and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

3.14.1 REVENUE RECOGNITION: GOVERNMENT GRANTS

Government grants are recognised where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

When the Authority receives grants of PPE assets, the asset and the grant are recorded at nominal amounts (value at which we are receiving the asset) and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments.

IAS 20.24 permits two alternative ways of presenting a government grant relating to assets. The Authority has elected to present the grant in the statement of financial position as deferred income, which is recognised in profit or loss on a systematic and rational basis over the useful life of the asset.

Government grant received as compensation for costs to be incurred as per the approved LHDA Budget are also deferred and recognised as deferred income. These amounts are recognised in profit or loss when the budgeted costs are actually incurred.

3.15 ACCOUNTING POLICES: OTHER INCOME

Included in other income are profits on the sales of assets, rental income from investment properties and lodge income.

3.15.1 OTHER INCOME: RENTAL INCOME FROM INVESTMENT PROPERTIES

Rental Income from investment property is recognised on a straight-line basis over the term of the lease as in note 3.12.1.

3.15.2 OTHER INCOME: LODGE INCOME

Lodge Income includes income from room rentals and food and beverage sales, which is recognised when the rooms are occupied, and food and beverages are sold. The income derived from rooms are recognised as services are rendered. The income derived from food and beverage sales are recognised when the goods are provided to the customer.

3.16 ACCOUNTING POLICES: FINANCE INCOME AND FINANCE COSTS

A FINANCE INCOME

Finance income is recognised as interest accrues (using the effective interest rate method that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset). Financial assets are non-interest bearing and have terms of less than 60 days. Moreover, all amounts outstanding for more than 90 days are fully impaired. Accordingly, there are no long-term financial assets that could be subject to imputed interest using the effective interest rate method.

B FINANCE COSTS

The core of the finance cost accounting is the interest expense on the outstanding lease liability using the rate implicit in the lease or the lessee’s incremental borrowing rate.

The finance cost is recognized over the life the lease. As payments are made, a portion reduces the principal balance of the lease liability, and the remaining portion represents the finance cost for that period.

3.17 ACCOUNTING POLICIES: INVENTORIES

Inventories are initially recognised at cost and subsequently expensed in the period of purchase. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Inventory classes comprise items that, by their nature, have very low-cost prices, and are not held for sale, but rather for readily consumed in day-to-day operations. Therefore, inventory is recognised as an expense in profit or loss, at cost price, in the reporting period of purchase. This applies because the values of the items in the inventory class are, individually and in aggregate, deemed to be trivial and clearly immaterial, respectively. These would include stationary, catering equipment, fuel, etc.

3.18 CRITICAL JUDGEMENTS, ACCOUNTING ESTIMATES AND ASSUMPTIONS

The Authority makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a material risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

3.18.1 JUDGMENTS, ESTIMATES AND ASSUMPTIONS: CRITICAL JUDGEMENTS

Critical judgements in applying the Authority's accounting policies are detailed below:

A CRITICAL JUDGEMENT: PROVISION FOR FUTURE COMPENSATION

Management has exercised judgement and determined that a 100% weighting should be applied to the scenario in which all beneficiaries demand a lump sum payment.

The provision for future compensation was created due to the Lesotho Highlands Development Authority requiring land in the selected development area. The persons directly or indirectly affected by the Project were identified and are to be compensated in terms of the Compensation Policy of July 1997, as refined in October 2002.

Management has exercised judgement and determined that a 100% weighting should be applied to the scenario in which all beneficiaries demand a lump sum payment. This judgement has been made taking into account that the beneficiary can require immediate cash settlement of the compensation due to them.

Actual scenarios will consist of different weightings between the options provided to beneficiaries, namely a once off lump sum payment, annual cash payments or compensation in kind. Using other weightings would result in a different provision amount being recognised.

B CRITICAL JUDGEMENT: SEPARATION LAND AND BUILDINGS

Decision to separate the land and buildings portions of investment properties

The land and building portions of investment property is separately accounted for subsequent to initial recognition. The accounting treatment is in line with management's judgement, that the land and buildings portions are able to be valued and sold, or leased, separately.

Management determined that the accounting policy is appropriate, because in their judgement, the resulting depreciation expense, that excludes depreciation of the land component, provides relevant and reliable information to the users of the financial statements, and the treatment fairly presents the related financial performance, position and cash flow impact of the underlying nature of the investment property's different components.

Subsequent to initial recognition, investment properties are carried at cost, less accumulated depreciation and impairment (if applicable). As no finite useful life for land can be determined, the related carrying amount of the land portions are not depreciated.

Determining the relative values of the land and buildings components of investment properties

Judgement was required when management determined the relative values of the land and buildings components of investment properties for presentation and accounting treatment purposes. Management based the allocation on the most recent valuation of investment properties (obtained in 2022), which provided a separate value for buildings and the accompanying land.

3.18.2 JUDGEMENTS, ESTIMATES AND ASSUMPTIONS: ESTIMATION UNCERTAINTY AND ASSUMPTIONS

Key sources of estimation uncertainty, and assumptions made by Management, in preparing the financial statements are detailed below.

A ESTIMATION UNCERTAINTY AND ASSUMPTIONS: PROVISION FOR FUTURE COMPENSATION

The provision is based on the assumption of the payment of a once-off lump sum payment to all beneficiaries.

The Authority has an obligation for the restitution of losses sustained on account of the Phase I and Phase II Lesotho Highlands Water Project. The beneficiaries can elect compensation as: a once off lump sum payment, annual cash payments or compensation in kind, such as grain.

The lump sum payments due are reliant on the loss size, remaining payments due to the beneficiary, the Lesotho CPI, the cash flows are subject to a contractual 4.5% charge levied on the election of the lump sum payment option if the recipient chooses immediate payment.

The provision is based on the assumption of the payment of a once-off lump sum payment to all beneficiaries, and established local legal entities, by applying a standard. Management assumed, and applied a weighting, of 100% to the scenario where all beneficiaries opt for a lump sum payment. Other scenarios and applying different weightings between the various options provided to beneficiaries, would result in a different provision amount.

The Instream Flow Requirements (IFR) is another assumption relating to the water available downstream, which impacts on the aquatic ecosystems, as well as the social needs, of the downstream communities. The authority will monitor the IFR on a yearly basis, and any additional compensation required, will be included in the provision for compensation as identified.

Management’s assumption also applied to the calculation of the provision for future compensation relating to Rangeland. Rangeland compensation is paid per village, which consists of numerous beneficiaries, and not all of them have the same loss date. The assumption of the average loss date per village, as per the LHWC resolutions, is used as the loss date for the calculation of the future compensation provision.

B ESTIMATION UNCERTAINTY AND ASSUMPTIONS: LEGAL PROCEEDINGS

Litigation and claims

In accordance with IFRS Accounting Standards the Authority recognises a provision where there is a present obligation from a past event, a transfer of economic benefits is probable and the amount of costs of the transfer can be estimated reliably. In instances where the criteria are not met, a contingent liability may be disclosed in the notes to the financial statements. Obligations arising in respect of contingent liabilities that have been disclosed, or those which are not currently recognised or disclosed in the financial statements, could have a material effect on the Authority's financial position.

Application of these accounting principles to legal cases requires the Authority's management to make determinations about various factual and legal matters beyond its control. The Authority reviews outstanding legal cases following developments in the legal proceedings and at each reporting date, in order to assess the need for provisions and disclosures in its financial statements.

