

INTEGRATED REPORT 2025

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Navigational icons

Our six capitals

Financial capital
Long-term bi-national funding, and commercial operations revenue

Human capital
Skilled professionals, local tradesmen, artisans, and technical partners who ensure safe, efficient, and ethical operations

Intellectual capital
Decades of engineering, environmental, and social expertise that guide planning, innovation, and governance excellence

Social and relationship capital
Enduring partnerships with governments, communities, financiers, and contractors that ensure mutual trust and licence to operate

Manufactured capital
World-class infrastructure — dams, tunnels, hydropower stations, and road and communications networks connecting remote communities to national economic activity

Natural capital
The Lesotho highlands' pristine water catchments and ecosystems that sustain the Project and surrounding communities

Our three strategic pillars

SP1 **Sustainability and environmental stewardship**
Ensuring that water and energy development supports climate resilience, biodiversity protection, and equitable access

SP2 **Socio-economic empowerment**
Creating shared prosperity through local participation, job creation, and improved community well-being

SP3 **Institutional excellence and financial sustainability**
Strengthening governance, performance systems, and commercial viability to ensure long-term value creation

The four components of our strategic core purpose

SCP1 Develop mutual water resources for peace and prosperity in Southern Africa

SCP2 Enhance the welfare and livelihoods of the peoples of Lesotho and South Africa

SCP3 Conserve and equitably share water resources

SCP4 Promote good neighbourly relations and peaceful cooperation

Our five strategic goals

SG1 Enhancement of inclusive access to water, electricity and related resources

SG2 Conservation and restoration of ecosystems

SG3 Improvement of livelihoods

SG4 Maximisation of commercial opportunities

SG5 Good corporate governance, accountability and management capacity

Navigational icons *(continued)*

Our seven material matters

M1 Financial
Ensuring sustainable revenue flows, cost management and fiscal resilience

M2 Infrastructure resilience
Building and maintaining robust, adaptive and climate-resilient infrastructure

M3 Multi-faceted stakeholder environment
Navigating misinformation, distrust and complex stakeholder relationships

M4 Economic and political landscape
Responding to macroeconomic volatility and shifts in political contexts in both Lesotho and RSA

M5 Complex governance environment
Maintaining compliance, transparency and effective governance across a multi-jurisdictional project

M6 Our people, talent and capacity
Strengthening skills, retaining expertise, and building institutional capacity for long-term success

M7 Increased focus on ESG
Meeting heightened expectations for environmental stewardship, social impact, and governance performance

Our stakeholders

GL	Governments and LHWC
LC	Local government and community leadership (District Administrations, Councils, Chiefs, ALCs/CALCs)
E	Our employees
PP	Project participants (contractors, consultants, workforce, TCTA)
SD	Sector partners and development partners (DFIs, academic institutions, international organisations)
M	Media
NG	Civil society and NGOs
BI	Business community and industry bodies
PC	General public and citizens

Our key risks

R1	Infrastructure resilience
R2	Deterioration of the biophysical environment, including wetlands
R3	Timely delivery of community compensation
R4	Maximising impact of livelihood programmes
R5	Sustainability of commercial enterprises
R6	Compliance with treaty, legal and policy frameworks
R7	Sustainable and timely financing
R8	Cybersecurity
R9	Workplace safety and wellbeing
R10	Enhancing stakeholder trust and responsiveness
R11	Enhancing positioning and profile of LHWP
R12	Embedding a high-performance and values-driven culture

UNSDGs

The way we see it – our work related to the SDGs in this manner

SDG	LHDA key activities / interventions	Development outcomes	Indicators / measures	Primary capitals impacted
Primary SDGs (Direct core contribution)				
	Construction and operation of dams, reservoirs and transfer tunnels (Katse, Mohale, Polihali); integrated water resource management; cross-border water delivery systems	Improved regional water security; reliable bulk water supply to South Africa; enhanced water resource management in the Orange-Senqu basin	Volume of water transferred annually; reliability of water supply; infrastructure uptime; basin water management outcomes	
	Operation of 'Muela Hydropower Station; hydropower generation from LHWP water transfer, development of new hydropower and solar power projects	Increased renewable energy generation; improved national energy security; reduced dependence on imported electricity	Annual hydropower generated (GWh); contribution to national electricity supply; plant efficiency	
	Development of large-scale water infrastructure; dam construction; transfer tunnels; roads and bridges supporting project sites; application of advanced engineering systems	Modern and resilient infrastructure; technological advancement; strengthened regional infrastructure networks	Kilometres of tunnels constructed; major infrastructure delivered; engineering milestones achieved	
Secondary SDGs (Strong socio-economic impact)				
	Local employment during construction; contractor participation programmes; enterprise development; skills development for Basotho workers	Job creation; local economic stimulation; development of skilled workforce; growth of local businesses	Number of jobs created; proportion of local labour; value of contracts awarded to local companies; training programmes delivered	
	Resettlement and compensation programmes; livelihood restoration initiatives; community infrastructure development; community engagement and support	Improved living standards for project-affected communities; strengthened community infrastructure; enhanced resilience and livelihoods	Households resettled; livelihood programmes implemented; community infrastructure projects completed; community satisfaction levels	
Supporting SDGs (Strategic and environmental impact)				
	Renewable hydropower generation; watershed management; environmental monitoring and mitigation; long-term water storage for climate resilience	Climate resilience through water storage; low-carbon energy generation; environmental protection in project areas	Environmental monitoring indicators; watershed protection programmes; renewable energy contribution	
	Bi-lateral cooperation between Lesotho and South Africa; institutional collaboration through the Lesotho Highlands Water Commission; stakeholder engagement with government, communities and development partners	Strengthened regional cooperation; effective governance of transboundary water resources; enhanced stakeholder collaboration	Joint governance mechanisms; stakeholder engagement platforms; reputation survey results; bi-lateral programme milestones	

01

ABOUT OUR REPORT





About our report

At the Lesotho Highlands Development Authority (LHDA), our purpose is central to how we plan, operate, and create value for all our stakeholders. Guided by integrated thinking, our strategy and purpose-led business model enable us to manage the impact of our activities across the six capitals defined in the Integrated Reporting Framework responsibly.

Driving sustainable stakeholder value through integrated thinking

Through the implementation of the Lesotho Highlands Water Project (LHWP), we balance infrastructure delivery with socio-economic development, environmental stewardship, and long-term national benefit. Our strategy is designed to shape our operating environment positively, strengthen resilience, and advance progress towards local, regional and global development goals like the United Nations Sustainable Development Goals (UNSDGs), ensuring that the benefits of our work extend to the Kingdom of Lesotho, its communities, the Republic of South Africa, and the region at large.

Reporting scope and boundary

This, the first integrated report of the LHWP, covers the period from 1 April 2024 to 31 March 2025. It addresses and consolidates financial and non-financial data from our operations and across all project sites. It reflects the material matters arising from the operations of the LHDA, including water transfer, renewable energy generation, environmental conservation, livelihoods restoration and improvement, stakeholder engagement, and institutional sustainability, which we consider critical to sustained value creation.

By reporting on these issues transparently, we reaffirm our commitment to building trust, fostering collaboration, and creating sustainable value for our stakeholders over the short, medium and long term, which we define as periods of one to three years, three to five years, and more than five years, respectively.

The information included in this report relates to our activities at organisational level, and includes disclosures relating to our contractors, consultants and third-party partners in the implementation of the Lesotho Highlands Water Project.

Reporting framework and process

The Integrated Reporting Committee (IRC) of the LHDA owns the integrated reporting process, and the Executive Management approves the content and commitments. The report is reviewed in detail by the Audit and Risk Committee (ARC) of the LHDA's Board of Directors (the Board) and is ultimately signed off by the Board.

The report is produced in line with the LHDA's Integrated Reporting Framework and aligns with best practices such as the International Financial Reporting Standards (IFRS), the Integrated Reporting Framework, King IV Report on Corporate Governance (King IV), as well as the Mohlomi Corporate Governance Code.

Combined assurance

The LHDA employs a combined assurance model for assurance, provided through internal and external assurance providers. Moores Rowland (Lesotho) audited our FY2025 annual financial statements and issued an unqualified opinion, as has been the case with our financial audits for over 10 years. The full audited annual financial statements are included in this report with a summarised extract appearing under the Financial Capital section of the report.

The LHDA's Internal Audit Function assesses the operating, financial, compliance and risk management controls within our operations, which are overseen by the ARC of the LHDA Board.

Forward-looking statements

Throughout this report, we provide stakeholders with forward-looking information on risks that may impact our operations, as well as opportunities that may be pursued as part of our strategy. As far as possible, we seek to be transparent about the implications of these and anticipated impacts on our performance. However, it is important to note that such forward-looking statements are inherently speculative, and the actual results may differ from the outlook provided, as a consequence of macro influences, operational shifts, or any one or more of a host of changes in our operating environment.

Directors' Statement of Responsibility

While the IRC is responsible for the preparation of this report, the Board, supported by the ARC, acknowledges its responsibility for overseeing and ensuring the integrity of the report.

Having applied its collective mind to the report's presentation and preparation, and believing it to fairly represent those matters that have a material effect on our ability to realise our purpose, the Board accordingly approved this integrated report, which is signed on its behalf on 30 September 2025 by:

T Tente

N Foulo

T Letsela

L Makibinyane

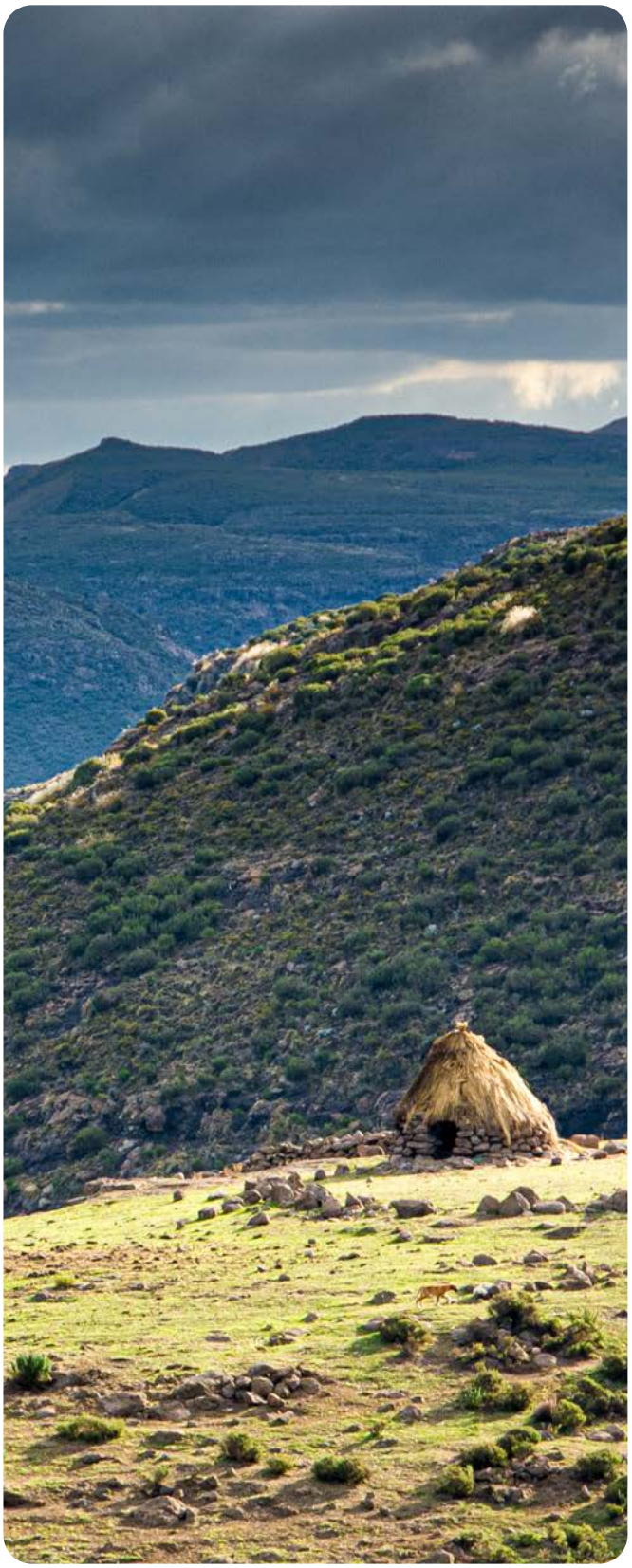
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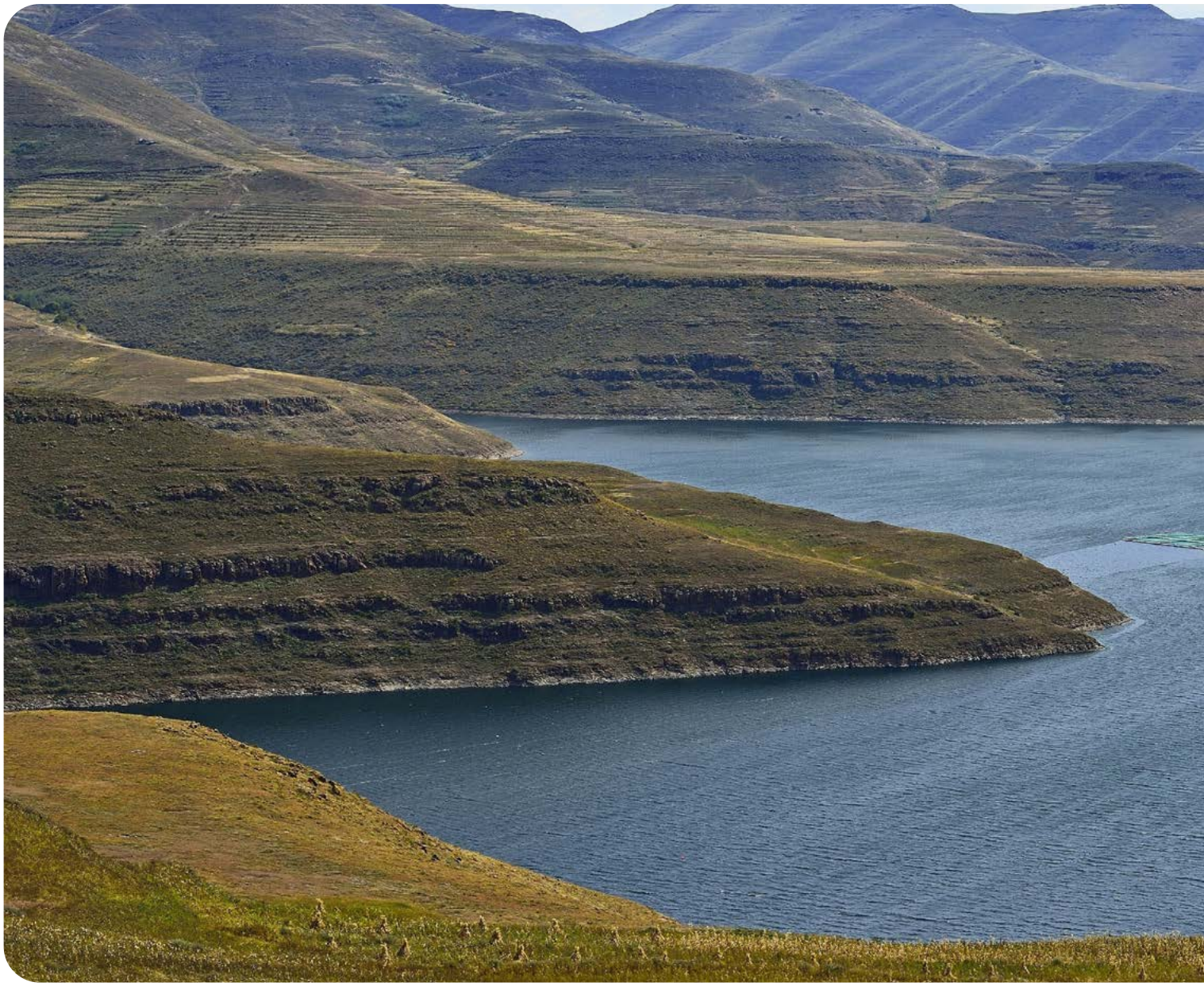
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02

WHO WE ARE



12 40 years of history
21 Where we operate
25 Working for the future



Who we are

The LHDA is a bi-nationally mandated institution, established under the 1986 LHWP Treaty between the Kingdom of Lesotho (GoL) and the Republic of South Africa (RSA), and domesticated through the LHDA Order No. 23 of 1986.