Among the factors considered in making decisions on provisions are the nature of litigation, claim or assessment, the legal process and potential level of damages in the jurisdiction in which the litigation, claim or assessment has been brought, the progress of the case (including the progress after the date of the financial statements but before those statements are issued), the opinions or views of legal advisers, experience on similar cases and any decision of the Authority's management as to how it will respond to the litigation, claim or assessment.

For estimates of claims and legal processes see note 18.

C ESTIMATION UNCERTAINTY: USEFUL LIVES AND RESIDUAL VALUE OF DEPRECIABLE ASSETS

Annual reassessment of useful lives, depreciation/amortization methods and residual values

Management reviews its estimates of the useful lives, residual values and depreciation or amortisation methods of property, plant and equipment, investment property and intangible assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence, which may change the utility of certain items like hydropower civil works, the hydropower plant, water transfer civil works, computer equipment and software.

Further information is disclosed in notes 2.1, 5, 6 and 7.

D ESTIMATION UNCERTAINTY AND ASSUMPTIONS: DEFERRED INCOME

Government grants received as compensation for costs not yet incurred or as compensation for construction of specific assets is recognized as a deferred income and recognized as income on a systematic basis over the useful life of assets, or period related costs are incurred.

Management makes assumptions and estimates in determining the amount of grant received that should be recognised as deferred income, as well, when and how much, of such amounts previously deferred should be recognised as grant income in the reporting period. Due to the fact that actual costs may differ from those budgeted, the amount of grant revenue deferred as well as the amount released to the grant income during the year may differ from the amounts that were estimated.

Management believes that using the costs as per the approved budget result in the best estimates of the actual future amounts that will be recognised.

4. PROFIT OR (LOSS) IS STATED AFTER THE FOLLOWING EXPENSES

	2025 M'000	2024 M'000
4.1 Profit/(Loss) is stated after:		
Expenses		
Auditor's Remuneration	1 997	1 844
Depreciation and Amortisation	329 402	327 585
Foreign Exchange Loss	121 084	24 344
Resettlement and Compensation Costs	79 949	49 238
Staff Costs – Salaries and Wages	259 556	223 487
Short-Term Leases	1 549	206
Construction and contractor costs	6 420 684	5 300 482

The above costs were subjected to the cost allocation process between the Government of Lesotho and the Government of South Africa.

5. PROPERTY, PLANT AND EQUIPMENT

5.1 PROPERTY PLANT AND EQUIPMENT: COMPLETED WORKS - BY TYPE

	Civils – Bridges & Roads	Civils – Buildings and other structures	Land	Civils – Dams/Galleries	Civils – Tunnels	Civils - Other	Plant & Sundry Other	Total
	M'000	M'000	M'000	M'000	M'000	M'000	M'000	M'000
Carrying Value at 31 March 2023	**1 009 450**	**568 051**	**1 068**	**2 443 265**	**2 714 303**	**264 102**	**106 326**	**7 106 564**
Cost	2 058 555	1 148 425	1 068	4 794 797	5 151 589	1 237 300	385 544	14 777 279
Accumulated Depreciation	(1 049 105)	(580 375)	-	(2 351 533)	(2 437 286)	(973 198)	(279 218)	(7 670 714)
Additions	-	13 501	-	-	-	-	27 075	40 576
Depreciation	(52 720)	(27 427)	-	(93 474)	(99 772)	(35 793)	(17 445)	(326 631)
Disposal/Donation of assets	-	-	-	-	-	(23 941)	(8 330)	(32 270)
Accumulated Depreciation on disposed assets	-	-	-	-	-	23 923	5 397	29 320
Carrying Value at 31 March 2024	**956 730**	**554 125**	**1 068**	**2 349 790**	**2 614 530**	**228 292**	**113 024**	**6 817 559**
Cost	2 058 555	1 161 927	1 068	4 794 797	5 151 589	1 213 359	404 290	14 785 585
Accumulated Depreciation	(1 101 825)	(607 801)	-	(2 445 007)	(2 537 059)	(985 067)	(291 266)	(7 968 025)
Additions	-	1 880	-	-	-	91	52 863	54 834
Depreciation	(52 576)	(27 366)	-	(93 219)	(99 500)	(35 143)	(20 213)	(328 017)
Disposal/donation of assets	-	-	-	-	-	-	(15 376)	(15 376)
Accumulated Depreciation on disposed assets	-	-	-	-	-	-	13 755	13 755
Carrying Value at 31 March 2025	**904 154**	**528 639**	**1 068**	**2 256 571**	**2 515 030**	**193 240**	**144 054**	**6 542 756**
Cost	2 058 555	1 163 806	1 068	4 794 797	5 151 589	1 213 450	441 777	14 825 043
Accumulated Depreciation	(1 154 401)	(635 168)	-	(2 538 226)	(2 636 559)	(1 020 211)	(297 723)	(8 282 287)

5.2 PROPERTY PLANT AND EQUIPMENT: - COMPLETED WORKS BY CLASSIFICATION

	Hydropower Civil Works	Hydropower Plant	Water Transfer Civil Works	Office Furniture & Equipment	Motor Vehicles	Computer Equipment	Land and Buildings	Total
	M'000	M'000	M'000	M'000	M'000	M'000	M'000	M'000
Carrying Value at 31 March 2023	**416 376**	**74 676**	**6 543 174**	**21 804**	**24 943**	**8 379**	**17 214**	**7 106 564**
Cost	1 260 370	214 654	13 103 652	74 141	45 235	32 070	26 980	14 757 101
Accumulated Depreciation	(843 994)	(139 977)	(6 560 478)	(52 338)	(20 292)	(23 691)	(9 766)	(7 650 536)
Additions	-	-	114	13 945	9 401	3 728	13 387	40 576
Depreciation	(34 625)	(7 717)	(273 699)	(4 778)	(2 262)	(2 688)	(863)	(326 631)
Disposal/donation of assets	(1 044)	(2 030)	(22 897)	-	(6 299)	-	-	(32 270)
Accumulated Depreciation on disposed assets	1 044	1 940	22 880	-	3 456	-	-	29 320
Carrying Value at 31 March 2024	**381 751**	**66 869**	**6 269 572**	**30 970**	**29 240**	**9 419**	**29 738**	**6 817 559**
Cost	1 259 326	212 623	13 080 869	88 086	48 337	35 798	40 367	14 765 406
Accumulated Depreciation	(877 575)	(145 754)	(6 811 297)	(57 116)	(19 097)	(26 379)	(10 629)	(7 947 847)
Additions	-	11 951	845	25 053	11 301	4 557	1 126	54 834
Depreciation	(33 996)	(7 346)	(272 948)	(6 891)	(2 529)	(3 446)	(860)	(328 017)
Disposal/donation of assets	-	-	-	(4 118)	(17)	(11 241)	-	(15 376)
Accumulated Depreciation on disposed assets	-	-	-	3 634	15	10 107	-	13 755
Carrying Value at 31 March 2025	**347 753**	**71 474**	**5 997 469**	**48 648**	**38 010**	**9 397**	**30 005**	**6 542 756**
Cost	1 259 326	224 575	13 081 713	109 021	59 622	29 114	41 494	14 804 865
Accumulated Depreciation	(911 573)	(153 100)	(7 084 245)	(60 374)	(21 612)	(19 718)	(11 489)	(8 262 109)

5.3 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Hydropower		Ancillary Development		Water Transfer			Operations & Maintenance	Total
PROPERTY, PLANT AND EQUIPMENT *WORK-IN-PROGRES*	M'000		M'000			M'000		M'000	M'000
	Phase 1A	Phase 2	Phase 1A	Phase 1B	Phase 1A	Phase 1B	Phase 2		
Carrying Value at 31 March 2023	**4 045**	**108 131**	**14**	**-**	**3 241**	**7 406**	**7 814 052**	**20 612**	**7 957 499**
Cost allocation	-	5 661	-	-	-	-	5 460 534	(13 388)	5 452 807
Work-in-progress during the year	-	-	-	-	3 203	642	-	2 987	6 822
Carrying Value at 31 March 2024	**4 045**	**113 792**	**14**	**-**	**6 444**	**8 049**	**13 274 585**	**10 201**	**13 417 130**
Cost allocation	-	13 792	-	-	-	-	6 577 981	-	6 591 774
Work-in-progress during the year	14 061	-	-	-	3 558	48 538	-	54	66 210
Carrying Value at 31 March 2025	**18 106**	**127 584**	**14**	**-**	**10 002**	**56 586**	**19 852 567**	**10 255**	**20 075 114**

The above allocation of costs between Hydropower, Ancillary Development and Water Transfer is subject to agreement by the parties to the Treaty.