LHDA is the special purpose vehicle entrusted to design, construct, operate, and maintain the LHWP infrastructure within Lesotho's borders, ensuring long-term delivery on one of Africa's most ambitious transboundary water and energy initiatives.

Our vision

Creating sustainable socio-economic beneficiation through the development of water resources and electricity generation.

This vision captures our transition from infrastructure delivery to sustainable impact — a shift from building projects to building prosperity.

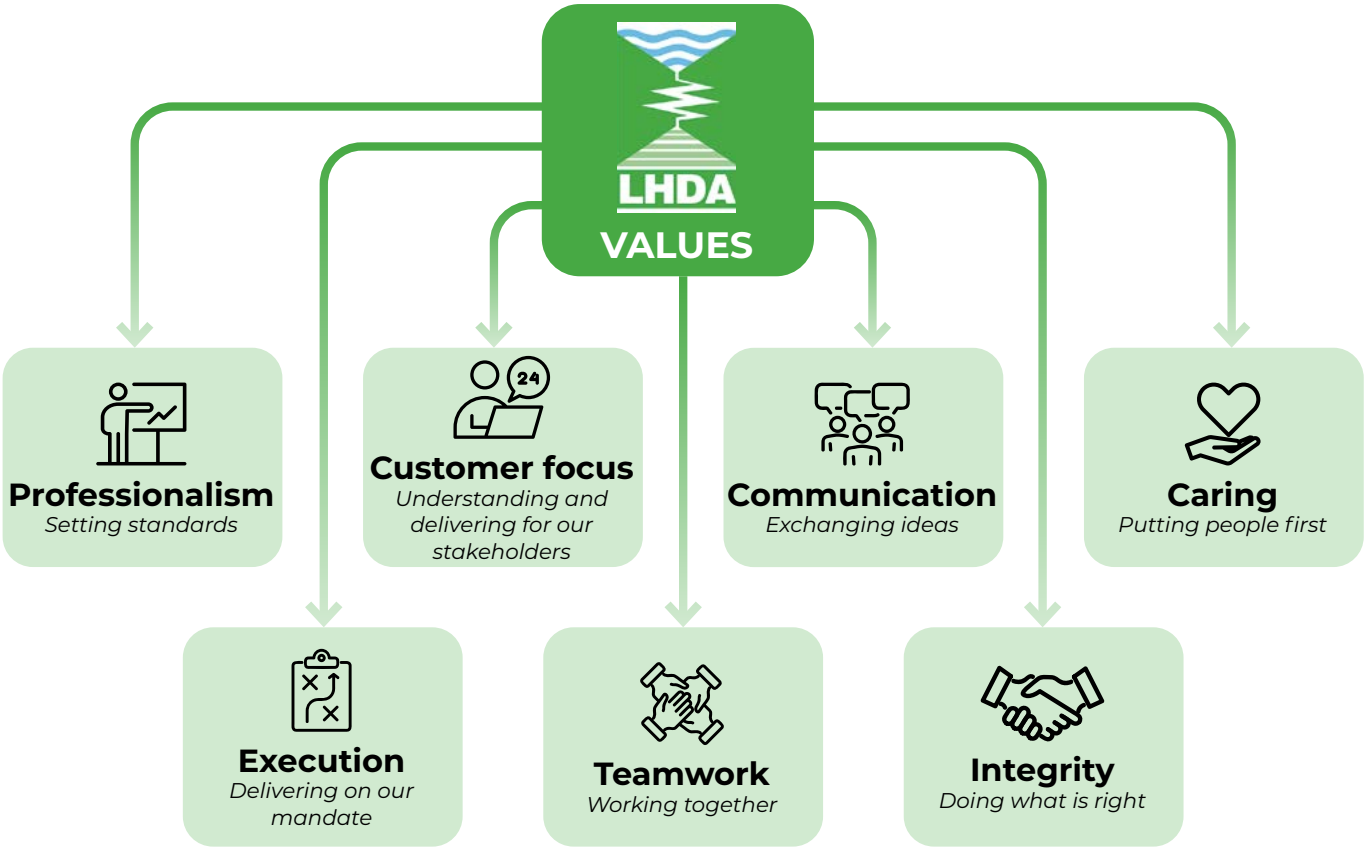
Our values

Our values collectively form one of the critical enablers required for the success of our strategy, and provide the platform for the fulfilment of our Strategic Core Purpose, Vision, and Strategic Goals.

Our mandate

The LHDA exists to give life to one of Africa's most ambitious and enduring examples of regional cooperation – the Lesotho Highlands Water Project.

Established under the 1986 Treaty between the Governments of the Kingdom of Lesotho and the Republic of South Africa, our purpose is rooted in advancing shared prosperity and sustainable development for both nations.



Our mandate spans four strategic domains

Our four strategic domains

Water transfer
Bulk water storage and delivery to RSA and within Lesotho through a sophisticated network of dams, tunnels, reservoirs, and rivers

Hydropower generation
Clean, renewable electricity for Lesotho, with capacity to expand regional energy security

Livelihoods restoration and improvement
Socio-economic programmes that restore, enhance, and diversify livelihoods of project-affected and rural communities

Environmental conservation
Stewardship of Lesotho's fragile highland ecosystems through biodiversity management, catchment conservation, and climate resilience interventions

Our strategic core purpose

Develop mutual water resources to contribute towards peace and prosperity in the Southern African region and to the welfare of its people

Enhance the living conditions and livelihoods of the people of Lesotho and RSA



Uphold the traditions of good neighbourliness and peaceful cooperation between the two nations

Promote the conservation, equitable sharing, and sustainable use of water resources

For more on our strategy, see page 57.

40 Years of History

Over three-and-a-half decades of implementation, LHDA has transformed Lesotho's development landscape and created cross-border value. Through our infrastructure and programmes, we have built not only dams and tunnels, but also:

- **Roads, bridges, and schools** connecting rural communities to centres of economic activity, crucial services and daily needs
- **Health facilities and clinics** serving highlands populations and expanding access to primary health care and wellbeing in areas previously excluded
- **Nature reserves and conservation parks** preserving biodiversity not just for Lesotho but for all downstream communities in the Orange-Senqu River Basin across Southern Africa
- **Business opportunities for Basotho enterprises** across construction, professional services, agriculture and tourism.

LHWP celebrating 40th anniversary of developmental milestones

Negotiations over the utilisation of Lesotho's water resources commenced forty years before the signing of the Lesotho Highlands Water Project (LHWP) Treaty. During 1978 and 1979, joint feasibility studies were conducted by the governments of Lesotho and South Africa that resulted in detailed project design and layout plans.

1986 – Treaty signed

1998 – Phase I commissioning

2014 – Phase II implementation

2024-2034 – Implementation of 10-year strategy



Mohale Dam aerial



'Muela Hydropower plant
Polihali Dam/ Senqu Bridge



Tunnel-boring machinery



Community agriculture projects
Phase I: Katse Botanical Garden



Conservation reserves
Phase II: Polihali conservation programmes

LHWP tourism attraction 1986 to 2026

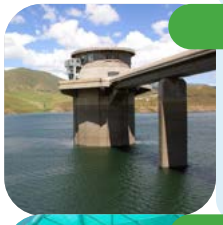
The Lesotho Highlands Water Project is a multi-billion Maloti bi-national water resources development and management initiative established by the Treaty signed between the Governments of the Kingdom of Lesotho and the Republic of South Africa in 1986. Its strategic priority is to reduce poverty, stimulate economic growth and improve the livelihoods of the people of the two countries through tourism among other initiatives.



Katse Dam

Katse Dam is one of Lesotho's most popular tourist destinations. It was named after a wealthy man called Katse, who owned much livestock and provided agricultural produce to the local communities. The area is now home to Katse Dam, which boasts the second-highest dam wall in Africa. The gracious Katse Village, developed in the early 1990s, is situated in this area and provides a beautiful view of the Katse reservoir, as well as the country's rugged mountain scenery.

Situated at 2,000m above sea level, Katse Dam is described as "a striking piece of modern engineering". The dam is one of fewer than 30 double curvature concrete arch dams in the world and is one of the world's 10 largest concrete arch dams in terms of volume. Since its construction in 1991, the dam has attracted tens of thousands of visitors from around the world who come to see this engineering marvel.



Katse Intake Tower

The Katse Intake Tower is the entry point for the water that is then transferred from Lesotho to South Africa. The water begins its 82km journey from Lesotho to South Africa from this structure. The Malibamatso Bridge, which stands a staggering 89m high from the riverbed and 480m wide, spans the Katse reservoir. It won the Fulton Award for Outstanding Civil Engineering in Southern Africa in 1991.



Katse Botanical Garden

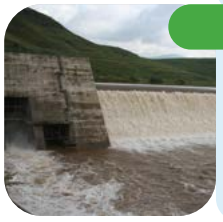
Katse Botanical Garden (KBG), situated in the Katse Village, occupies an area of 17ha. It evolved from the LHWP Treaty requirement that commits LHDA to safeguard the environment. The garden provides a unique natural and semi–natural setting to showcase the floristic beauty and heritage of the indigenous plants of Lesotho. It has rich diversity of birds, medicinal, ornamental as well as utility plants. Activities in the garden include plant and seed collections, community awareness and outreach, plant propagation/multiplication and research. Extend your stay at Katse Village and visit Katse Botanical Garden, home to indigenous plants extracted during the construction of Katse Dam. The plants, flowers and trees are exclusively grown in Lesotho.



Katse Lodge

Katse Lodge is perfectly positioned atop a ridge offering panoramic views of the famous Katse Dam. The lodge is an ideal starting point for travellers wishing to explore Lesotho's rugged mountain kingdom. Embracing the culture and customs of the rugged Mountain Kingdom, this lodge overlooks one of the largest manmade dams in the Southern hemisphere. Experience the unique highland and alpine fauna and flora, and clean air, with a memorable pony ride or a boat cruise on the dam. The Lesotho experience embraces the culture and customs of The Mountain Kingdom and nowhere is this more evident than at Katse Lodge, with its comfortable accommodation and good food.

Pursuits such as fishing, walking, riding, hiking, pony trekking and swimming will seduce any visitor looking for time out from the rat race. Not to be missed is the informative tour of the award-winning 185m high dam wall.



Matsoku Tunnel & diversion weir

Matsoku weir is a subcomponent of Phase 1B of the LHWP. It provides an additional 2.2 cumecs of water to the 16.8 cumecs that are presently being delivered to RSA from the Katse reservoir. The weir comprises a 19m-high, 180m-long mass concrete structure together with the adjoining electro-mechanical equipment on the Matsoku River, and it diverts flood waters through a 5.6km tunnel into the Katse reservoir at Katu-Kutu.

40 Years of Tourism Development

LHWP tourism attraction 1986 to 2026



Mohale Dam

Mohale Dam was constructed at the confluence of Senqunyane and Likalaneng rivers. The dam allows for abstraction and diversion of waters of Senqunyane River through a 32km inter-connecting tunnel from Mohale reservoir to Katse on the Bokong arm. Water can be drawn from Katse to Mohale Dam.



Mohale Lodge

Set amidst the scenic mountain ranges of Lesotho, Mohale Lodge offers guests a refined blend of comfort and outdoor adventure. The lodge provides a range of recreational activities, including horse riding, canoeing and fishing, as well as a restaurant and main lounge area for guests' enjoyment.

The air-conditioned accommodation features seating areas, satellite television, tea- and coffee-making facilities, and quality bathroom amenities, with selected rooms offering private balconies. A fully equipped self-catering cottage is also available, complete with a kitchen, dining area, lounge, panoramic mountain views and private garage.

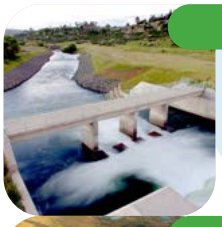
Guests can enjoy buffet dining at the restaurant, refreshments at The Lodge Bar, and organised excursions such as boat tours on the Mohale Dam and guided village walks. Located approximately 85 km from Moshoeshoe International Airport, Mohale Lodge provides an ideal base from which to experience Lesotho's natural beauty and rich cultural heritage.



'Muela Hydropower Station

The hydropower plant at 'Muela was constructed as part of Phase 1A of the Lesotho Highlands Water Project. The major benefit now delivered from 'Muela Hydropower Project is that since its commissioning, the station has generated over 12 million megawatt hours of renewable energy to serve Lesotho's electricity needs

'Muela Hydropower Station is located in the North of Lesotho in the Butha-Buthe District. It is fed by Katse Reservoir via a 45km-long concrete lined transfer tunnel with a diameter of 4.35m. The Hydropower Station generates electricity for Lesotho.



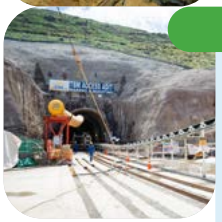
Ash River Outfall

After the generation of electricity at the 'Muela Hydropower Station, water is delivered to the Ash River Outfall at Clarens in South Africa, then into the Liebenberg's Vlei River which joins the Wilge River before finally reaching the Vaal Dam in Gauteng, South Africa.



Polihali Dam

Polihali Dam is the second phase of the LHWP. It is being constructed downstream of the confluence of the Khubelu and Senqu rivers in the Mokhotlong district in the Eastern highlands of Lesotho. A 38km-long water transfer tunnel will link the Polihali reservoir to the Katse reservoir.



Polihali Transfer Tunnel

The estimated 38km, 5-m diameter Polihali-Katse dam tunnel is being constructed to transfer water from the Polihali reservoir to the Katse reservoir. Both tunnel boring and drill and blast methods are being used to excavate the tunnel. The Polihali Transfer Tunnel works also include the intake works and gate shaft at the Polihali reservoir; outlet works and gate shaft at the existing Katse reservoir, with underwater connection to the lake; access adits to the waterway and associated construction infrastructure.



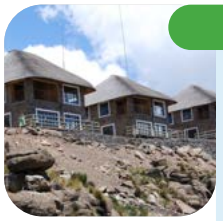
Polihali Lodge

The four-star Polihali visitors' lodge is located on a vantage point overlooking the future dam and reservoir, to maximise views of the Polihali Dam, which will be a major tourist attraction in the area. The building composition and layout is influenced by the nature of the terrain and site orientation.



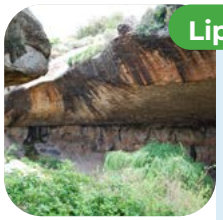
Senqu Bridge

The Senqu Bridge project forms part of the second phase of the Lesotho Highlands Water Project. It is the largest of the three major bridges under construction to span the Polihali reservoir. The almost 825m-long and 90m-high bridge is the first extradosed bridge in Lesotho. It is also larger than the Mphorosane Bridge on the Malibamats'o River, which spans Katse Dam and was constructed under the first phase of the Lesotho Highlands Water Project. The bridge design has taken into consideration the Mokhotlong highlands' long, cold and harsh winter conditions.



Bokong Nature Reserve

The Bokong Nature Reserve comprises 1,970ha and straddles the northern access road at the top of the Mafika Lisiu Pass between Pitseng and Ha Lejone on the way to Katse Dam. At more than 3,000m above sea level, the reserve is one of the highest nature reserves in Africa. An impressive visitors' centre has been developed on the edge of a 100m cliff overlooking the Lepaqoa Valley to educate visitors on the ecology of the highlands. A hiking camp and a network of walks and trails, from 45-minute interpretative trail, half-day and full-day walks and a possible two- to three-day hike along the alpine plateau and down into the Tsehlanyane National Park complete the visitor facilities on the reserve. Full ecological and administrative management systems are in place.



Liphofung Historical and Cultural Village

The Liphofung "the place of the eland" Cave occupies an important place in Lesotho's history. This is the smallest of the LHDA reserves at about 4ha. The cave is in fact a large overhang in the Clarens sandstone, which is a typical feature of the Lesotho lowlands region. Originally used by San and other Stone Age people, the walls contain important rock art and a rich archaeological deposit of Stone Age implements occurs on the floor. Later, King Moshoeshoe "the Great" used the cave as a stopover when visiting that part of the kingdom. This site lies in a tributary valley of Hololo River just off the main route from Butha-Buthe to Oxbow and Mokhotlong. A small visitors' centre incorporating a display of Basotho culture and San rock art has been developed along with ablution facilities and a small shop. Besides the cultural and historical aspects of the site, there are also various interesting geological features to be seen both in situ and in the surrounding areas.



Tsehlanyane National Park

Tsehlanyane National Park is a protected area in Lesotho's Maloti Mountains known for its rugged beauty, sub-alpine flora, waterfalls, and hiking trails. Located in the Leribe District, it is one of only two national parks in Lesotho and part of the Maloti-Drakensberg Transfrontier Conservation Area. Activities include hiking, horse riding, bird watching, and swimming in natural pools, while notable wildlife includes the eland and rock hyrax. Ts'ehlanyane National Parks is in the Lesotho highlands area, which is adorned with some of the most outstanding natural assets our Kingdom of Lesotho has to offer. These treasures are protected under several statutes including the National Environment Act, No. 10 of 2008, which is based on the principles that every person in Lesotho has a right to a clean and healthy environment and that sustainable development is founded on the sound management of the environment.

40 Years of Milestones

1986

Feasibility studies are completed and the LHWP is identified as a multi-purpose project that will benefit the mutual interest of water transfer and hydropower generation for both governments

24 October 1986

Ground-breaking moment

- Lesotho and South Africa sign the Water Treaty at the Pitso Ground, Maseru, Lesotho

1986 – Treaty signed

1987

- The development of Phase 1A begins, and consultants are appointed for the design of Phase 1A engineering works

1988

First contract awarded: Advanced Infrastructure of Phase 1A

- Construction of the Northern Access Road currently known as the Nelson Mandela Road, starting from Pitseng to, and including, Maliba-mat'so Bridge from May 1988 to June 1990

1989

Second contract awarded

- Northern Access Road (Nelson Mandela Road) leading from Malibamat'so Bridge to Katse Dam, from March 1989 to August 1994

1990

- The 85m-high Malibamat'so Bridge is completed

1991

- Main contracts awarded: Construction of Katse Dam and Tunnels (Delivery tunnel North and South)
- Construction begins on the Delivery Tunnel North
- Maliba-mat'so Bridge wins the Fulton Award for Outstanding Civil Engineering in Southern Africa
- Approval and implementation of the Phase 1A Compensation Policy
- Opening of the Thaba Tseka Skills Training Centre, Thaba Tseka, Lesotho
- Start of construction on Katse Dam and tunnels
- Arrival of first Tunnel Boring Machines (TBM)
- Completion of 60km Thaba-Tseka to Katse Access Road in April 1991 (started in October 1987)
- Completion of bridge across Malibamat'so River downstream of Katse Dam in November 1991 (started in April 1988)
- Pitseng to Katse Road, which began in June 1988, is completed in October 1991
- Completion of Katse and Butha-Buthe camps in April and August 1991, respectively (construction started in May 1989)
- Upgrading of Ficksburg and Caledonspoort Border crossings

LHWP celebrating 40th anniversary of developmental milestones

1992

- Opening of the Leribe Trauma Unit
- The Environmental Action Plan for Phase 1A comes into effect
- First section of Delivery Tunnel South is completed with a breakthrough at 'Muela

1993

- Contract award: Design and Construction Supervision for Mohale Access Road works for Phase 1B
- 21 June 1993, the first batch of concrete is cast at Katse Dam
- Katse Cofferdam structure is completed
- Completion of works on the Delivery Tunnel South, and Tunnel Boring Machine breakthrough at the Ash River Outfall

1994

- Contract award: 'Muela Hydropower Station
- Contract award: Construction of Access roads Phase 1B
- Construction of 'Muela Tailpond Dam started at Nqoe River

1995

- Construction on 'Muela Hydropower Station commences
- Excavation and pre-cast concrete lining of Delivery Tunnel North is completed
- 20 October 1995, impoundment of Katse Dam commences
- Appointment of consultancies for the design of engineering components of Phase 1B
- Contract award: Design and construction of community water supply and sanitation to 88 villages within the Katse catchment area (WATSAN Project)
- Switch-over of the Thaba Tseka Training Centre from construction-based training to Income Generation Training Centre
- Katse Botanical Garden established

1996

- 24 January 1996: the 2 million m^3 of concrete is placed at Katse Dam
- Contract award: Water Supply to communities situated close to Mohale Dam
- Contract award: Advanced Infrastructure Phase 1B
- Katse Intake Tower is completed in February
- 6 September 1996 – Katse Dam reaches a level of 1,993m above sea level (masl) months ahead of schedule, accruing fixed royalties
- 23 October 1996 - Celebrating a decade of cooperation for a better future by LHDA and TCTA at Setsoto Stadium in Maseru
- Construction of Delivery Tunnel North completed by end of 1996
- Phase 1A commissioned in December 1996

1997

- Concrete placement at Katse Dam is completed
- 'Muela Dam was completed
- Commissioning test for Katse Dam, Transfer Tunnel, Delivery Tunnel North and South are completed
- Matsoku Tunnel and Diversion Weir contract is signed 17 December 1997

1998 – Phase I commissioning

1998

- 22 January 1998 – Inauguration of Water Transfer Component of LHWP
- 14 May 1998 - Katse Dam and Appurtenance structures plaque unveiling ceremony
- Construction of Matsoku Tunnel and Diversion Weir commence on 2 February 1998

1999

- 22 January 1999 – The Inauguration of 'Muela Hydropower Station
- 5 March – Handing over of Central Business District Roads and a new bus stop to the Butha-Buthe Community
- 23 March – Handing over of prefabricated buildings to the National University of Lesotho by LHDA

2001

- Matsoku Weir and Diversion Tunnel commissioned

2002

- Mohale Dam impoundment

2003

- Mohale Dam commissioned

2004

- Inauguration of Phase 1 of the Lesotho Highlands Water Project at Mohale

2005

- Agreement to proceed with the detailed feasibility study of Phase II of the Project is signed by the governments of Lesotho and South Africa at Mohale

2011

- 11 August - Signing of the agreement for Phase II
- Extensive community consultation programmes started to prepare the communities in Mokhotlong about the start of Phase II of the Project
- November - The construction of the 3.8km-long access road from Ha Ramonakalali to the proposed Polihali Dam site is completed. The road forms part of the Phase II Preliminary Works

2013

- CDM International is appointed as the Project Management Unit for Phase II of the Project covering all aspects that include Engineering, Environment, Social Development, Public Relations, Public Health and Contract Administration
- Contract award: Biological (fauna and flora) and archaeological baseline study
- Contract award: A flow, water quality and geomorphological and in-stream flow
- requirements baseline study
- Contract Award: Socio-economic baseline study
- The construction of the measuring weir that measures the flow of water in the Senqu River is completed

2014 – Phase II implementation

2014

- Contract award: Public Health Baseline Study
- 27 March - Launch of Phase II of the LHWP
- Consultation with communities on the draft Phase II Compensation Policy started.

2015

- Contract award: Demarcation of the Polihali Reservoir
- Contract award: Professional Services for the Design and Construction Supervision of Polihali North East Access Road
- Contract award: Professional Services for the Evaluation, Optimisation and Site Supervision of Geotechnical Investigations
- Contract award: Professional Services for the Planning, Design and Construction Supervision of the Housing and Associated Infrastructure
- Contract award: Geotechnical Investigations for the Polihali Dam and Transfer Tunnel

2016

- Contract award: Design and Construction Supervision of Polihali Dam and Appurtenant Structures
- Contract award: Design and Construction Supervision of Polihali Transfer Tunnel
- Contract 6014: Environmental and Social Impact Assessment
- Phase II Compensation Policy approved

40 Years of Excellence and Recognition

Celebrating Lesotho Highlands Water Project awards

In celebration of the 40th Anniversary of the LHWP, LHDA wishes to provide a brief perspective on the awards that the LHWP received during the 40 years of the successful implementation of the Project, which is a cause for celebration.

1986 Treaty

1990

- The road to Katse (the Northern Access Road) receives the South Africa Institute of Civil Engineers (SAICE) award for Most Outstanding Engineering Achievement.
- The Malibamats'o Bridge receives SAICE Branch Award for Excellence in Civil Engineering from the SAICE Branch in Witwatersrand.

1991

- The Malibamats'o Bridge receives the Fulton National Award for Excellence in Concrete Construction.

1995

- The Delivery Tunnel North is a runner-up in the Fulton National Award for Excellence in Concrete Construction.

1997

- The Delivery Tunnel North is a runner-up in the Integrated Environmental Management Award from the Environmental Planning Professions Interdisciplinary Committee (EPPIC).
- The Katse Dam receives an award for the Most Outstanding Civil Engineering Achievement in Technical Excellence from the South African Institute of Civil Engineers.
- The Katse Dam receives SAICE Branch Award for Excellence in Civil Engineering

Phase I (1998)

1998

- The Katse Dam receives a Special Recognition Award by the South African Association of Consulting Engineers to the Consultants.
- The Katse Dam receives a Fulton National Award for Excellence in Concrete Construction
- The Delivery Tunnel North receives an Award for Excellence in Commercial and Community Paving by the Cement Manufacturers' Association.
- Delivery Tunnel North receives a National Premium Award for Integrated Environmental Management by the Environmental Planning Professions Interdisciplinary Committee (EPPIC).

1999

- The Delivery Tunnel North receives a National Award for Project Management from the Project Management Institute to the Consultants.
- The Delivery Tunnel receives an Award for Excellence in Consulting Engineering in the Civil Engineering Category from the South African Association of Consulting Engineers (SAACE) to the Consultants.
- Delivery Tunnel North receives an Award for Most Outstanding Civil Engineering Achievement in the International Category from the South African Institute of Civil Engineering (SAICE).

2006

- The Lesotho Highlands Water Project receives the Most Outstanding Engineering Achievement of the Century from the South African Institute of Civil Engineering (SAICE).
- LHDA receives a Green Award in recognition of the leadership and personal commitment of the Acting Chief Executive, Mr. Masilo Phakoe, in promoting and mainstreaming environmental sustainability and success in assisting clients to integrate environment into development projects from the World Bank.

2008

- The Katse Botanical Garden receives a Golden Arrow Award for Excellence in Protecting the Environment from the PMR Africa.
- The Katse Botanical Garden receives an International Star Award for excellence on issues of environmental care by the Business Initiative Directions, an organisation based in Geneva, Switzerland.
- 'Muela Hydropower Station receives a Recognition Award on Best Score for Health and Safety Management System by IRCA.

Contract awards

2011

- 11 August 2011: signing of Phase II Agreement
- Extensive Community Consultation programmes started to sensitise the communities in Mokhotlong
- November – The construction of the 3.8km-long access road from Ha Ramonakalali to proposed Polihali Dam site is completed

2013

- May 2013 Ratification of Phase II Agreement
- CDM International was appointed as the Project management Unit for Phase II
- Contract awards: Biological (fauna and flora) and archaeological baseline study
- Contract award: A flow, water quality and geomorphological and in-stream flow requirements baseline study
- Contract award: Socio economic baseline study
- Polihali measuring weir is completed

2014

- Contract award: public health baseline study
- 27 March 2014 – Launch of Phase II of the LHWP

2015

- Contract award: Demarcation of the Polihali Reservoir and completion same year
- Contract award: professional services for the design and construction supervision of Polihali North-East-Access-road
- Contract award: professional services for the evaluation, optimisation and site supervision of geotechnical investigations
- Contract award: professional services for the planning, design and construction supervision of the Housing and Associated Infrastructure
- Contract award: geotechnical investigations for the Polihali Dam and transfer tunnel

2016

- Contract award: design and construction supervision of Polihali Dam and Appurtenant structures
- Contract award: Design and construction supervision of Polihali Transfer tunnel
- Contract 6014: Environmental and social impact assessment
- Phase II compensation policy approved

2018

- PNEAR Road awarded to Sinohydro SA & Nthane Brothers
- Design, supply and installation of LHDA temporary site office and accommodation unit at Tlokoeng site
- Advance infrastructure works contract award to WBHO/ LSP JV (landfills, water, wastewater, village access roads, telecommunications and electricity)

2019

- Construction of PWAR-West and East
- Rehabilitation of Northern Access Road Pitseng-Katse Village
- Construction contract award of a 33kV line and the diversion of an existing 33kV LEC distribution line to LSP Construction
- Construction contract award of 132kV power line from Matsoku to Polihali to Mkhulu Electro Distribution Projects (Pty) Ltd.
- Advance infrastructure works sod turning
- Diversion tunnels construction contract award to SCLC JV

2020

Construction of Polihali sub station and upgrades on Phase I substations contract awarded to Concor, LSP and Mofomo Joint Venture

2021

- Advance infrastructure works completion
- Construction of Polihali village and Lodge
- August – Diversion tunnels breakthrough
- November Completion of the Polihali diversion tunnels
- Completion of diversion tunnels construction
- Feeder roads master plan development consultant contract award to ZUTARI

2022

- Katse Lodge upgrading
- Construction of Polihali Operations Centre
- Nov 22 Award of Polihali Dam to Sun Joint Venture
- Award of Polihali Transfer Tunnel to Kopano ke Matla Joint Venture
- Award of Senqu Bridge to Wres Joint Venture
- Completion of Polihali village construction
- Completion of Operations centre construction

2023

- Khubelu and Mabunyaneng bridges construction contract award to Concor Nthane Brothers JV
- Construction of Polihali Commercial Centre
- August 2023 – diversion of the Senqu River
- Main works sod turning
- Pula Nava Joint Venture awarded PMU contract

2024

- Arrival of the first TBM for Katse-Polihali Tunnel
- Launch of 10-Year Strategy
- Revival of LHDA Stakeholders conference
- Oxbow Hydropower ESIA contract award
- Oxbow Hydropower Scheme detailed design contract award
- Arrival of Katse TBM in Lesotho
- The first resettlement housing construction contract awarded to Sixty 15 JV
- Water Transfer Tunnel – Breakthrough of the lower intake into upper intake
- Completion of Katse Upgrades works
- Completion of PWAR-East
- Completion of commercial centre construction

2025

- Completion of PWAR-West construction
- January – launch of the first TBM for Polihali-Katse Tunnel – tunnel excavation
- January – Feeder Roads construction contract awarded to Khubelu JV
- April – Polihali Transfer Tunnel gate shaft breakthrough
- July – arrival of the second TBM in Lesotho
- September – Polihali dam outlet tunnel breakthrough
- September – precast beams placement completion at the Khubelu Bridge
- October – Stitching of the Senqu Bridge deck, marking deck construction completion

2026

40 Years of Impact

The LHWP is the third-largest contributor to Lesotho's fiscus, generating nearly LSL 5 billion annually in royalties and electricity revenue, accounting for 18% of projected government income in FY2026. Our operations directly and indirectly benefit a population of about 2.2 million Basotho, advancing livelihoods across the nation.