5.4 PROPERTY, PLANT AND EQUIPMENT: SUMMARY

	2025	2024
	M'000	M'000
Completed Works	6 542 756	6 817 559
Capital Work in progress	20 075 114	13 417 130
Total completed works and capital work in progress	**26 617 870**	**20 234 690**

6. INVESTMENT PROPERTY

Investment property	Land M'000	Buildings M'000	Total M'000
Carrying Value at 31 March 2023	**265**	**4 753**	**5 019**
Cost	800	22 085	22 885
Accumulated depreciation	(535)	(17 332)	(17 867)
Prior year movements:	**-**	**(300)**	**(300)**
Reclassification of Cost	(535)	535	-
Reclassification of Accumulated Depreciation	535	(535)	-
Depreciation	-	(300)	(300)
Carrying Value at 31 March 2024	**265**	**4 453**	**4 718**
Cost	265	22 620	22 885
Accumulated depreciation	-	(18 167)	(18 167)
Current year movements:	**-**	**(300)**	**(300)**
Depreciation		(300)	(300)
Carrying Value at 31 March 2025	**265**	**4 153**	**4 418**
Cost	265	22 620	22 885
Accumulated depreciation	-	(18 467)	(18 467)

6.1 PROPERTY DETAILS

The Standard (Lesotho) Bank Building owned by the Authority meets the definition of and accordingly classified, treated and presented as, investment property in the annual financial statements.

Land and buildings classified as investment property are separately depreciated over 30 years while improvement cost that qualify for capitalisation is depreciated over the lease term.

The last valuation was done in June 2022, and management believes the fair value did not change subsequent to this valuation date, in a manner that would potentially result in the disclosure fair value, significantly differing from the actual fair value.

6.2 INVESTMENT PROPERTY – FAIR VALUE

The fair value of investment properties is a level 3 recurring fair value measurement. The valuation techniques and significant unobservable inputs used in determining the fair value measurement of land and buildings, as well as the inter-relationship between key unobservable inputs and fair value.

There were no changes to the valuation techniques during the period. The fair value measurement is based on the investment properties' highest and best use, which does not differ from their actual use.

Management did consider whether a valuation needed to be performed during the reporting period. The property market has neither seen any significant increase, or decrease, in market values since the last valuation obtained in 2022, nor have there been any general economic indications that property prices may have changed significantly, Therefore, management decided that the last valuation report was still relevant and that the actual fair value of investment property does not significantly differ from the amount disclosed as the fair value in the financial statements.

6.3 INVESTMENT PROPERTY – INCOME AND EXPENSE

During the year M9 979 000 (2024: 9 086 000) was recognised in the profit or loss in relation to rental income from the investment properties. Direct operating expenses, including repairs and maintenance, arising from investment property that generated rental income amounted to M735 000 (2024: M686 000). Direct operating expenses, including repairs and maintenance, arising from investment property that did not generate rental income during the year amounted to M9 834 000 (2024: M14 584 000).

6.4 INVESTMENT PROPERTY – RESTRICTIONS AND OBLIGATIONS

At 31 March 2025, there were no restrictions on the realisability of investment property or the remittance of income and proceeds of disposal (2024: None).

There are currently no obligations to construct or develop the existing investment properties. At 31 March 2025, contractual obligations to purchase investment property amounted to Nil (2024: Nil).

7. INTANGIBLE ASSETS

COMPUTER SOFTWARE

	Computer Software	Total
	M'000	M'000
Carrying Value at 31 March 2023	**3 197**	**3 197**
Cost	27 571	27 571
Accumulated Amortisation	(24 374)	(24 374)
	(113)	**(113)**
Additions	151	151
Amortisation	(264)	(264)
Carrying value at 31 March 2024	**3 084**	**3 084**
Cost	27 722	27 722
Accumulated Amortisation	(24 638)	(24 638)
	(1 516)	**(1 516)**
Additions	1 885	1 885
Amortisation	(369)	(369)
Carrying value at 31 March 2025	**4 600**	**4 600**
Cost	29 607	29 607
Accumulated Amortisation	(25 007)	(25 007)

8 RIGHT OF USE ASSET AND LEASE LIABILITIES

8.1 RIGHT-OF-USE ASSETS

Reconciliation of right-of-use assets' opening and closing balance:

	2025	2024
	M`000	M'000
Opening Balance	**901**	**595**
Additions	750	695
Amortisation	(716)	(389)
Adjustments	450	-
Closing Balance	**1 386**	**901**

The Authority leases office and other premises in Maseru and Mokhotlong. Leased properties are not leased out under operating leases and no rental income is earned from the leased properties.

The weighted average remaining lease term at the reporting date was 19 months (2024:25). The weighted average discount rate used to calculate the present value of future rental payments was based on the Authority's incremental borrowings rate, which was estimated to be 11.25% per year.

8.2 LEASE LIABILITIES

Reconciliation of lease liabilities' opening and closing balance:

	2025	2024
	M`000	M'000
Opening Balance	**965**	**623**
Additions	750	695
Interest	142	82
Repayments	(821)	(271)
Adjustments	443	-
Closing Balance	**1 479**	**965**

Lease liabilities are split between current and non-current as follows:

	2025	2024
	M`000	M'000
Current lease liabilities	641	448
Non-current lease liabilities	838	517
Total lease liabilities	**1 479**	**965**

Lease payments escalate by an average of 10% per year and normally contains an option to renew for one year. The leases do not impose any restrictions or covenants on the Authority, nor has the Authority committed to any leases yet to be commenced. No sale-and-leaseback transactions were entered into by the Authority, nor any such transactions planned.

Maturity Analysis-Contractual Undiscounted Cashflows

	2025 M'000	2024 M'000
Less than 1 year	788	448
2-5 years	868	517
Total	1 656	965
Less: future finance costs	(177)	-
	1 479	**965**

9. CONTRACT ASSETS

	2025 M'000	2024 M'000
Contract Assets	759 945	2 584 449
	759 945	**2 584 449**

Contract assets are payments made to contractors the Authority has contractual agreements with. Based on evaluation by the Authority's management, each advance payment is subject to their own set of terms and conditions. Based on negotiations between the Authority and the contractors, these advance payments could be netted against future payable amounts or are fully repayable by the contractors to the Authority, which then requires the Authority to settle the original and full contract amount. The latter option is allowed to assist the contractors with possible cash flow implications.

10. OTHER RECEIVABLES

	2025 M'000	2024 M'000
Other Receivables	10 795	12 155
Expected Credit (Loss)- Other Receivables	(8 197)	(10 211)
Staff Advances	195	(151)
Expected Credit (Loss)- Staff Advances	(4)	-
	2 789	**1 793**
Sundry Receivable	2 306	1 795
Lease Smoothing Asset	343	-
Staff Receivables	658	4
Other Receivables	**6 096**	**3 592**

Other receivables are non-interest bearing and are generally short term, hence 90 days or less. Expected credit losses detailed in Note 32 are deemed to have a limited and non-material impact on the financial statements. For terms and conditions relating to amounts receivable from related parties, refer to Note 14.