Annual royalties revenue

M3.6 billion per year

(~M300 million/month during the reporting period)

Sustained national revenue stream from water transfer, supporting government development priorities.

Annual electricity revenue

M55 million per year on average

Revenue generated from hydropower production and sale contributing to Lesotho's energy security.

Cumulative royalties (since inception)

M17 billion

(as of the end of the reporting period)

Total royalties earned from water exports since inception of the LHWP by 2025.

Cumulative electricity revenue

M1.4 billion

Total revenue generated from hydropower since project inception by 2025.

Phase I investment

M17 billion

Foundational infrastructure investment including Katse Dam, 'Muela Hydropower Station, and transfer tunnels.

Phase II committed investment

M53 billion

Ongoing mega-investment in Polihali Dam, transfer tunnel, bridges, and supporting infrastructure.

Kilometres of roads constructed and rehabilitated

1,000km +

Extensive road infrastructure unlocking access, trade, and connectivity across the highlands.

In RSA, we supply water to over 16 million people in Gauteng and beyond, underpinning the province's role as South Africa's economic hub. Gauteng alone contributes 34% of South Africa's GDP and 7% of Africa's GDP, making LHWP a critical enabler of continental growth by contributing 60% of Johannesburg's water supply.

Jobs created

16,000

(Phase I) + Over M1 billion paid in wages

11,000

(Phase II at the end of the reporting period)

Large-scale employment creation driving skills development and economic participation for Basotho.

Local businesses contracted / beneficiation

Phase I

- **M1.2 billion** spent on local suppliers for goods and services
- **M550 million** paid to Basotho contractors
- and consultants

Phase II

- **M366 million** spent on Basotho businesses across the country
- **M142 million** spent on businesses directly within the project area
- **M1.6 billion** spent on enterprise development for emerging businesses from both Lesotho and South Africa

Strong local economic participation through procurement, supplier development, and enterprise growth.

Community health and ICM beneficiaries

ICM – Over 10,900 Basotho provided jobs through Integrated Catchment Management (ICM) Program, receiving **Over M36 million in wages**.

Public Health – M4.5 million spent on implementing the public health action plan, including health management information systems, capacity building, and community-based health interventions with the Ministry of Health.

Integrated Catchment Management and public health programmes improving livelihoods and resilience in project communities.

Where we operate

Our operations extend across Lesotho's highlands and into South Africa's economic heartland, touching the lives of more than 18 million people in Lesotho and the Republic of South Africa. In Lesotho, communities directly impacted by the LHWP span five districts, including households resettled outside the project area, while the rest of the country benefits from the contribution of royalties to the fiscus. In RSA, our water transfers sustain livelihoods and industry in Gauteng and surrounding provinces, benefiting more than 16 million people.

The LHDA is not only an infrastructure developer but also a key enabler of national energy security. Through the 'Muela Hydropower Plant, we generate approximately 51%* of Lesotho's total electricity consumption, making us the country's single largest provider of renewable energy. In partnership with local communities, our livelihoods restoration programmes expand access to electricity, including solar solutions, as well as water, sanitation, and other essential services.



Phase I – Katse, Mohale and 'Muela

Across Katse, Mohale, and 'Muela, LHDA's infrastructure investments are improving connectivity, helping safeguard public health and extending access to clean energy.

Phase II – Polihali and Beyond

Phase II of the LHWP, centred at Polihali, represents the next frontier in transforming Lesotho's development landscape. Beyond infrastructure, Phase II embeds programmatic interventions in livelihoods, skills development and community enterprise, ensuring that economic benefits extend well beyond the construction horizon.



Completed works	Ongoing construction works	Works in planning / procurement / design stage
• Polihali North-Eastern Access Road (PNEAR) • Polihali Western Access Road (PWAR) • Northen Access Road (NAR) rehabilitation • Polihali Village and Pilihali Lodge construction • Polihali operations centre construction • Katse Village and Katse lodge construction • Electricity and telecom infrastructure • Diversion tunnels construction • Grave relocation (in the site establishment area)	• Polihali Dam • Polihali Transfer tunnel • Senqu Bridge • Khubelu and Mabunyaneng bridges • Environmental, Social and Public Health programmes • Resettlement houses (in the site establishment area)	• Feeder roads programme • Oxbow Hydropower Station • Ancillary Infrastructure • Grave relocation (in the inundation area) • Resettlement (in the inundation area)

** Source: Lesotho Electricity and Water Authority*

Where we operate *(continued)*

Our impact and footprint

Our operations touch the lives of millions of people across Lesotho and RSA. Through the delivery of reliable, clean water, the generation of hydropower, and the development of supporting infrastructure, the LHDA catalyses socio-economic development across both countries.

The Project's footprint extends deep into the mountainous heartlands of Lesotho, where access roads, bridges, and communication links built for the LHWP have transformed rural connectivity and access to opportunity.

On the South African side, the water delivered from Lesotho's highlands sustains urban and industrial growth in the Gauteng region, the economic engine of Southern Africa and the continent at large.

Beyond physical infrastructure, our expertise and partnerships have contributed to addressing regional challenges of inequality, unemployment, and poverty. By integrating social development, environmental management, and engineering excellence, we continue to generate enduring value for the region's people and economies.

Tunnels



Phase map



Phase II (Polihali): Committed

R Roads

- Two major Phase II roads are already constructed:
  - **Polihali North-East Access Road (PNEAR): 16.1km**
  - **Polihali Western Access Road (PWAR): 54km**
  - Combined identified length: **70.1km**
- In addition, **a feeder roads and bridges programme** is planned over and above the three major bridges.

B Bridges

- **Three major bridges** are being built under Phase II:
  - **Senqu Bridge** (complete now – under construction during reporting period)
  - **Mabunyaneng Bridge** (under construction)
  - **Khubelu Bridge** (under construction)

Phase I (Phase IA *(Katse Dam & Muela Hydropower Station)* **+ Phase IB** *(Mohale Dam)***)**

Schools / education facilities

S **Phase IA: 2 schools constructed**. Also, **31 schools** were equipped with water and sanitation facilities.

S **Phase IB: 16 schools** had **45 classrooms built or rehabilitated**.

- **Phase I total: 18 schools** directly built/improved as education facilities, plus **31 schools** in Phase IA that received WATSAN support.

Roads

R **Phase IA: 102km of tarred roads** and **106km of gravel roads** constructed; **1,133km** of roads rehabilitated.

R **Phase IB:** three roads:

- **Mountain Road – 59km**
- **Mohale Access Road – 21km**
- **Maseru–Mohale Road – 99km**

- **Phase I total**
  - **281km tarred/major road length** combines Phase IA tarred roads (102km) with the three Phase IB roads (179km)
  - **387km total constructed road length** if you also include Phase IA gravel roads (106km)
  - **Plus 1,133km rehabilitated** in Phase IA.

Bridges

B **Phase IA: 6 bridges** were constructed under Phase I:

- **2 cross-border bridges** at Maputsoe and Caledonspoort
- **1 major bridge** across Katse Reservoir
- **3 additional access bridges**

Water and sanitation (WATSAN)

W **Phase IA:**

- **60 villages** received potable water systems
- **1,306 households** received ventilated pit latrines
- **31 schools** received water and sanitation facilities

W **Phase IB:**

- WATSAN expanded to 126 villages, with 2,545 VIP toilets.
- 105 water supply systems serving 126 villages, plus 2,545 VIPs

Clinics / hospitals / health facilities

C **Phase IB: 5 health facilities constructed.**

- Including Motebang Hospital, Leribe Trauma Unit, Lejone clinic, and Katse and Mohale health facilities.

Where we operate *(continued)*

Our delivery pipeline and impact

Phase I **Completed**

Across Katse, Mohale, and 'Muela, LHDA's infrastructure investments have delivered:

- 206km of all-weather roads and eight major bridges, improving connectivity and trade
- WATSAN projects instituted, with one WATSAN project implemented at Seoehlane
- Implementation of two electrification projects commenced in February 2025 covering the four villages of Makhalanyane, Pontšeng, Letsie and Lebiletsa

Connectivity and trade

Safeguarding public health

Extending access to clean energy

Phase II **In progress**

70km of new roads with:

- 54km PWAR and 16km PNEAR completed
- Five bridges
  - Two on PWAR completed
  - Three on A1 under construction

Additional infrastructure under feeder roads and bridges, comprising:

- 94km of roads
- Four pedestrian bridges
- Six vehicle bridges around Polihali resevoir

Opening isolated regions to trade, tourism, economic integration and promoting sustainable and diverse livelihoods

- One WATSAN project implemented at Likhameng, ensuring safe and reliable water for communities

Ensuring safe and reliable water for communities

- Implementation of electrification projects identified under Social Development

Broadening inclusive energy access not just within the project area but also beyond it

- Future relocation of two primary schools and one health facility*

**No schools or clinics were constructed during the year under review.*

Strengthening human capital development, and promoting public health outcomes

Working for the future

From business as usual to sustainable value creation

Over nearly four decades, we have evolved from a traditional infrastructure delivery agency into a sustainable value-creation institution. Guided by the Treaty and the LHWP Phase II Agreement, our 10-year Strategic Plan (2023–2033) reaffirms our higher purpose — to deliver sustainable stakeholder value generation.

This shift recognises that our mandate goes beyond constructing dams and tunnels: it is about building lasting systems of social, economic, and environmental resilience. Our new strategy focuses on ensuring that every aspect of project delivery — from engineering to community development — contributes to long-term value for stakeholders and ecosystems alike.

Our work is therefore guided by the principle that sustainability is not an outcome but a way of operating that aligns with global best practice, the UNSDGs, and integrated thinking across our six capitals.

For more on stakeholders, sustainability and the environment, see pages 27, 53 and 98 respectively.

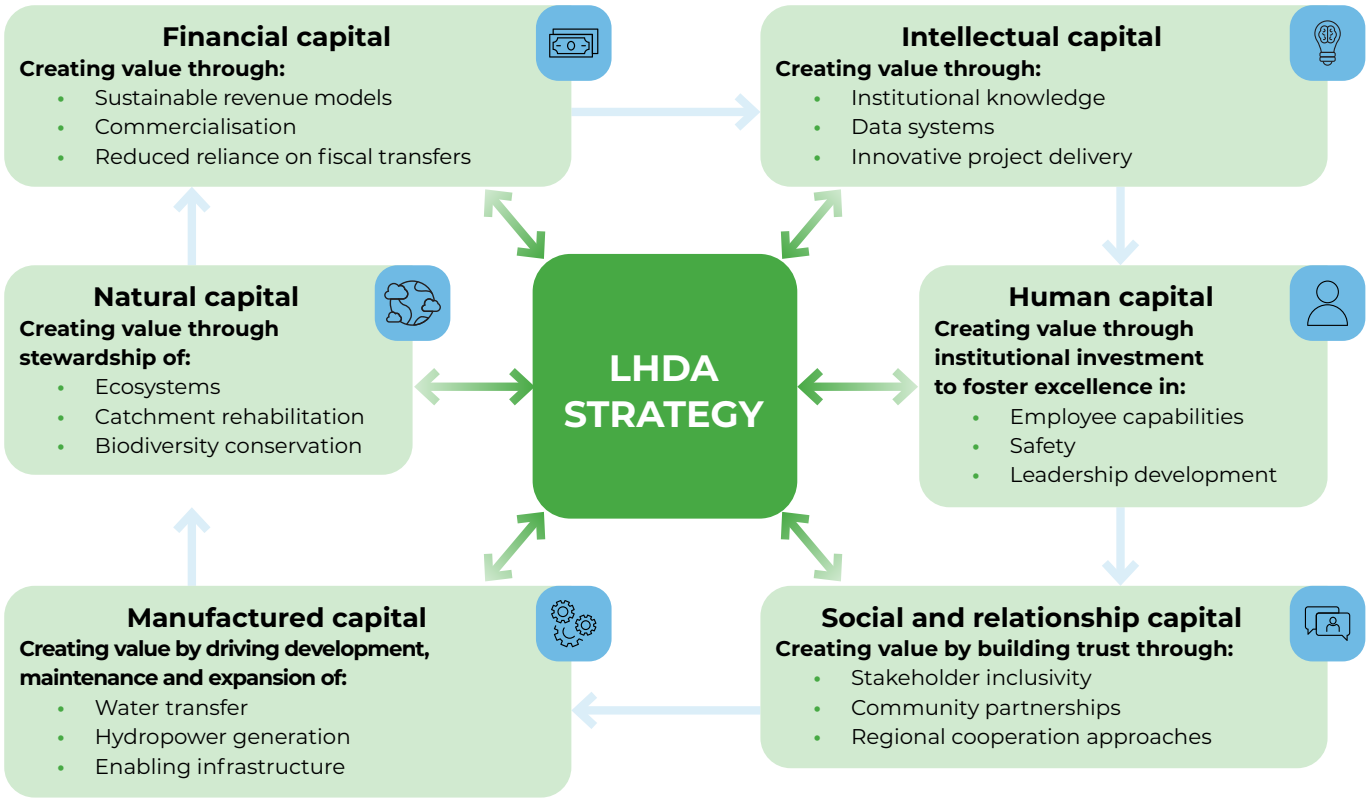
The LHDA is evolving from a traditional engineering implementer into a catalyst for sustainable development and long-term value creation. Anchored by our 10-year strategy, we are aligning with global SDGs, strengthening institutional capacity, and positioning the organisation as a driver of innovation, resilience, and prosperity in Lesotho and the region as a whole.

Our integrated thinking and our six capitals

Our 10-year strategy embraces integrated thinking, recognising that the LHDA's success depends on the balanced use and enhancement of our six capitals.

For more on strategy, see page 57.

Integrated thinking in action



For more on our strategy and the performance of our capitals, see pages 57 and 70 respectively.