Other receivables comprise of other receivables (sundry receivables and utilities), staff advances (travel advances), sundry receivables (interest receivable, refundable deposits and leasing smooth asset) and staff receivables (maize and bean receivables, staff auction receivables and mobile phone receivables).

11. PREPAYMENTS

PREPAYMENTS	2025 M'000	2024 M'000
Prepayments	20 990	14 789
LLE's Prepaid Compensation	10 192	12 390
Total Prepayments	**31 182**	**27 180**

Prepayments relate to payments made in advance for insurance and software licenses. LLE's prepaid compensation relate to advance payments made to communities to run the projects such as electrification, livelihood, water, and sanitation.

12. TAXATION

TAX RECEIVABLES	2025 M'000	2024 M'000
Revenue Services Lesotho – VAT, WHT, PAYE etc	2 005 875	1 064 421
Provision for Tax Impairment	(618 270)	(354 291)
	1 387 602	**710 131**

Tax receivable relates to tax claims from RSL as per Article 14 of Phase II Agreement.

Taxation inherently expose the LHDA to credit risk, being the risk that the LHDA will incur financial loss if amounts receivable fails to materialise as expected on or before the date, they are due.

13. CASH AND CASH EQUIVALENTS

	2025 M'000	2024 M'000
Cash at Bank	239 285	596 972
Cash on Hand	157	157
Total Cash and Cash Equivalents	**239 442**	**597 129**

Currency analysis	2025 M'000	2024 M'000
Maloti	239 442	597 129

The Authority's main operating bank, Standard Lesotho Bank, a subsidiary of the Standard Bank Group, is a leading financial institution in Lesotho.

Credit quality of cash at bank and short-term deposits, excluding cash on hand

The credit quality of cash at bank and short-term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by Fitch's credit ratings:

Credit rating

Short term F1+(zaf) short-term	239 285	596 972

Cash at the bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and one month depending on the immediate cash requirements of the Authority.

There is a case relating to Frazer Solar GMBH vs the Kingdom of Lesotho where a notice of attachment was issued out in 2021 to attach and take possession of the Kingdom of Lesotho's right title and interest in and to any and/ or all bank accounts held at Standard Bank South Africa for recovery of the claim amount of €50 000 000.00. In executing this, one LHDA account held with Standard Bank Ladybrand with a balance of M383 114 (2024 M383 114) was frozen.

14. RELATED PARTY TRANSACTIONS

Identified related parties include the parties to the treaty namely the government of the Republic of South Africa (RSA) and the government of the Kingdom of Lesotho (GOL). The Revenue Services Lesotho is also deemed a related party as they are subjected to common control by the government of the Kingdom of Lesotho.

14.1 AMOUNTS CREDITED TO DEFERRED INCOME ACCOUNT

	2025 M'000	2024 M'000
Cost related payments GOL	13 792	5 661
Cost related payments RSA	6 577 981	5 460 534
Total amount credited to deferred income account	**6 591 774**	**5 466 195**

14.2 RELATED PARTIES' INCOME/FUNDING FROM GOVERNMENT GRANTS

Government of the Kingdom of Lesotho	309 970	162 307
Lesotho Biodiversity	3 194	3 887
Government of the Republic of South Africa	6 403 290	4 832 615
Total related parties` income from Government Grants	**6 716 454**	**4 998 809**

14.3 RELATED PARTIES' RECEIVABLES

Revenue Services Lesotho (VAT, WHT and PAYE)	2 005 872	1 064 421
Provision for Tax Impairment	(618 270)	(354 291)
Taxation Refund from Revenue Services Lesotho (RSL)	1 387 602	710 131
Government grant receivable from Government of South Africa	760 797	225 345
Total amounts receivable from related parties	**2 148 399**	**935 345**

14.4 COMPENSATION TO KEY MANAGEMENT PERSONNEL

Short term employee benefits	38 045	38 045
Provident fund contributions	2 206	2 002
Total compensation paid to key management personnel	**40 251**	**40 047**

All related party transactions are deemed to be at arm's length.

14.5 RELATED PARTY RECEIVABLE

Related party receivable relates to the following:

The outstanding tax claims from RSL, which are claimed on monthly basis in line with Article 14 of Phase II Agreement. Payment by RSL shall be made to LHDA not later than forty-five days after submission of uncontested claim.

Subvention receivable from the Government of South Africa.

15. DEFERRED INCOME

Deferred income is split between non-current and current as follows:

	2025 M'000	2024 M'000
Non-Current Portion of Deferred Income		
Grants Deferred Income	26 646 879	20 965 926
Lesotho Biodiversity Deferred Income	3 055	6 249
	26 649 934	**20 972 175**
Current Portion of Deferred Income		
Grants Deferred Income	921 034	743 118
Lesotho Biodiversity Deferred Income	-	-
	921 034	**743 118**

15.1 GRANTS DEFERRED INCOME

	2025 M'000	2024 M'000
Opening Balance	**21 709 045**	**17 403 472**
Grants Received	6 713 260	4 994 922
Income Recognised	(854 392)	(689 349)
Closing Balance	**27 567 913**	**21 709 045**

There are no specific conditions attached to Government grant that have been recognised as deferred income, and no such grants are repayable under any circumstances. However, in terms of the Treaty the Authority has to perform the activities relating to hydropower, electricity generation and Ancillary development.

The current portion of deferred income is the amount that is expected to be released as grant income within 12 months after the reporting date. Management makes this estimate based on experience of actual costs incurred and the current trend of costs going forward.

15.2 LESOTHO BIODIVERSITY DEFERRED INCOME

	2025 M'000	2024 M'000
Opening Balance	**6 249**	**10 136**
Income Recognised	(3 194)	(3 887)
Closing Balance	**3 055**	**6 249**

Lesotho Biodiversity Trust (LBT) was dissolved in 2010, and an approval was made by LHWC that all the assets of the LBT be transferred to the LHDA and to be used to ensure the continued survival of the naturally occurring population of the Maloti Minnow.

The Trust Fund amounting to M10 million was transferred to LHDA in 2010 and shall be used for the original purpose for which the Trust was established.

There are no specific conditions attached to Lesotho Biodiversity Trust that have been recognised as deferred income, and no such grants are repayable under any circumstances.

16. CONTRACT PAYABLES, ACCRUALS AND RETENTIONS

	2025 M`000	2024 M`000
Contract Payables	580 698	504 268
Contract Accruals	1 053 009	1 525 441
Sub-Total	**1 633 707**	**2 029 710**
Contract Retentions	53 543	219 211
Total Contract Payable, Accruals and Retentions	**1 687 250**	**2 248 921**

Contract payables and accruals are all expected to be realised within one year.

Retention is released when there is retention guarantee or 50% of the retention is released after receiving the take-over certificate and the remaining 50% is released after the defect's liability period.

Contracts Retentions: Reclassification

To achieve fair presentation and comparability, contracts retentions amounting to M'000 53 543 (2024:219 211) was reclassified from current liabilities in the current year's annual financial statements for consistency with the current year presentation. This reclassification had no effect on the reported results of the Authority, its financial position, nor did it affect previously reported cash flows in the Statement of Cash Flows. The change was effected retrospectively and consequently resulted in a reclassification of current liabilities to non-current liabilities for previously reported balances as of 31st March 2024.