Working for the future *(continued)*

Aligning with the United Nations Sustainable Development Goals (UNSDGs)

SDG	Key activities / interventions	Development outcomes	Indicators / measures	Primary capitals impacted
6 CLEAN WATER AND SANITATION	• Construction and operation of dams, reservoirs and transfer tunnels (Katse, Mohale, Polihali) • Integrated water resource management • Cross-border water delivery systems	• Improved regional water security • Reliable bulk water supply to South Africa • Enhanced water resource management in the Orange-Senqu Basin	• Volume of water transferred annually • Reliability of water supply • Infrastructure uptime • Basin water management outcomes	
7 AFFORDABLE AND CLEAN ENERGY	• Operation of 'Muela Hydropower Station • Hydropower generation from LHWP water transfer • Development of new hydropower • Solar power projects	• Increased renewable energy generation • Improved national energy security • Reduced dependence on imported electricity	• Annual hydropower generated (GWh) • Contribution to national electricity supply • Plant efficiency	
8 DECENT WORK AND ECONOMIC GROWTH	• Local employment during construction • Contractor participation programmes • Enterprise development • Skills development for Basotho workers	• Job creation • Local economic stimulation • Development of skilled workforce • Growth of local businesses	• Number of jobs created • Proportion of local labour • Value of contracts awarded to local companies • Training programmes delivered	
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	• Development of large-scale water infrastructure • Dam construction • Transfer tunnels • Roads and bridges supporting project sites • Application of advanced engineering systems	• Modern and resilient infrastructure • Technological advancement • Strengthened regional infrastructure networks	• Kilometres of tunnels constructed • Major infrastructure delivered • Engineering milestones achieved	
11 SUSTAINABLE CITIES AND COMMUNITIES	• Resettlement and compensation programmes • Livelihood restoration initiatives • Community infrastructure development • Community engagement and support	• Improved living standards for project-affected communities • Strengthened community infrastructure • Enhanced resilience and livelihoods	• Households resettled • Livelihood programmes implemented • Community infrastructure projects completed • Community satisfaction levels	
13 CLIMATE ACTION	• Renewable hydropower generation • Watershed management • Environmental monitoring and mitigation • Long-term water storage for climate resilience	• Climate resilience through water storage • Low-carbon energy generation • Environmental protection in project areas	• Environmental monitoring indicators • Watershed protection programmes • Renewable energy contribution	
17 PARTNERSHIPS FOR THE GOALS	• Bi-lateral cooperation between Lesotho and South Africa • Institutional collaboration through the Lesotho Highlands Water Commission • Stakeholder engagement with government, communities and development partners	• Strengthened regional cooperation • Effective governance of transboundary water resources • Enhanced stakeholder collaboration	• Joint governance mechanisms • Stakeholder engagement platforms • Reputation survey results • Bi-lateral programme milestones	

Engaging with our stakeholders

The Lesotho Highlands Development Authority (LHDA) recognises that the successful delivery of the Lesotho Highlands Water Project (LHWP) is fundamentally dependent on strong, credible, and sustained stakeholder relationships. As a complex, multi-decade bi-national project with significant socio-economic and environmental impact, LHDA adopts a structured and inclusive approach to stakeholder engagement that promotes transparency, collaboration, and shared value creation.

LHDA's approach is guided by a formal Stakeholder Engagement Plan, which provides a coordinated framework for identifying, prioritising, and engaging stakeholders across the project lifecycle. This approach is grounded in a participatory philosophy that seeks to ensure stakeholders are meaningfully involved in decision-making processes, with their views and concerns actively informing project planning and implementation. Engagement is underpinned by principles of openness, inclusivity, responsiveness, and accountability, supported by the timely disclosure of relevant and accessible information.

Recognising that stakeholders have varying levels of influence and interest, LHDA applies a differentiated and risk-informed engagement model. Stakeholders are systematically analysed and prioritised, enabling tailored engagement strategies that range from high-level governance structures and strategic partnerships to community-based consultations and targeted communication platforms. This ensures that engagement remains purposeful, context-specific, and aligned to both stakeholder expectations and project requirements.

Effective stakeholder engagement is central to LHDA's ability to deliver on its mandate. It enhances decision-making, strengthens risk management, and supports the maintenance of a social licence to operate. By fostering trust, managing expectations, and proactively addressing concerns, LHDA not only mitigates potential conflict but also reinforces its reputation as a responsible and accountable project implementer. The table below outlines LHDA's key stakeholder groups, their expectations, engagement mechanisms, and the current status of these.

Managing our stakeholder relationships

Stakeholder group	Value perceived by this group	How we engage this group	Matters of concern for this group	How we respond to concerns	Relationship status
GL **Governments and LHWC**	• Effective delivery of the Lesotho Highlands Water Project • Economic and socio-economic development • Compliance with treaty obligations • Good governance and accountability	• Bi-lateral governance structures • LHWC meetings • Ministerial briefings • Formal reporting • Project oversight forums	• Project delivery timelines • Financial management • Regulatory compliance • Regional water security • Socio-economic benefits	• Continuous reporting through treaty governance structures • Strategic alignment with national priorities • Transparent financial and operational reporting	▲
LC **Local government and community leadership (District Administrations, Councils, Chiefs, ALCs/CALCs)**	• Inclusive development • Transparent consultation • Tangible benefits for local communities affected by the LHWP	• Community meetings • Stakeholder conferences • Liaison Committees • Consultation sessions • Field visits/ outreaches • Stakeholder dialogues	• Adequacy of livelihood programmes • Compensation and resettlement • Local participation in opportunities • Access to information	• Structured engagement through Area Liaison Committees • Grievance mechanisms • Targeted communication • Dialogue platforms	▶

Working for the future *(continued)*

Engaging with our stakeholders *(continued)*

Managing our stakeholder relationships *(continued)*

Stakeholder group	Value perceived by this group	How we engage this group	Matters of concern for this group	How we respond to concerns	Relationship status
E **Our employees**	• Meaningful work • Organisational stability • Career growth • Being part of a reputable organisation delivering national development	• Internal communication platforms • Staff forums, leadership briefings • Internal newsletters • Training programmes	• Career development • Organisational communication • Alignment with strategy and values	• Continuous employee engagement • Professional development initiatives • Strengthening internal communication	
PP **Project participants (contractors, consultants, workforce, TCTA)**	• Efficient project implementation • Predictable governance processes • Fair procurement systems • Effective collaboration	• Project coordination meetings • Contract management forums • Technical committees • Operational briefings	• Procurement transparency • Project timelines • Safety and operational efficiency	• Robust procurement systems • Clear governance frameworks • Structured project coordination mechanisms	
SD **Sector partners and development partners (DFIs, academic institutions, international organisations)**	• Strategic partnerships supporting sustainable development, innovation, and knowledge sharing	• Strategic partnerships • Research collaborations • Development programmes • Knowledge-sharing platforms	• Sustainability impact • Environmental and social governance • Project transparency	• Strengthening partnerships with universities, development institutions and sector organisations to enhance project outcomes	
M **Media**	• Access to accurate information, transparency • Timely updates on Project developments and impact	• Media briefings • Press releases • Interviews • Site visits • Digital communication platforms	• Transparency • Access to information • Responsiveness to public concerns	• Proactive media engagement • Regular information dissemination on LHWP activities	
NG **Civil society and NGOs**	• Responsible environmental and social practices • Accountability, and protection of community interests	• Stakeholder dialogues • Consultations • Public forums • Targeted engagements with interest groups	• Environmental and social impacts • Community rights • Transparency in decision-making	• Strengthened engagement platforms • Improved disclosure of project information	
BI **Business community and industry bodies**	• Economic opportunities arising from the LHWP, including local procurement and enterprise development	• Business forums • Procurement engagement sessions • Supplier development initiatives	• Fair access to contracts • Local business participation • Economic impact	• Promotion of local enterprise participation • Transparent procurement processes	

Stakeholder group	Value perceived by this group	How we engage this group	Matters of concern for this group	How we respond to concerns	Relationship status
PC **General public and citizens**	• National development • Responsible use of natural resources • Socio-economic benefits for the country	• Public communication campaigns • Stakeholder conferences • Digital platforms • Public reports	• Understanding LHDA's role and benefits of the Project • Visibility of social impact	• Public awareness initiatives • Communication campaigns highlighting LHWP benefits	

Key

 Strong, well-established

 Stable, with regular engagement

 Developing, with growing engagement

 Requiring focused improvement

Looking ahead

We plan to incorporate stakeholder perspectives more directly, such as in survey feedback from communities or employee engagement results, to enrich our corporate narrative.

This could involve providing quotes or case studies to give life to numbers. It will also help answer certain critical questions meant to enhance stakeholders' understanding of our value creation narrative, in areas pertaining to:

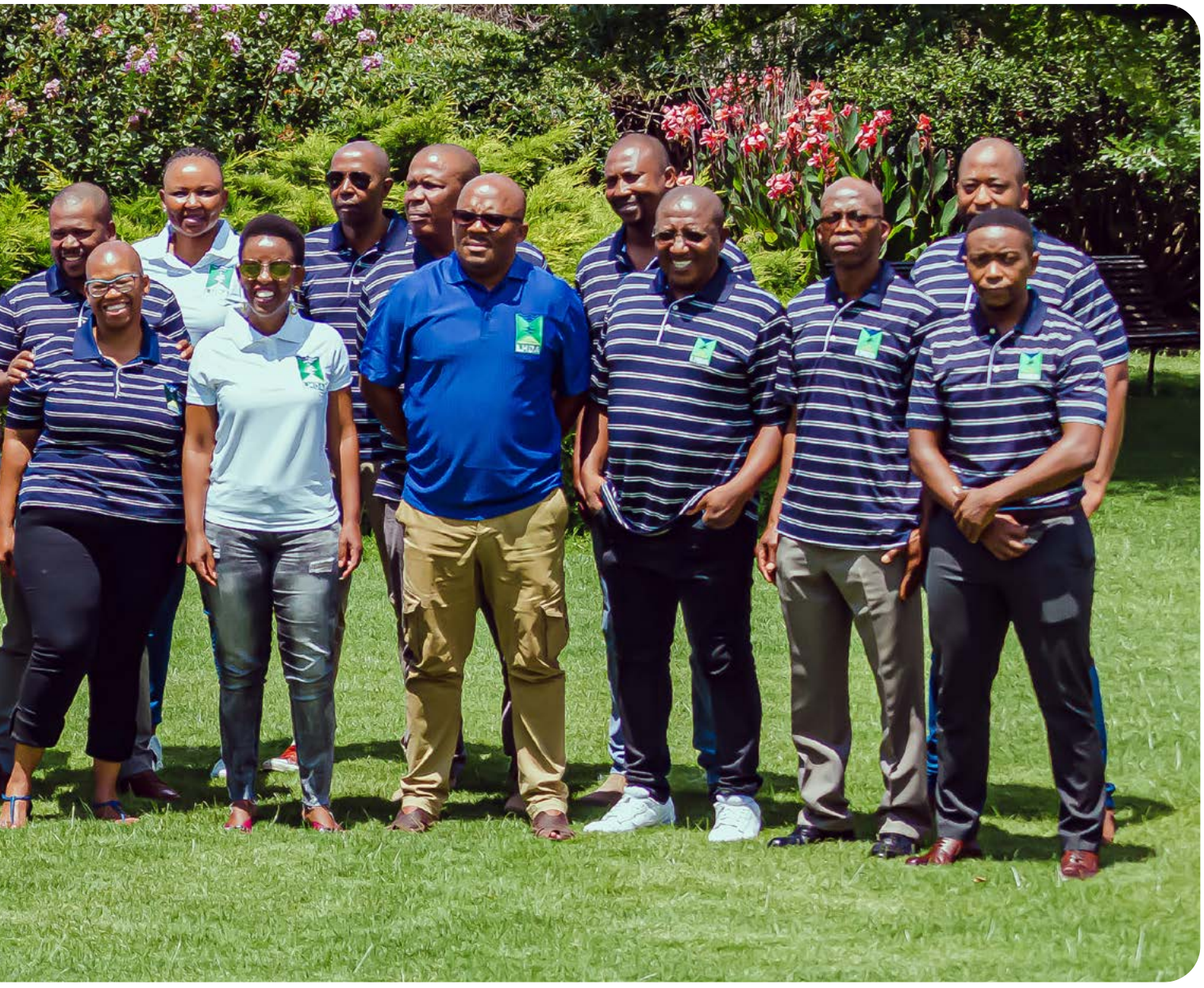
- Value creation
- Sustainability of livelihood gains
- Infrastructure lifecycle planning
- Climate resilience
- Financial trajectory
- Value for communities

03

OUR LEADERSHIP



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Message from the Chairperson

It is my privilege to present the Lesotho Highlands Development Authority's annual integrated report for 2024/25 — a year that has demonstrated both our institutional resilience and our unwavering commitment to governance excellence in delivering one of Africa's most ambitious transboundary infrastructure programmes.

During the year under review, the Board continued to reinforce the LHDA's governance environment to ensure that the organisation remains a trusted, credible, and high-performing implementing agency of the Lesotho Highlands Water Project. Our governance systems remain firmly anchored in international best practices, including the Integrated Reporting Framework, IFRS, King IV, and the Mohlomi Corporate Governance Code.

Committing to transparency and accountability

This integrated report continues our commitment to transparency, accountability, and integrated thinking. It provides stakeholders with visibility into our performance, risks, and long-term value-creation prospects, while acknowledging uncertainties inherent in forward-looking assessments. The Board remains satisfied that the information presented in this report is balanced, complete, and reflective of the LHDA's integrated performance.

Enhancing for effectiveness

We have enhanced Board oversight across risk management, assurance, ethics, and organisational performance. The Audit and Risk Committee (ARC) continued to oversee the robustness of LHDA's control environment and the effectiveness of risk mitigation measures. I am pleased to note that LHDA has once again received an unqualified audit opinion, extending a track record of more than 10 years of clean audits for the organisation.

This commendable consistency affirms the strength of our internal systems and the diligence of management, and as LHWP Phase II accelerates, governance systems must evolve in tandem with the scale and complexity of implementation.

Governance improvements

During the year, the Board progressed a number of governance improvements, including continuing the adoption of the revised Governance Manual and related Delegation of Authority, refinement of policies, strengthening combined assurance, and enhancing strategic reporting through the work of the Integrated Reporting Committee (IRC).

The Board also advanced a number of significant resolutions that strengthened the LHDA's strategic posture, operational efficiency, and long-term sustainability. One of them was the establishment of the dedicated Office of the Corporate/ Board Secretary, a reform aimed at enhancing corporate governance, improving compliance oversight, and ensuring more effective coordination of Board processes.

This change has already contributed to improved decision-making efficiency, streamlining Board administration, and strengthening the alignment between governance structures and the organisation's strategic objectives.



For more on governance, see page 108.

Operational plans and policies

Across its sittings during the year, the Board considered and approved several critical policies, plans, and operational submissions. These included the Phase II Long-Term Cost Plan (November 2024), which provides financial clarity for long-horizon infrastructure commitments, and the Livelihood Restoration Master Plan, which establishes an integrated and long-term approach to restoring and enhancing community livelihoods in project areas.

We also intensified our focus on forward-looking governance, ensuring that LHDA remains future-fit. The Board deepened oversight across climate resilience, financial sustainability, long-term asset management, and value creation for communities. These issues remain central to the maturity and sustainability of LHDA.

For more on community support, see page 84.

Governmental support and partnership

The LHDA operates within a unique governance structure grounded in the LHWP Treaty and overseen by both the Lesotho and South African governments through the Lesotho Highlands Water Commission (LHWC). We remain deeply grateful for the steady guidance, policy direction, and technical oversight provided by the LHWC and its delegations throughout the year.

For more on our mandate, see page 10.

The support of the Governments of Lesotho and South Africa remains instrumental in enabling the LHDA to achieve progress in executing one of the most significant infrastructure programmes on the continent. Their partnership has strengthened our ability to navigate challenges, unlock delays, and sustain momentum across Phase II.

Acknowledgements

I would like to express my sincere gratitude to my fellow Board members for their stewardship, to the Executive and management teams for their dedication, and to our partners, contractors, consultants, and communities for their collaboration in delivering the Project's objectives.

Finally, I extend deep appreciation to both governments for their continued support and trust in the LHDA's mandate. Together we are advancing a project that is not only technically impressive, but transformational for the Kingdom of Lesotho, the Republic of South Africa, and the broader region.