Contract Payable, Accruals and Retentions is split between non-current and current as follows:

	2025 M'000	2024 M'000
Non-Current Portion of Contract Payable, Accruals and Retentions		
Contract Payables	-	-
Contract Accruals	-	-
Contract Retentions	5 887	13 070
	5 887	**13 070**

	2025 M'000	2024 M'000
Current Portion of Contract Payable, Accruals and Retentions		
Contract Payables	580 698	504 268
Contract Accruals	1 053 009	1 525 441
Contract Retentions	47 656	206 142
	1 681 363	**2 235 852**

17. OTHER PAYABLES

	2025 M'000	2024 M'000
Payables	49 714	30 744
Other Payables*	21 463	81 543
Accruals for Compensation	156 066	100 564
	227 243	**212 851**

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Other payables are settled within the agreed credit period with the suppliers, which is 30 days from the date of service.

Accruals for compensation are amounts due in terms of the compensation accrued.

*Other payables include Revenue Services Creditor, Admin Accruals, Security Deposits and Payroll Creditors.

18. PROVISIONS

	Provision for Future Compensation	Provision for Legal Claims	Provision for Severance Pay	Provision for Leave Pay	Total
	M'000	M'000	M'000	M'000	M'000
Carrying Value: 31 March 2023	**476 511**	**-**	**34 612**	**5 516**	**516 639**
Amount provided during the year	36 123	2 495	40 607	6 646	85 871
Amount of the provision reversed during the year	-	-	(34 612)	(5 516)	(40 128)
Amounts utilized/paid during the year	(7 527)	-	-	-	(7 527)
Carrying Value: 31 March 2024	**505 106**	**2 495**	**40 607**	**6 646**	**554 855**
Additions during the year	116 179	2 495	44 705	7 106	165 418
Amount of the provision reversed during the year	-	-	(40 607)	(6 646)	(47 253)
Amounts utilized/paid during the year	(7 527)	-	-	-	(7 527)
Carrying Value: 31 March 2025	**613 758**	**2 495**	**44 705**	**7 106**	**668 066**

18.1 PROVISION FOR FUTURE COMPENSATION

The provision for future compensation was created due to the Lesotho Highlands Development Authority requiring land in the selected development area. The persons directly or indirectly affected by the Project were identified and are to be compensated in terms of the Compensation Policy of July 1997, as refined in October 2002.

The provision is based on the estimated net present value of a lump sum payment to all beneficiaries and established local legal entities by applying a contractual 4.5% Lump Sum Payment. The Provision is updated annually for changes in the Consumer Price Index and additional Local Legal Entities formed during the year. Management has exercised judgement and determined that a 100% weighting should be applied to the scenario in which all beneficiaries demand a lump sum payment. This judgement has been made taking into account that the beneficiary can require immediate cash settlement of the compensation due to them and using this scenario will provide the most conservative estimation of the provision. Taking into account market interest rates, it can potentially be more beneficial for the beneficiary to request the lump sum payment and as such management believe that in future lump sum options would be preferred.

The Instream Flow Requirements (IFR) is a term to describe the water available downstream which impacts on the aquatic ecosystems as well as the social needs of the downstream communities. The Authority will monitor the IFR on a yearly basis and any additional compensation required will be included in the Provision for Compensation as identified.

Management assumption relating to the calculation of the provision for future compensation: All affected properties compensation is paid per lost property which consists of numerous beneficiaries and not all of them have the same loss size. The assumption of the loss date per property as per the LHWC resolutions is used as the loss date for the calculation of the future compensation provision.

Although management has exercised judgement and applied a 100% weighting to the scenario where all beneficiaries opt for a lump sum payment, other scenarios and applying different weightings between the various options provided to beneficiaries, would result in a different provision amount. If for example the assumption is made that 100% of the beneficiaries would opt for an annuity payment, the expected undiscounted cash flows would be as follows:

2025

Expected payment date	Within 1 year M`000	2-10 years M`000	11-30 years M`000	31-50 years M`000	Total M’000
Expected Undiscounted cash flows as of 31 March 2025	39 889	369 258	561 950	33 921	1 005 018

2024

Expected payment date	Within 1 year M`000	2-10 years M`000	11-30 years M`000	31-50 years M`000	Total M’000
Expected Undiscounted cash flows as of 31 March 2024	36 482	354 019	538 744	32 678	961 923

To calculate the provision, the cash flows above would need to be discounted at an appropriate discount rate. The starting point for such a rate would be the risk-free rate as available in Lesotho however, due to the unavailability of long-term government bonds in Lesotho, the rate would track the South African risk-free rate. As at 31 March 2025 the Lesotho risk-free rate for a government treasury bill of 91 days is 6.76%, the South African risk-free rate for a government bond of 10 years and longer is 9.86% and remained relatively consistent at an average rate of 9.09% subsequent to year end.

18.2 PROVISION FOR LEGAL CLAIMS

The provision was created due to litigation claims instituted against the Lesotho Highlands Development Authority. The provision is recognised when the legal department determines that an outflow of economic benefits is probable, and a reliable estimate of the obligation can be established, however, the timing of the outflows is uncertain.

18.3 PROVISION FOR SEVERANCE PAY

The provision is created in line with current legislation (Section 136 of the Labour Act of 2024) i.e., two weeks remuneration for each completed year of service. There is uncertainty as to the timing of the severance pay outflow.

18.4 PROVISION FOR LEAVE PAY

The provision for leave pay is based on the outstanding leave days per employee and his/her basic salary at reporting date. The outstanding leave days per employee are restricted to ½ of the annual leave entitlement.

19. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

The Authority has been notified of the intention by various contractors, others and employees to submit claims. The claims that are probable have been provided for in the Provision for Legal Claims. The claims which are disputed, subject to ongoing litigation and which do not appear to be probable amount to M 2 642 934 891 (2024: M 2 642 934 891). Included in the contingency amount of the current year is a claim sent in by the Land Administration Authority (LAA) amounting to M 240 265 097 (2024: M 240 265 097) whereby the LAA is claiming outstanding ground rent owed to them. The LHDA is disputing the claim and has engaged with their legal counsel on this matter. In addition, a contingent liability may be required for the downstream reaches 7 & 8 of which the amount is unknown, and the amount and the timing of the payment are so uncertain that a provision cannot be recognised.

For the start-up of Phase I and Phase II, new contracts have been approved and some entered into. The following commitments have been approved and not yet contracted for by year end: M791 600 000 (2024: 2 774 549 253). The following contracts have been approved and contracted: M17 176 158 509 (2024: M 21 462 052 764).

Only registered Legal Local Entities (LLEs) are entitled to receive compensation payments per the Community Infrastructure Development Policy Phase IB, and the contingent amounts due to unregistered LLEs as at 31 March 2025 amounted to M6 243 061 (2024:M5 812 906).

During the year, management undertook a reassessment of the Authority's compensation obligations. Based on the updated calculations, the estimated compensation liability is expected to increase from M 146 667 905 to M 236 421 169.

It is believed that the adjustment represents a more accurate reflection of the Authority's future obligations. In accordance with governance requirements, the adjustment will be recognized in the financial statements subsequent to concurrence by the Board.

20. REVENUE

20.1 GOVERNMENT GRANT

The authority's main source of income is government grants which is received from the Government of the Kingdom of Lesotho and the Government of the Republic of South Africa.

A FUNDING BREAKDOWN

	2025 M'000	2024 M'000
Government of the Kingdom of Lesotho	309 970	162 307
Government of the Republic of South Africa	6 403 290	4 832 615
Total funding received	**6 713 260**	**4 994 922**

B GRANT REVENUE RECOGNISED

	2025 M'000	2024 M'000
Funding received relating to operational activities	524 990	361 764
Deferred income amortisation	329 402	327 585
Total grant revenue	**854 392**	**689 349**

No unfulfilled conditions or other contingencies in regard to the assistance received from the respective governments are applicable.

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21. COST ALLOCATION

21.1 AMOUNTS ALLOCATED

	2025 M'000	2024 M'000
Other income	(349 400)	(261 590)
Finance Income	(31 167)	(24 607)
Total other income for the year	(380 568)	(286 197)
Total expenses for the year	7 826 733	6 441 741
Net loss for the year subject to cost allocation	**7 446 165**	**6 155 544**

21.2 ALLOCATION OF LOSS AS PER COST ALLOCATION REPORT

	2025 M'000	2024 M'000
1A Water Transfer	67 779	48 021
1A Ancillary Development	22 648	35 559
1B Water Transfer	179 265	68 276
1B Ancillary Development	5 980	2 977
Hydropower	225 264	172 656
Government of South Africa Capital Fund	353 455	361 860
Total loss allocated	**854 392**	**689 349**

Amounts above are as per cost allocation report

21.3 COST ALLOCATION PER GOVERNMENT

	2025 M'000	2024 M'000
Government of Lesotho	28 628	38 536
Government of South Africa	600 499	478 157
Hydropower Accumulated Loss	225 264	172 656
	854 392	**689 349**
Costs transferred to work in progress	**6 591 774**	**5 466 195**
Capital work-in-progress – 2 Water transfer	6 577 981	5 460 534
Capital work-in-progress – 2 Hydro Power	13 792	5 661
Total as per Cost Allocation Report	**7 446 165**	**6 155 544**

The allocation of operating and financing costs between the Hydropower and Water Transfer operating components of the Project, where common funding sources have been utilised, is subject to the Agreement of the Treaty Parties.

21.4 COST ALLOCATION AND FUNDS PER GOVERNMENT

	Note	Capital Fund - Government of Lesotho	Capital Fund - Government of South Africa	Total Capital funds	Hydropower	Total funds and Reserves
		M'000	M'000	M'000	M'000	M'000
Balance at 31 March 2023		**1 477 061**	**17 005 206**	**18 482 268**	**(1 420 460)**	**17 061 808**
Cost allocation for the year	21	(38 536)	(478 157)	(516 693)	(172 656)	(689 349)
Prior year cost allocation ratification		-	-	-	-	-
Cost related payments – funding	20	162 307	4 832 615	4 994 922	-	4 994 922
Balance at 31 March 2024		**1 600 833**	**21 359 662**	**22 960 495**	**(1 593 116)**	**21 367 380**
Cost allocation for the year	21	(28 628)	(600 499)	(629 127)	(225 264)	(854 392)
Prior year cost allocation ratification		-	-	-	-	-
Cost related payments – funding	20	309 970	6 403 290	6 713 260	-	6 713 260
Balance at 31 March 2025		**1 882 175**	**27 162 453**	**29 044 628**	**(1 818 381)**	**27 226 248**

This note records the funding received and allocates the cost spend for the year for each of the related Governments as per the cost allocation report that is performed on an annual basis.

22. FINANCE INCOME

	2025 M'000	2024 M'000
Finance Income Earned	31 166	24 606
Finance Income Accrued	1	1
Total finance income	**31 167**	**24 607**

Finance income consists of interest on deposits held in RSA and GOL call accounts.

23. FOREIGN EXCHANGE GAIN AND LOSS

	2025 M'000	2024 M'000
Foreign Exchange Gain	164 005	142 063
Total Foreign Gain	**164 005**	**142 063**

	2025 M'000	2024 M'000
Foreign Exchange Loss	121 084	24 344
Total Foreign Loss	**121 084**	**24 344**
Net Foreign Exchange Gain	**42 921**	**117 719**

Foreign exchange gains or losses arise when the exchange rates used when translating transactions or balances denominated in a foreign currency differ between the initial date of recording, and the date the cash flows actually take place.

24. TAX REFUND

	2025 M'000	2024 M'000
Tax Refund	157 488	91 101
Total Tax Refund	**157 488**	**91 101**

25. OTHER INCOME

	2025	2024
	M'000	M'000
Rental Income	2 700	2 752
Other Income*	3 475	3 175
Investment Property Income	9 979	9 086
Lodge Income	8 559	9 527
Total other income earned during the year	**24 713**	**24 539**

* Other income comprises of electricity sales, tourism fees, production fees and other immaterial fees.

26. INVENTORIES EXPENSED

Inventories expensed	2025	2024
	M'000	M'000
Fuel (Included in: travel and transportation costs)	6 623	5 852
Catering Supplies and Stationery	6 841	3 014
Plant Spare and Consumable Stores	5 441	2 268
Total inventory expensed during the period	**18 906**	**11 134**

Inventory is recognized as an expense in profit or loss in the reporting period of purchase. There was no inventory impaired during the period.

27. RESETTLEMENT AND COMPENSATION COSTS

Resettlement and Compensation Costs	2025	2024
	M'000	M'000
Annual Grain Payment – Grain	3 488	2 694
Annual Cash Payments – ACP	60 112	32 875
Lump Sum/Once Off	16 349	13 669
Total Resettlement and Compensation Costs	**79 949**	**49 238**

The Authority has an obligation for the restitution of losses sustained on account of the Phase I and Phase II Lesotho Highlands Water Project. The beneficiaries can elect any one of the following three types of compensation entitlements: a once off Lump Sum Payment, Annual Cash Payment or compensation in kind, such as grain.

28. SHORT TERM EMPLOYEE COST, NUMBER OF EMPLOYEES AND POST EMPLOYMENT BENEFITS

28.1 SHORT TERM EMPLOYEE COSTS CONSIST OF THE FOLLOWING EXPENSES

	2025 M'000	2024 M'000
Salaries and wages	219 330	192 906
Terminal benefits	9 105	9 805
Allowances	8 211	8 150
Medical aid	10 648	4 168
Group life assurance	5 331	4 964
Other salaries costs	6 930	3 493
Total short term employee costs	**259 556**	**223 487**

28.2 NUMBER OF EMPLOYESS

According to the payroll system the Authority had the following average number of employees during the year ending 31 March 2025: 418 (2024: 391).

28.3 POST EMPLOYMENT BENEFITS

	2025 M'000	2024 M'000
Provident Fund	12 930	10 961
Terminal Benefits	9 105	9 805
Group Life Assurance	5 331	4 964
Total employee costs	**27 366**	**25 731**

Post-employment benefits have been included in employee costs on note 28 above. These relate to provident fund, superannuation fund, terminal benefits and group life assurance. Provident fund was only introduced from April 2021 while some employees previously opted for superannuation fund before this.