Stephen Phakisi
Chairperson

Message from the Chief Executive

I am honoured to share this opportunity to reflect on a year defined by accelerated delivery, strengthened organisational capability, and deepened community impact as we continue to implement the LHWP with purpose and discipline.

Delivering on our purpose and strategy

Our purpose remains rooted in delivering sustainable value through the four strategic pillars of our mandate: water transfer, hydropower generation, livelihoods restoration, and environmental conservation.

Guided by integrated thinking, we have advanced our 10-year strategy (2024–2034) across all strategic domains, ensuring project delivery aligns with national development priorities, regional water security, and long-term environmental stewardship.

For more on strategy, see page 57.

During the year under review, across the organisation, we strengthened performance monitoring, improved coordination at project sites, and enhanced data reliability in line with the requirements of integrated reporting. While some indicators required manual consolidation due to system limitations, significant progress was made toward building more robust monitoring and evaluation systems.

Implementing Phase II

Implementation of Phase II continued to experience some delay challenges during the year. Nevertheless, we achieved significant progress in putting together a turnaround strategy intended to arrest any further delays and, where feasible, recover lost time.

We also saw progress across major contracts, including the Senqu Bridge construction and the main access-road works, as reported in the monthly and quarterly performance updates referenced in this report.

Upgrading and futureproofing

Our monitoring of contractor performance is improving as we are now applying strengthened schedule and cost performance tracking frameworks. This is intended to enable earlier detection of potential delays and more proactive project management.

In parallel, under Phase I, we continued to upgrade and futureproof the integrity of the LHWP tunnel system and hydropower systems during a comprehensive six-month maintenance exercise that saw a complete shutdown of the LHWP tunnels and hydropower station, with dedicated crew members working tirelessly to complete the project. This work has reinforced the long-term reliability and resilience of our infrastructure and operations.

For more on our operations, see page 52.

Strengthening our human capital

One of my highlights of the year has been the strengthening of our human capital. The Human Resources Annual Performance Report (March 2024–April 2025) provided in this integrated report showcases improvements in skills development, talent management, and staff performance systems across the organisation. Our people are the most important part of the LHDA's operation, and we are proud of our progress in this area.

We are invested in building a performance-driven culture, fostering leadership capability, and in enhancing cross-functional collaboration. These steps will anchor the organisation's long-term resilience and ensure that the LHDA remains an employer of choice for technical, environmental, and development professionals.

For more on human capital, see page 80.

Community upliftment

Our work in livelihoods restoration and improvement continued to deliver tangible and meaningful benefits for those affected by the Project. During the year, the Board approved the Livelihoods Restoration Master Plan, providing a comprehensive framework for long-term socio-economic revitalisation in host communities.

Guided by our Corporate Social Investment (CSI) Policy and broader livelihoods development initiatives, we supported a range of socio-economic programmes aimed at strengthening community resilience and enhancing household wellbeing. These efforts also expanded access to essential services and

community infrastructure, ensuring that local development keeps pace with the scale of the Project.

For more on CSI, see page 84.

In addition, we maintained active stewardship of Lesotho's fragile highlands ecosystems, guided by the Status of Water Quality in the LHWP Catchment Report and our broader environmental obligations. The organisation continued to strengthen biodiversity management, catchment conservation, and climate adaptation measures.

For more on the environment, see page 98.

Equally important was the strengthening of our community engagement processes, enabling us to align interventions more closely with local priorities and to restore incomes where disruptions occurred. Through our annual stakeholders conference and our inaugural LHDA reputation survey, we have been able to ensure that our interventions respond directly to the needs and priorities of our stakeholders.

For more on our stakeholders, see page 20.

Facing our challenges

Like all large-scale infrastructure programmes, LHWP Phase II encountered several challenges during the year. Some delays were driven by performance issues concerning service providers as well as by supply chain constraints that affected the pace of construction activities.



In parallel, gaps in performance data and reporting systems required additional manual consolidation in certain areas in order to maintain accuracy and oversight. We also faced emerging climate-related risks, underscoring the need for strengthened long-term planning and resilience measures.

For more on climate resilience, see page 53.

Decisive risk management

In response to these pressures, we adopted a more decisive and structured approach to corrective action that included enhancement of our risk management systems and governance oversight to restore momentum across the project portfolio.

For more on risk management, see page 46.

Looking ahead

Our focus is firmly on accelerating delivery and unlocking the remaining bottlenecks that constrain progress. We will continue to strengthen long-term asset management and infrastructure lifecycle planning to ensure operational reliability well into the future.

In addition, financial sustainability remains a key priority, supported by improved forecasting and optimisation of future revenue streams. Just as importantly, we will deepen our partnerships with communities and stakeholders, ensuring that our work continues to advance water security, energy resilience, and environmental sustainability for the Kingdom of Lesotho and the broader region.

Acknowledgements

I would like to extend my gratitude to the Board for its strategic guidance, to our employees for their exceptional commitment, and to our partners, consultants, and contractors for their professionalism. Above all, I acknowledge the unwavering support of the Governments of Lesotho and South Africa, whose collaboration through the LHWC remains vital to the successful delivery of this continental flagship project.

T Tente
Chief Executive

04

OUR MATERIAL MATTERS





Our material matters

We undertake an annual materiality assessment to identify the issues most likely to influence our ability to create, preserve, or erode value for our stakeholders in the short, medium, and long term. These matters affect not only our sustainability and strategic delivery but also our ability to fulfil our LHWP Treaty mandate to implement, operate, and maintain the LHWP.

Our approach to determining material matters

Materiality is determined with reference to the magnitude of potential impact — whether through omission, mis-statement, or insufficient disclosure — and includes both positive opportunities and negative risks that could substantially affect our operations, reputation, or stakeholder outcomes.

Our approach applies a double materiality lens, considering the effect of external matters on the LHDA's value creation as well as our impacts on our stakeholders, communities, and the environment. The results of this process shape the content and focus of our integrated report.



Our seven material matters

Through this structured process, we identified and ranked the following seven material matters during the year under review,

Step 1
Branch-level risk registers
Developed from management's analysis of operational risks, associated opportunities, and stakeholder feedback

Step 2
Business context and external trends
Identification and assessment of trends shaping LHDA's operating environment; used to inform the corporate risk register

Step 3
Compilation of material matters
Consolidating issues with potential to impact sustainable value creation

Step 4
Stakeholder validation
Evaluating importance through input from stakeholder conferences, reputation and employee surveys and direct engagement

Step 5
Internal review
Vetting and prioritisation by the IRC

Step 6
Executive oversight
Final review and approval by LHDA's Executive Management

Step 7
Board validation
Confirmation and endorsement by the ARC and the LHDA Board of Directors

in order of potential impact.

	Material matter	Why it is important	Capitals impacted	Related strategic goals	Related risks
M1	**Financial:** Ensuring sustainable revenue flows, cost management, and fiscal resilience	• Our financial sustainability underpins every aspect of the LHWP and is fundamental to our mandate as set out in the LHWP Treaty between the Governments of Lesotho and RSA. • Sustainable financing ensures that we can continue to deliver large-scale infrastructure, while also meeting the social and environmental obligations that are integral to the Project's licence to operate. • Our ability to implement within available budgets, manage costs prudently, and allocate resources equitably across infrastructure, community, and environmental priorities is critical to maintaining the trust of our two shareholder governments, financiers, and stakeholders. It is also central to preserving LHDA's reputation as a capable and reliable implementing agency. • Looking ahead, our financial resilience requires us to go beyond reliance on government subventions. By creating new revenue streams, exploring capital-raising mechanisms, and forming sustainable partnerships, we aim to secure the long-term viability of LHDA. This will position us to deliver value not only during the construction phases of the Project but also across future operations, enabling us to contribute consistently to national and regional development.		SG1 SG2 SG3 SG4 SG5	R1 R2 R4 R6 R7
M2	**Infrastructure resilience:** Building and maintaining robust, adaptive and climate-resilient infrastructure	• Our infrastructure is the backbone of the LHWP and the primary means through which we deliver on our core mandates of water transfer, hydropower generation and socio-economic development. • The integrity and reliability of this infrastructure directly determine its lifespan and, by extension, the time horizon of the value we create for the Governments of Lesotho and South Africa, our stakeholders, and the millions of people who depend on its outputs. • Ensuring resilience requires us to refine our approaches to maintenance and asset management continuously. By adopting innovative and responsive methods, we can extend the lifespan of our assets and safeguard their performance. • Emerging technologies offer opportunities to shift from traditional preventive maintenance to predictive models, enabling us to anticipate needs and address vulnerabilities before they escalate. This evolution in infrastructure stewardship will strengthen LHDA's ability to provide reliable services in a cost-efficient and sustainable manner. • As Phase II of the LHWP progresses, we are presented with a unique opportunity to embed climate-resilient design, materials, and construction practices into our new infrastructure. Doing so ensures that the assets we build today are not only fit for purpose but also adaptable to changing environmental conditions and capable of delivering multipurpose value well into the future. Infrastructure resilience is therefore central to both our long-term mandate and our strategic ambition of sustainable value creation.		SG1 SG2 SG3	R1 R2 R6 R9

Our material matters *(continued)*

Our seven material matters *(continued)*

	Material matter	Why it is important	Capitals impacted	Related strategic goals	Related risks
M3	**Multi-faceted stakeholder environment:** Navigating misinformation, distrust, and complex stakeholder relationships	• Our ability to maintain stakeholder trust is fundamental to sustaining the licence to operate the LHWP. Negative perceptions, misinformation, and narratives that frame the Project as eroding value, harming communities, or violating rights pose significant risks to our credibility and legitimacy. Left unaddressed, these narratives can erode public confidence and compromise the strong partnerships we need to deliver on our Treaty mandate. • Persistent distrust or hostile sentiment has the potential to escalate into protests, disputes, or legal action, diverting resources away from value-creation towards crisis management. In extreme cases, these dynamics could delay or halt progress on critical infrastructure investments, undermining both our operational performance and the delivery of long-term socio-economic benefits. • Stakeholders' expectations of LHDA's role in national development are exceedingly high. While these expectations reflect the central importance of the LHWP, they also create complex dynamics across governance and oversight structures. If unmanaged, such pressures may distort priorities, constrain decision-making, or slow progress in other capitals where we seek to create value. • Effectively navigating this environment requires proactive communication, consistent transparency, and co-creation of solutions with stakeholders, ensuring that their voices inform and shape the Project's path forward.		SG3 SG4 SG5	R6 R7 R9 R10 R11

	Material matter	Why it is important	Capitals impacted	Related strategic goals	Related risks
M4	**Economic and political landscape:** Responding to macro-economic volatility and shifts in political contexts in both Lesotho and RSA	• The LHWP was founded on the principle of partnership between the Governments of Lesotho and RSA. More than three decades after the Treaty was signed, this partnership is more important than ever in navigating a rapidly shifting global and regional political and economic environment. Changing national priorities — whether related to trade, human development, or political positioning — underscore the need for both countries to continuously reaffirm their shared commitment to the LHWP and to the sustained delivery of its benefits. • Global geopolitical realignments, including competing pressures and alliances between East and West, are reshaping Africa's place in the world economy. As international powers seek influence and access to the continent's resources, clarity and stability in the LHWP partnership serve as a vital anchor for regional cooperation. For Lesotho and RSA, demonstrating alignment and resilience in the face of these pressures enhances their ability to leverage the LHWP as a tool for economic development, energy security, and water sustainability. • At the same time, global macroeconomic conditions have begun to exert material influence on the Project. Volatility in foreign exchange markets and the sustained rise in global inflation have significantly increased the cost of implementing the LHWP, with actual expenditures diverging from initial project budget estimates. • Awarded contracts are under continuous pressure as prices for construction materials, fuel, labour, and other inputs fluctuate on the international market. These pressures not only affect current delivery timelines and budgets but also create long-term implications for the overall cost and financial sustainability of the Project. Proactive financial management, flexible procurement strategies, and transparent engagement with contractors and financiers are therefore essential to mitigating these risks. • At the national level, political contexts within both countries also exert direct influence on the Project. Public sentiment and electoral debates about the perceived value of the LHWP, relative to the investments each country make, are increasingly shaping dialogue and policy choices. These perceptions, if not carefully managed, can translate into political pressure at the ballot box and ultimately affect governance decisions, financing, and resource allocation for the Project. • Managing these dynamics during the year under review has been paramount to maintaining momentum and protecting the LHWP's reputation as a project of mutual and continental significance.	 	SG1 SG4 SG5	R1 R2 R5

Our material matters *(continued)*

Our seven material matters *(continued)*

	Material matter	Why it is important	Capitals impacted	Related strategic goals	Related risks
M5	**Complex governance environment:** Maintaining compliance, transparency and effective governance across a multi-jurisdictional project	• The scale and complexity of the LHWP place exceptional demands on governance. Oversight mechanisms must carefully balance the needs of multiple stakeholders, contractual obligations, disclosure requirements, and the imperatives of effective project management. If any one domain is perceived to overstep — whether in disclosure, compliance, or execution — it risks obstructing our ability to create sustainable value for both shareholder governments and the wider stakeholder community. • Our role requires us to enforce strict compliance with technical specifications, maintain transparency in reporting, and safeguard the integrity of our contractual obligations. At the same time, we must ensure that project management and implementation are insulated from undue regulatory or political influence. This separation is critical to preserving trust in LHDA as a professional and independent implementing authority. • Governance complexity is heightened by the nature of the legal instruments that underpin the Project. With limited influence over some provisions of the Treaty and its protocols, our ability to adapt quickly to evolving stakeholder needs or unforeseen implementation pressures can be constrained. • Similarly, industry laws and international standards governing large-scale construction projects introduce additional layers of compliance that, while necessary, may slow corrective action and expose the Project to legal or financial risks if not navigated with care. • Striking the right balance across these domains is central to delivering sustainable value. It requires robust governance systems, strong internal controls, active Board oversight, and an LHDA culture committed to integrity, accountability, and transparency. In doing so, we maintain the confidence of our partners and stakeholders and safeguard the long-term reputation and resilience of the LHWP.		SG5	R3 R4 R6 R10 R12
M6	**Our people, talent and capacity:** Strengthening skills, retaining expertise, and building institutional capacity for long-term success	• Our people are at the centre of LHDA's ability to deliver on the mandate of the LHWP and to create value for all stakeholders. Attracting and retaining scarce and critical technical skills remain pressing priorities, ensuring that we have the right expertise in place to manage today's operational demands while building the institutional capacity needed for the future. • Equally important is our unwavering commitment to health, safety and wellbeing. By prioritising the welfare of our employees, as well as that of contractors, consultants, and service providers working across the Project, we not only safeguard our workforce but also reinforce our reputation as a responsible and ethical implementing agency. Protecting lives and livelihoods through a culture of safety and care is integral to sustaining trust and value creation both within LHDA and across the communities in which we operate. • We also continue to invest in developing and empowering our people through training, professional growth opportunities, and inclusive workplace practices. Building a diverse and representative workforce elevates all voices, enhances collaboration, and fosters innovation. These elements are critical to strengthening institutional resilience and ensuring that LHDA remains equipped to manage and implement one of Africa's most complex transboundary infrastructure projects.		R5	R9 R12

	Material matter	Why it is important	Capitals impacted	Related strategic goals	Related risks
M7	**Increased focus on ESG:** Meeting heightened expectations for environmental stewardship, social impact, and governance performance	• The expectations of our stakeholders, and of the global community, have never been higher when it comes to Environmental, Social and Governance (ESG) performance. For the LHDA, strong governance practices, robust environmental safeguards, and a demonstrable commitment to ethical business conduct are not optional — they are central to our mandate and our long-term licence to operate. • Our policies, legal instruments, and oversight by both Project principals demand rigorous respect for human rights across all aspects of implementation. This commitment extends beyond compliance — it is embedded in our strategy and guides the way we engage with communities, contractors, and partners. By prioritising inclusivity, equity, and ethical practice, we strengthen trust and ensure that the benefits of the LHWP are shared broadly and fairly. • Equally, our role as an environmental steward is fundamental. The use of renewable hydropower, together with responsible wastewater management, biodiversity conservation, and climate resilience, lies at the heart of our operations. These priorities are not only critical to mitigating risks but also position the LHDA as a leader in sustainable infrastructure development on the continent. • Through this lens, ESG is not an add-on to our work; it is integral to our ability to create lasting value. By embedding ESG principles into our decision-making, we ensure alignment with international standards, global SDGs, and the expectations of our governments, financiers, and communities. • Failure to safeguard the biophysical environment undermines the very purpose of dam construction, as degraded LHWP catchments would give rise to barren wetlands, eroding ecological integrity and ultimately diminishing the long-term value created for project beneficiaries.		SG2 SG3 SG5	R2 R3 R4 R6 R7 R10 R11

05

MANAGING OUR RISKS



51 **Key opportunities linked to risk response**



Managing our risks

Enterprise risk management (ERM) enables us to identify key risks and provide our EXCO and the Board with a comprehensive evaluation of the LHDA's principal risks. As an integral part of our intellectual capital, our embedded ERM process facilitates the identification and management of principal risks.