29. OPERATING LEASE DISCLOSURE

The Standard Bank Tower Building is leased out under an operating lease. According to rental agreements the following rental income will be received in the mentioned periods:

	2025 M'000	2024 M'000
Within 1 Year	6 178	9 452
Year 2	-	6 548
	6 178	**16 000**

Terms of the contract:				
Commencement date	**Contract expiry date**	**Period of lease:**	**Escalation rate per annum:**	**Basic Rental- Initial monthly rental per contract: premises**
29 November 2022	28 November 2025	36 months	6%	M687 255.36

30. OTHER ADMINISTRATIVE OPERATING EXPENDITURE

	Notes	2025 M'000	2024 M'000
OTHER ADMINISTRATIVE AND OPERATING EXPENDITURE			
Audit and Accounting Fee		1 997	1 844
Bank Charges		291	236
Board and Committee Fees		8 869	8 324
Construction and Contractors Costs	31	6 420 684	5 300 482
Consumable and Plant Spares		10 972	6 053
Ground Rent Provision		159	438
Increase in Future Compensation Provision		166 351	52 783
Insurance		5 693	5 326
Leave Pay		1 486	2 016
Legal and Arbitration Fees		3 833	5 140
Miscellaneous Expenses	36	48 128	73 066
Motor Vehicle Expenses and Travel and Transportation		14 537	11 754
Professional Services		27 769	9 685
Public Relation Costs		9 718	5 307
Rates, Electricity and Water		12 405	9 383
Repairs and Maintenance		9 834	14 584
Safety Awareness		243	158
Security Expense		18 415	16 559
Short Term Leases		1 549	206
Stationery		1 795	1 196
Telephone and Communication		4 896	4 383
Training		5 007	2 137
WIP Cost Allocation		(6 591 774)	(5 466 195)
Other Administrative and Operating Expenditure		**182 857**	**64 866**

31. CONSTRUCTION AND CONTRACTORS COSTS

	2025 M'000	2024 M'000
Individual Service Contract	294	429
Technical Advisory Contract	6 420 390	5 300 053
Total Construction and Contractors Expense	**6 420 684**	**5 300 482**

32. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

32.1 CATEGORIES OF FINANCIAL INSTRUMENTS

Categories of Financial Assets

2025	**Notes**	**Amortised Cost M**	**Total M**
Other Receivables	10	6 096	6 096
Cash and Cash Equivalents	13	239 442	239 442
Related Party Receivable	14	760 797	760 797
		1 006 335	**1 006 335**

2024	**Notes**	**Amortised Cost M**	**Total M**
Other Receivables	10	3 592	3 592
Cash and Cash Equivalents	13	597 129	597 129
Related Party Receivable	14	225 345	225 345
		826 066	**826 066**

Categories of financial liabilities

2025	**Notes**	**Amortised Cost M**	**Leases M**	**Total M**
Contract Payables and Accruals	16	1 633 707	-	1 633 707
Contract Retentions	16	53 543	-	53 543
Other Payables	17	227 243	-	227 243
Lease Liabilities	8		1 479	1 479
		1 914 493	**1 479**	**1 915 972**

2024	Notes	Amortised Cost	Leases	Total
		M	M	M
Contract Payables and Accruals	16	2 029 710	-	2 029 710
Contract Retentions	16	219 211	-	219 211
Other Payables	17	212 851	-	212 851
Lease Liabilities	8		965	965
		2 461 772	**965**	**2 462 737**

32.2 Capital Risk Management

The Authority's objective when managing capital (which includes borrowings, working capital and cash and cash equivalents) is to maintain a flexible capital structure that reduces the cost of capital to an acceptable level of risk and to safeguard the Authority's ability to continue as a going concern while taking advantage of strategic opportunities in order to maximise stakeholder returns sustainably.

32.3 Financial Risk Management

Overview

The Authority is exposed to the following risks from its use of financial instruments:

- Credit Risk
- Liquidity Risk

32.4 Credit Risk

Credit Risk is the risk that a contractual counterparty will default on its contractual obligations to the Authority and that the Authority would suffer financial loss as a consequence of such a default. Credit risk primarily relates to other receivables, contract assets, prepayments, related party receivable and cash and cash equivalents.

Other receivables consist of three major categories being Contract Assets, Related Party Receivable (TCTA) and Tax Receivable (RSL). The exposure to credit risk is influenced by the industries of the counter party with whom the Authority has transacted. Other receivables are carefully monitored for impairment. An allowance for impairment of other receivables is made where there is an indicator of loss event, which based on previous experience, is evidence of a reduction in the recoverability of the cash flow.

The Authority has the potential credit risk exposure to other receivables. The Authority's income is generated from many sources including tax refund and funding from the two governments. The two major receivables constitute 73% of the other receivables balance. Credit risk exposure in respect of other receivables is analysed in note 10. The carrying value represents the maximum credit risk exposure.

Reconciliation of Loss Allowance	2025	2024
	M'000	M'000
Opening balance	(10 211)	(9 276)
Decrease/ (Increase) in loss allowance	2 010	(935)
Closing balance	**(8 201)**	**(10 211)**

The maximum exposure to credit risk is presented in the table below:

		2025			2024		
	Notes	Gross Carrying Amount M	Credit Loss Allowance M	Amortised Cost M	Gross Carrying Amount M	Credit Loss Allowance M	Amortised Cost M
Other Receivables	10	10 990	(8 201)	2 789	12 004	(10 211)	1 793
Cash and Cash Equivalents	13	239 442	-	239 442	597 129	-	597 129
Related Party Receivable	14	760 797	-	760 797	225 345	-	225 345
		1 011 229	**(8 201)**	**1 003 028**	**849 267**	**(10 211)**	**839 056**

32.5 EXPECTED CREDIT LOSS ALLOWANCE

Expected payment date	2025 Gross	2025 ECL	2025 Net carrying	2024 Gross	2024 ECL	2024 Net carrying
Financial receivable	**10 795**	**8 197**	**2 598**	**12 155**	**10 211**	**1 944**
Rentals receivable (excluding investment property)	5 892	4 401	1 491	8 487	6 425	2 062
Over-paid LLEs-Community Infrastructure	3 786	3 786	-	3 786	3 786	-
Standard bank rental receivable (investment property)	1 118	10	1 108	(118)	-	(118)
Related parties	**195**	**4**	**191**	**(151)**	**-**	**(151)**
Staff travel receivable	195	4	191	(151)	-	(151)

Significant decrease in ECL from the financial year 2024 to 2025 was due to the following:

There was an improvement in collection for rentals as at 31 March 2025 which led to the ECL decreasing.

32.6 AMOUNTS RECEIVABLES: DAYS PAST DUE

The following schedules provide the information on amounts receivable for which expected credit losses have been provided for.

The schedule details the amounts due by the period the amount is past due, disaggregated by the same method management uses when assessing credit risk and impairment.

2025	Notes	Current	<30 days	30-60 days	61-90 days	>91 days	Total
RECEIVABLES:		**M`000**	**M`000**	**M`000**	**M`000**	**M`000**	**M`000**
i. Rental receivable:	**10**						
Expected credit risk loss rate		0%	0%	0%	100%	100%	75%
Gross amount owed		881	423	187	79	4 322	5 892
Expected credit loss		-	-	-	79	4 322	4 401
Carrying amount		881	423	187	-	-	1 491
ii. Staff travel receivable:	**10**						
Expected credit risk loss rate		0%	0%	0%	100%	0%	2%
Gross amount owed		164	34	(7)	4	-	195
Expected credit loss		-	-	-	4	-	4
Carrying amount		164	34	(7)	-	-	191
iii. Over-paid LLEs - Community infrastructure:	**11**						
Expected credit risk loss rate		0%	0%	0%	0%	100%	100%
Gross amount owed		-	-	-	-	3 786	3 786
Expected credit loss		-	-	-	-	3 786	3 786
Carrying amount		-	-	-	-	-	-
iv. Standard bank rental lease:	**10**						
Expected credit risk loss rate		0%	0%	0%	0%	0%	0%
Gross amount owed		1 104	2	2	2	8	1 118
Expected credit loss		-	-	-	2	8	10
Carrying amount		1 104	2	2	-	-	1 108

31 March 2024

Receivables that have impairment losses

Days past due

2024	Notes	Current	<30 days	30-60 days	61-90 days	>91 days	Total
RECEIVABLES:		**M`000**	**M`000**	**M`000**	**M`000**	**M`000**	**M`000**
i. Rental receivable:	**10**						
Expected credit risk loss rate		0%	0%	0%	101%	100%	76%
Gross amount owed		1 447	377	261	2 172	4 230	8 487
Expected credit loss		-	-	-	2 195	4 230	6 425
Carrying amount		1 447	377	261	(23)	-	2 062
ii. Staff travel receivable:	**10**						
Expected credit risk loss rate		0%	0%	0%	0%	100%	(5%)
Gross amount owed		(165)	10	3	-	-	(151)
Expected credit loss		-	-	-	-	-	-
Carrying amount		(165)	10	3	-	-	(151)
iii. Over-paid LLEs - Community infrastructure:	**11**						
Expected credit risk loss rate		0%	0%	0%	0%	100%	100%
Gross amount owed		-	-	-	-	3 786	3 786
Expected credit loss		-	-	-	-	3 786	3 786
Carrying amount		-	-	-	-	-	-
iv. Standard bank rental lease:	**10**						
Expected credit risk loss rate		0%	0%	0%	0%	0%	0%
Gross amount owed		(118)	-	-	-	-	(118)
Expected credit loss		-	-	-	-	-	-
Carrying amount		(118)	-	-	-	-	(118)

32.7 Liquidity Risk

Liquidity risk is the risk that an entity will be unable to meet its obligations as they become due. The Authority manages liquidity risk by effectively managing its working capital, capital expenditure and cashflows. The Authority aims to maintain the level of cash and cash equivalents at an amount sufficient to meet its short-term obligations as per the mandate of the Board of Directors. The Authority also monitors the level of expected cash inflows on other receivables together with the expected cash outflows on other payables.

The Authority's current other payables are all due within one year and the impact of discounting them is not significant.

The maturing profile of contractual cashflows of non-derivative financial liabilities, and financial assets held to mitigate the risk, are presented in the following table. The cashflows are undiscounted contractual amounts.

2025	**Notes**	**Less than 1 year**	**2 to 5 years**	**Total**	**Carrying Amount**
		M	**M**	**M**	**M**
Non-Current Liabilities					
Lease liabilities	8		868	868	838
Current Liabilities					
Contract Payables and Accruals	16	1 633 707	-	1 633 707	1 633 707
Contract Retentions	16	53 543	-	53 543	53 543
Other Payables	17	227 243	-	227 243	227 243
Lease Liabilities	8	788	-	788	641
		1 915 281	**868**	**1 916 149**	**1 915 972**

2024	**Notes**	**Less than 1 year**	**2 to 5 years**	**Total**	**Carrying Amount**
		M	**M**	**M**	**M**
Non-Current Liabilities					
Lease liabilities	8	-	517	517	517
Current Liabilities					
Contract Payables and Accruals	16	2 029 710	-	2 029 710	2 029 710
Contract Retentions	16	219 211	-	219 211	219 211
Other Payables	17	212 851	-	212 851	2 12 851
Lease Liabilities	8	448	-	448	448
		2 462 220	**517**	**2 462 737**	**2 462 737**

All the financial assets are short-term in nature and are expected to be realised within twelve months, this mitigating the liquidity risk that the Authority faces.

33. GOING CONCERN

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The Directors believe that the Authority has adequate financial resources to continue in operation for the foreseeable future and accordingly the annual financial statements have been prepared on a going concern basis. The Directors have satisfied themselves that the Authority is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The Directors are not aware of any new material changes that may adversely impact the Authority. The Directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the Authority.

34. EVENTS AFTER THE REPORTING PERIOD

The financial statements are adjusted to reflect events that occurred between the reporting date and the date when the financial statements are authorised for issue, provided they give evidence of conditions that existed at the reporting date. Events that are indicative of conditions that arose after the reporting date are disclosed, but do not result in adjustments to the financial statements themselves.

Below is an overview of the significant events that occurred after the reporting period, but before the financial statements were authorised for issuance.

LHDA is financed by way of subvention from the Government of Lesotho (GOL) and the Government of the Republic of South Africa (RSA) through cost-related payments. On the 28th July 2025 LHDA received approval of 2025/2026 Budget from LHWC, it worth noting that this was after LHWC had granted LHDA Chief Executive approval to incur expenditure for the financial year 2025/2026 while approval of LHDA budget was being finalised by LHWC. The annual financial statements have been prepared based on accounting policies on a going concern basis. This basis presumes that LHDA will continue receiving funding to settle the financial obligations as they fall due for the next 12 months. Therefore, management believes that there is no going concern issue for the entity and that the realization of assets and settlement of liabilities will occur in the ordinary course of business. No event that occurred between the reporting date and the date when financial statements are authorised for issue, that give evidence of condition that existed at the reporting date, were identified.

35. DETAILED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2025

	Notes	2025 M'000	2024 M'000
REVENUE		**854 392**	**689 349**
Grant Income	20	854 392	689 349
OTHER INCOME		**380 568**	**286 198**
Grant Income Lesotho Biodiversity	15	3 194	3 887
Finance Income	22	31 167	24 607
Miscellaneous income	36	14 734	15 454
Foreign Exchange Gain	23	164 005	142 063
Tax Refund	24	157 488	91 101
Investment property income	25	9 979	9 086
REVENUE AND OTHER INCOME		**1 234 960**	**975 546**
EXPENDITURE			
Audit and accounting fees		1 997	1 844
Bank charges		291	236
Board and committee fees including reimbursements		8 869	8 324
Construction and contractor costs	31	6 420 684	5 300 482
Consumable Spares		9 678	4 219
Depreciation and Amortisation	5,6,7 & 8	329 402	327 585
Expected Credit Loss Provision	10	(2 010)	934
Foreign exchange loss		121 084	24 344
Ground rent provision		159	438
Increase in future compensation provision		166 351	52 783
Insurance		5 693	5 326
Interest and finance expenses		142	82
Leave Pay		1 486	2 016
Legal and arbitration fees		3 833	5 140
Miscellaneous expenses	36	48 128	73 066
Motor vehicle expenses		8 359	7 627
Plant spares		1 294	1 834
Professional services		27 730	9 522
Provision for Tax Impairment	12	263 980	285 012
Public relation costs		9 718	5 307
Rates, electricity and water		12 405	9 383
Recruitment		39	164
Repairs and maintenance		9 834	14 584
Resettlement and compensation costs	27	79 949	49 238
Safety awareness		243	158
Salaries, wages and allowances	28	259 556	223 487
Security expense		18 415	16 559
Short term leases		1 549	206
Stationery		1 795	1 196
Telephone and communication		4 896	4 383
Training		5 007	2 137
Travel and transportation		6 178	4 126
TOTAL EXPENSE		**7 826 733**	**6 441 741**

PROFIT FOR THE YEAR		
Total Revenue and other Income	1 234 960	975 546
Total Expense	(7 826 733)	(6 441 741)
WIP/ Cost allocation	6 591 774	5 466 195
Profit for the year	**-**	**-**

36. MISCELLANEOUS INCOME AND EXPENSES

	2025	**2024**
	M'000	**M'000**
Miscellaneous income		
Rental Income	2 700	2 752
Lodge Income	8 559	9 527
Other Income	3 475	3 175
Total Miscellaneous Income	**14 734**	**15 454**

	2025	**2024**
	M'000	**M'000**
Miscellaneous expenses		
RSL Costs	27 985	51 464
Lodge Expenses	3 606	9 389
Loss on Sale of Assets	798	556
Software Licencing	8 574	7 675
Other expense	7 165	3 982
Total Miscellaneous Expense	**48 128**	**73 066**