Our enterprise risk management framework (ERMF)

Our ERMF is aligned with the ISO 31000 International Risk Management Standard, as well as the requirements of the Mohlomi Code, COSO-ERM and King IV to ensure best practice in the governance of risk.

Our process adopts both a bottom-up and a top-down approach to identify and escalate risk management across all levels of the organisation. Risk registers are periodically maintained, managed, reported on, and updated, from individual risk registers to corporate risk registers.

Our risk identification and management process

Our process for the identification of our key risks embeds the management of risk across all levels of the LHDA leading to risk-based, informed decision making with appropriate levels of accountability. In order to ensure that all risks are



effectively mitigated and managed, we adopt multiple lines of assurance to provide assurance to our stakeholders.

The risks we faced in FY2025

Every year, we identify risk exposures that could affect strategic goals as we monitor mitigation monthly. During the year under review, we confirmed and managed twelve (12) material risks with the potential to create, preserve, or erode value. In parallel, given the scale and critical nature of construction works, we also monitored a Phase II Project Risk Register (Goal 1) monthly.

The breadth of our risk profile reflects the multi-dimensional nature of implementing a bi-national mega-project. The risks span infrastructure reliability, funding flows and environmental protection, to community relations, governance compliance, and organisational culture. This holistic view enables the organisation to address risks that could undermine performance, while simultaneously identifying opportunities for resilience, innovation, and long-term impact.

Crucially, our ERM Policy and Framework recognise that risk management is not simply about control — it is about value preservation and creation, such as with:

- **Ecosystem risks**, which provide the opportunity to lead in environmental stewardship
- **Funding risks**, which highlight the importance of financial innovation
- **Community engagement risks**, which underline the chance to deepen trust and legitimacy

By embedding this dual perspective, we strengthen the organisation's capacity to deliver on its strategic goals and material matters, while safeguarding outputs from our six capitals for the betterment of both Lesotho and RSA.

Our top 12 risks

Risk rank and type	Risk description and context	Mitigating actions	Associated opportunities	Capitals impacted	Related strategic goals	Correlated material matters
R1 Internal External	**Infrastructure resilience** LHDA's ability to deliver water and electricity is exposed to risks of ageing infrastructure breakdown, theft, and vandalism. Sedimentation and natural events remain a risk, while ageing workforce or critical skills gaps in operations and maintenance can exacerbate the risk	• Strengthened asset management systems • Proactive maintenance planning • Improved security • Funding allocation for upgrades • Succession planning • Knowledge management for ageing workforce • Catchment management • Reservoir dredging	Enhanced infrastructure reliability improves water security and electricity generation stability, reinforcing trust and attracting further investment.	 	SG1 SG2	M2
R2 External	**Deterioration of the biophysical environment, including wetlands** Ecosystem health is under pressure from: • Overgrazing • Land-use and climate change • Construction impacts • Poor sanitation • Weak enforcement of environmental laws • Non-compliance with EMPs Wetlands, vital for water regulation, are particularly vulnerable.	• Implementation of Integrated Catchment Management (ICM) • Wetland rehabilitation and monitoring • Stronger partnerships with regulators and communities • Enforcement of EMPs • Climate change vulnerability assessment and adaptation and mitigation measures	Protecting ecosystems enhances catchment health, secures long-term water yield, improves biodiversity, and positions the LHDA as a regional leader in ecological stewardship.		SG2	M7

Key: Internal risk | External risk

Managing our risks *(continued)*

The risks we faced in FY2025 *(continued)*

Our top 12 risks *(continued)*

Risk rank and type	Risk description and context	Mitigating actions	Associated opportunities	Capitals impacted	Related strategic goals	Correlated material matters
R3	**Timely delivery of community compensation** Complexities in coordinating with multiple third-party stakeholders and delays in funding occasionally affect the timelines of implementing community-based compensation projects.	• Strengthening internal capacity to deliver community infrastructure projects • Clearer agreements with implementing partners • Improved project tracking • Timely resource allocation	Timely compensation and project delivery enhance trust and improve community livelihoods, safe-guarding the LHDA's reputation and social licence to operate.		SG3 SG4	M1 M3 M5 M6
R4	**Maximising impact of livelihood programmes** Ensuring that livelihood programmes achieve intended impact requires adequate resourcing, timely policy approvals and strong community uptake. These factors remain areas of continuous improvement.	• Approval and roll-out of the Livelihood Restoration Policy • Capacity building • Improved appraisal of projects • Targeted awareness and engagement campaigns • Trainings and integrated LHDA-Community implementation to reduce dependency	Effective livelihoods programming diversifies income, boosts resilience and enhances stakeholder trust in the LHDA and perceived legitimacy.		SG3	M1 M3 M5 M6
R5	**Sustainability of commercial enterprises** Efforts to establish commercial ventures face risks of: • Insufficient expertise • Data that is not credible • Weak governance • Lack of zoning • Regulatory gaps • Operational inefficiencies	• Strengthening governance and business planning frameworks • Building capacity • Securing partnerships • Aligning with and implementing zoning strategies and regulatory regimes • Ensuring adequate capitalisation of commercial ventures	Well-governed enterprises create local jobs, diversify the LHDA's revenue streams, and sustainably stimulate private sector growth to the benefit of communities throughout commercial value chains.		SG3 SG4	M1 M6
R6	**Compliance with treaty, legal, and policy frameworks** Given the bi-national and complex governance environment, consistent compliance with the LHWP Treaty and other project instruments, national legislation, as well as LHDA policies, is essential.	• Regular compliance monitoring • Staff training • Internal audits • LHWC oversight • Embedding governance accountability at all levels	Strengthened governance preserves bi-national trust and ensures sustainable project execution.		SG5	M4 M5

Key: Internal risk External risk

Risk rank and type	Risk description and context	Mitigating actions	Associated opportunities	Capitals impacted	Related strategic goals	Correlated material matters
R7	**Sustainable and timely financing** Both governments that are party to the LHWP are vulnerable to local and global macroeconomic pressures. Funding flows are subject to these economic conditions and government budget processes. Ongoing coordination with both parties and financiers is critical, while at the same time maintaining contingency planning to secure timely and sustainable funding.	• Strengthening bi-lateral coordination • Diversifying funding instruments • Contingency planning • Transparent reporting to both governments	Stable and predictable funding flows enable on-time project delivery, safeguarding long-term value creation for both countries.		SG4 SG5	M1 M4
R8	**Cybersecurity** Increasing digital reliance exposes the LHDA to information security and cyber threats, as well as third-party vulnerabilities.	• Ongoing cyber risk assessments, firewalls • Access controls • Staff training • Vendor risk management • Policy implementation • Ensuring proactive investment in security systems • Risk monitoring to build resilience	Strong cybersecurity safeguards the LHDA's intellectual assets and positions the organisation as a digitally resilient public enterprise.		SG5	M3 M4
R9	**Workplace safety and wellbeing** Ensuring a safe environment for staff, contractors, and stakeholders is paramount. Non-adherence to safety standards or funding gaps in this area can elevate risk.	• Strict enforcement of Safety, Health, Environment, and Quality (SHEQ) standards • Regular audits • Training • Incident reporting • Adequate funding for safety systems	A strong safety culture enhances workforce morale, productivity and reputation for the LHDA as a responsible implementer and employer of choice.		SG5	M6
R10	**Enhancing stakeholder trust and responsiveness** Stakeholder concerns may arise from delays, inconsistent communication, or unmet expectations.	• Strengthening stakeholder engagement platforms • Accelerating grievance mechanisms • Improving coordination • Transparent communication	Constructive engagement builds trust, reduces project disruption risk and improves the LHDA's reputation.		SG5	M3 M7

Key: Internal risk | External risk

Managing our risks *(continued)*

The risks we faced in FY2025 *(continued)*

Our top 12 risks *(continued)*

Risk rank and type	Risk description and context	Mitigating actions	Associated opportunities	Capitals impacted	Related strategic goals	Correlated material matters
R11	**Enhancing positioning and profile of LHWP** Without strong brand equity and positioning, the full socio-economic and reputational value may not be realised. Limited visibility could undermine stakeholders' perception of the Project's role in sustainable development and constrain opportunities to leverage its landmark status for tourism-driven livelihoods. Ensuring strong brand equity is therefore a strategic imperative, both to cement stakeholder trust and to support diversification of community livelihoods through the tourism value chain.	The LHDA has actively pursued initiatives to strengthen LHWP's profile, including: • Developing strategic partnerships with tourism sector players cultural festivals, and hospitality operators • Increasing regional and global media presence, with coverage in high-impact global outlets such as Forbes Africa • Strengthening stakeholder communications strategies to reinforce the LHDA's position as a credible, transparent, and development-orientated institution	By enhancing LHWP's profile and positioning, the LHDA can: • Deepen trust and legitimacy among communities, governments, financiers, and regional stakeholders. • Promote the LHWP as a global landmark project, thereby attracting investment, recognition and knowledge-sharing opportunities. • Unlock new tourism-driven livelihood opportunities for local communities. • Strengthen the resilience of the LHDA's social licence to operate by showcasing tangible value creation beyond core water delivery and hydropower.		SG5	M3 M7
R12	**Embedding a high-performance and values-driven culture** Building a culture that consistently reinforces excellence, accountability, and innovation.	• Leadership commitment to culture transformation • Structured performance management • Recognition and consequence systems • Culture assessments • Induction programmes	A strong performance culture improves execution, employee morale, and delivery of strategic objectives.		SG5	M6

Key: Internal risk | External risk

Phase II project risk focus (Goal 1)

Risks monitored monthly	Status and outcomes
Financial non-compliance with the Phase II Agreement	As of March 2025, overall Phase II progress was 42.8% vs 40% planned

Contractor cash-flow pressure	This was buoyed by carried-over advance works, while main works experienced lag from:
	• Productivity constraints
	• Resource deployment challenges
	• Work/residence permitting delays, which:
	  · Heighten cost-escalation and schedule risks
	  · Have seen turnaround strategies being directed and under execution

Insufficient delegated authority and decision delays	
Domestication delays of the Phase II Agreement	
Tunnel contractor performance (risk to water-delivery timing)	
Dam contractor performance (risk to impoundment date)	
Consultant/contractor under-performance	

Key opportunities linked to risk response

While we face a number of significant risks, we also operate within a landscape rich with opportunity. By leveraging the LHDA's institutional knowledge, infrastructure, and partnerships, we are positioned not only to mitigate risk but also to create and preserve value across multiple capitals.

Associated opportunities span:

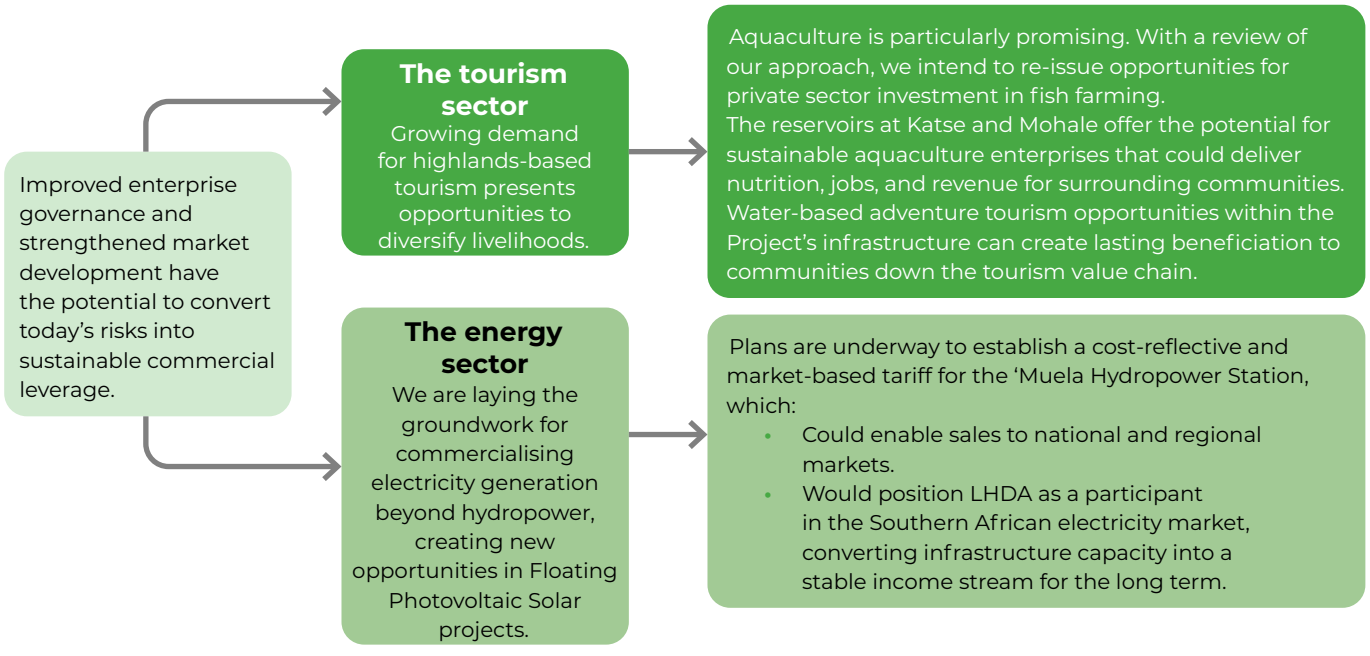
- Commercial ventures
- Operational improvements
- Climate resilience
- The advancement of future phases of the LHWP

Commercial opportunities

Maximising commercial opportunities is one of LHDA's strategic goals. We continue to explore ways to convert the LHWP's assets into sustainable revenue streams while supporting local economic activity.

We understand that improved enterprise governance and strengthened market development have the potential to convert today's risks into sustainable commercial leverage.

For more on governance, see page 108.



Key opportunities linked to risk response *(continued)*

Future phases and regional expansion

The successful implementation of Phase I and ongoing Phase II has reinforced LHDA's reputation as a capable custodian of complex, bi-national infrastructure.

New phases represent both continuity and growth, ensuring resilience in water supply while opening avenues for new socio-economic value creation.

Creating a strategic opportunity

- Engage the two governments in dialogue on future phases of the LHWP
- Expand water transfer and hydropower capacity through Phase III and beyond

- Additional revenue
- Bi-national benefits
- Enhanced water security while sustaining socio-economic development in Lesotho and in the wider region

Operational efficiency and innovation

Internally, we are modernising our operations through digital systems and innovation. In progressing automation in HR and safety management systems, we are laying the foundation for more efficient, data-driven decision-making. In addition, we are exploring remote sensing and data analytics for environmental monitoring, improving both cost-efficiency and scientific accuracy.

Digital transformation and capacity-building are enhancing productivity, decision speed, and knowledge transfer, laying the foundation for long-term operational advantage.

For more on intellectual capital, see page 75.

Innovation in practice

Livestock Registration and Information System (LRMIS), piloted with government partners

Enabling communities

- Manage rangelands more sustainably through improved data access
- Balance grazing pressure with conservation imperatives

The Young Professionals Programme

- 33 participants actively engaged during the year
- 87 cumulatively since inception

Injecting fresh skills and perspectives into LHDA operations

- Partnerships with universities further enrich this pipeline
- Ensuring LHDA's intellectual capital evolves with global best practice

Climate resilience and sustainability

Climate change presents risks but also opportunities for us to lead in sustainability. Implementation of our Climate Change Adaptation and Mitigation Strategy creates value in multiple ways.

For more on strategy, see page 57.

Restoration of degraded catchments, including wetlands, rangelands, and woodlots, together with enhanced meteorological monitoring and improved water delivery techniques, strengthens resilience against extreme droughts and floods. These integrated initiatives also enhance our eligibility to access international climate adaptation finance and attract strategic technical partnerships.

For more on sustainability, see page 98.

Wetland rehabilitation
- Continued during the year
- Improved the natural water-storage capacity of highland
- Enhanced the resilience of the LHWP
- Positions LHDA as a champion of ecosystem-based water security

Looking ahead, planning

Diversification into renewable energy by commencing the construction of solar farms in FY2026

- Reduction in our carbon footprint
- Powering remote facilities sustainably
- Potentially feeding into the national grid, aligning LHDA with global decarbonisation trends

Looking ahead

We have identified six key priorities to sustain value creation while managing our risk landscape.

	Priority	Focus
1	Schedule recovery	Sustaining contractor turnaround plans and improving decision cycles to safeguard critical impoundment and transfer dates
2	Funding certainty	Continued bi-lateral coordination to reduce timing risks and preserve financial contingencies against inflationary and foreign exchange shocks
3	Policy throughput acceleration	Finalising Livelihood Restoration Policy approvals and speeding up the execution of communal compensation projects
4	Governance agility	Targeted refinements to the Delegation of Authority will be implemented to improve execution speed while maintaining assurance
5	Culture and capability	Deepening of leadership visibility, strengthening recognition and consequence management, and closing outstanding critical skills gaps
6	Advancement of information security and information management systems maturity	Improving cyber resilience, particularly with respect to third-party and cloud-based exposures

06

OUR STRATEGIC FRAMEWORK



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Our 10-year strategy



Our strategic framework

Our strategic architecture reflects a clear line of sight from our mandate to our mission and delivery outcomes. Our mandate, strategic core purpose, vision, and values together form a coherent framework that informs our strategic goals and value creation model, and is an inherent part of our financial and intellectual capitals.

The essence of our business is to transform natural endowment into shared value. It is about turning the waters of Lesotho's highlands into currents of regional progress, delivering prosperity, stability, and sustainability for generations to come.

Through integrated thinking, responsible governance, and long-term partnerships, we continue to build a legacy of development that flows beyond borders.



Our 10-year strategy

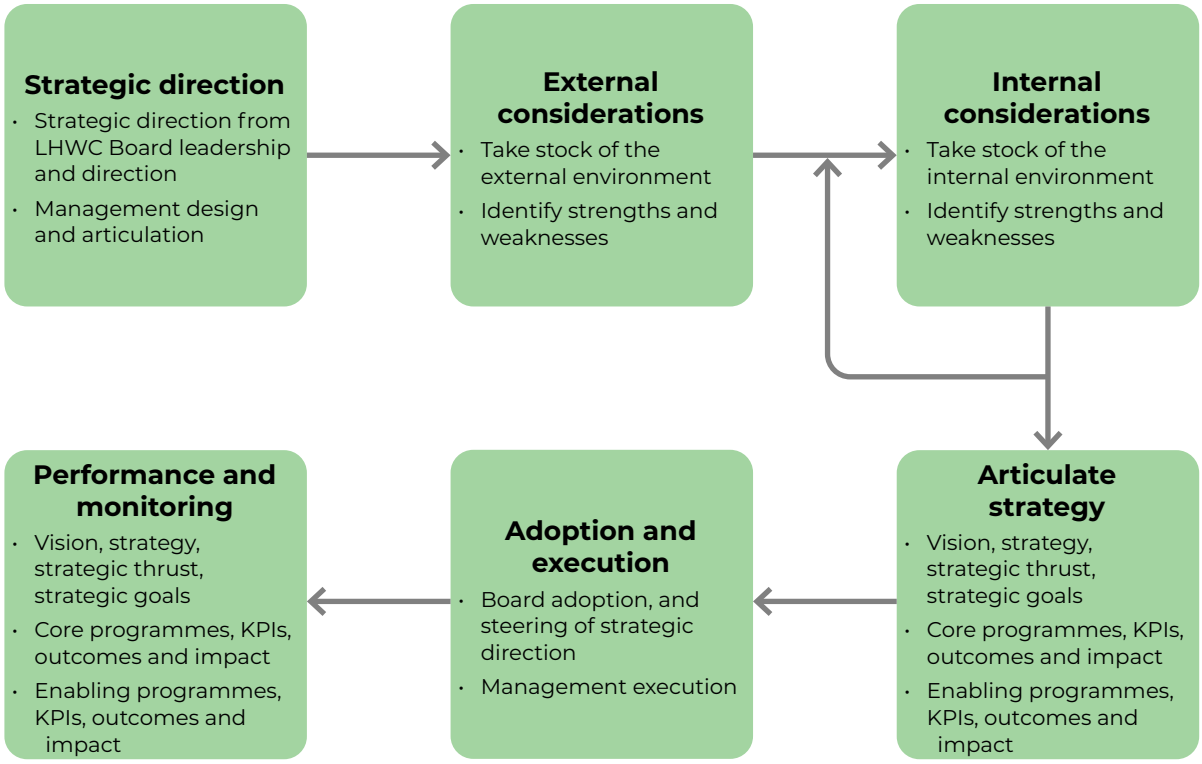
Our 10-year strategy, which guides our activities from FY2023/24 to FY2033/34, defines a bold ambition: to transition from an infrastructure-implementing agency to a sustainable value-creating enterprise that delivers enduring impact for the people of Lesotho and RSA, and contributes to regional peace, prosperity, and environmental resilience.

This strategy reaffirms our Strategic Core Purpose of developing mutual water resources, enhancing livelihoods, conserving ecosystems, and strengthening good neighbourly relations. It represents a decisive shift from operational delivery to sustainable stakeholder value generation, aligning our purpose, performance, and impact across all our capitals.

Our strategy development process

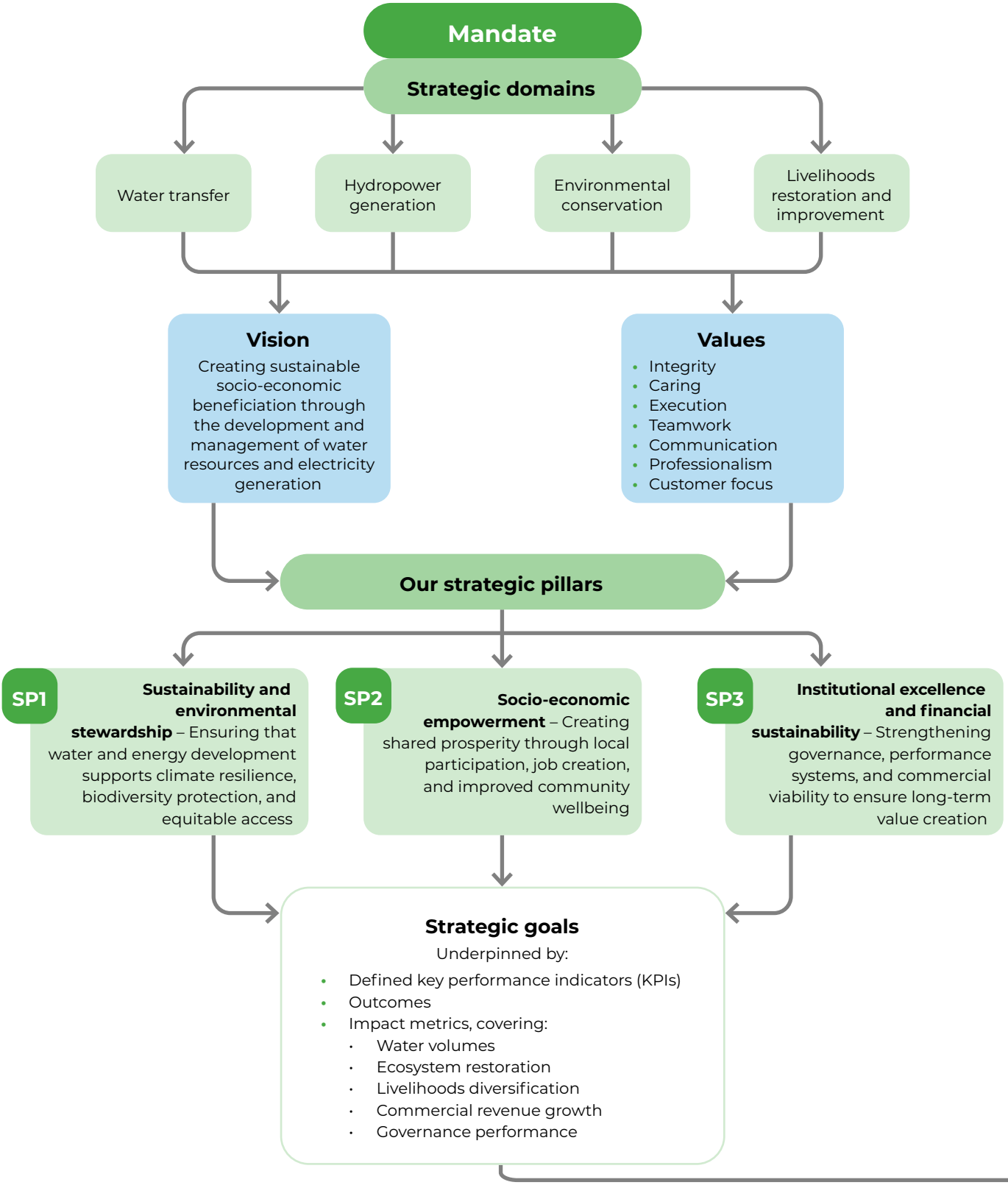
The Board laid out the strategic direction to the Management in a workshop session and charged Management with formulating the strategy.

With the Board's long-term view in mind, the LHDA Strategy was developed for the next 10 years through six major steps, taking into consideration both the external macro-environment and the internal micro-environment. The methodology also drew from international best practice, consultations, and participative engagement among members of Management.



Our 10-year strategy *(continued)*

Our strategic components



Goal	Strategic thrust: areas of primary focus in the pursuit of our strategic goals	Strategic intent	Capitals impacted
SG1	Implementation, operation, and maintenance of the Project to deliver clean water and reliable power	Ensure reliable water delivery to Lesotho and RSA, expand clean energy generation, and modernise infrastructure	
SG2	Protection of the environment and restoration of catchments and wetlands to sustain biodiversity	Protect and rehabilitate catchments, wetlands and biodiversity to secure long-term water and energy	
SG3	Restoration and diversification of community livelihoods through skills, compensation, and social infrastructure	Strengthen socio-economic development of project-affected and neighbouring communities through skills, infrastructure, and enterprise support	
SG4	Diversification of revenue streams and stimulation of new enterprises in energy, tourism, and fisheries	Diversify revenue streams through hydropower, tourism, fisheries and other commercial ventures to enhance financial resilience	
SG5	Strengthening governance, transparency and organisational effectiveness to ensure resilience and trust	Build a high-performance, transparent, and ethical organisation through effective leadership, systems and stakeholder engagement	

Positive economic, societal, and environmental impact

Strategy delivery through:
5 short- to medium-term
5 medium- to long-term
Strategic enablers

Transitional enablers (2023–2027)
- Leadership and culture transformation
- Strengthened financial sustainability
- Enhanced systems, ICT, and digital integration
- Strategic communications, advocacy, and brand positioning
- Stakeholder and partner engagement

Structural enablers (2025–2033)
- New business operating model and income diversification
- Procurement and supply chain agility
- Integrated corporate reporting and M&E framework
- Human capital optimisation and performance alignment
- Organisational realignment to the Strategy

Operational outputs
Strategic outcomes that improve people's lives, protect the environment, and strengthen economic resilience

Water delivery | Power generation | Infrastructure development

Our 10-year strategy *(continued)*

Harnessing water. Empowering nations. Creating value that endures.





07

CREATING VALUE



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67 Measuring our value-creation
67 Looking ahead – Sustaining value into the future



Creating value

Our value-creation model is driven by the desire to create sustainable value. It is a fundamental part of our intellectual capital and impacts and is impacted by all five of our other capitals.

We aim to create sustainable socio-economic beneficiation through the development and management of water resources and electricity generation. By delivering our strategy, we create value through effectively managing the resources and relationships available to us in the form of our six capitals.

Our value-creation model

Our value-creation model illustrates how we convert our resources and relationship inputs into outputs comprising infrastructure, services, and programmes that deliver measurable outcomes and impacts across our six capitals. It also reflects the integrated systems thinking that underpins our 10-year strategy and aligns with our higher purpose of sustainable stakeholder value generation.

INPUTS

Financial capital

- **M7.272 billion** total income
- **M6.596 billion** total expenditure (29% below budget)

Manufactured capital

- Over 1,000km of roads and bridges enabling regional connectivity
- 72MW and 500Gwh of hydropower generated annually at the 'Muela Hydropower Station, supplying Lesotho's national grid
- 780 million m^3 of clean water transferred annually to RSA's Vaal system

Social and relationship capital

- Job creation
- Stakeholder engagement
- Education and youth reach
- Sponsorship of two cultural festivals
- Local business empowerment
- Research and technical partnerships strengthening local and regional capacity

Human capital

- **349** total staff complement
- **373** approved positions
- **19** temporary employees engaged
- **21** Young Professionals (YPs) engaged
- **31** female Young Professionals engaged, out of a cumulative total of 92
- **M2.49 million** training budget
- Active EVP campaigns and brand rollouts to entrench culture
- Employee Assistance Programme (EAP)
- Annual Recognition Awards across five categories

Intellectual capital

- New System Design (LRMIS)

Natural capital

- Wetlands and catchment restoration
- Ecological restoration
- Livelihoods and community capacity
- Water and biodiversity management

BUSINESS ACTIVITIES
Delivering tangible and intangible value

Water transfer and energy generation
Designing, constructing, and operating multi-purpose infrastructure for secure water supply and renewable energy

Operational excellence and maintenance
Ensuring infrastructure reliability through preventive and predictive maintenance, quality assurance, and safety management

Environmental stewardship
Protecting and rehabilitating catchments, wetlands, and biodiversity within the LHWP area

Research, innovation, and knowledge sharing
Advancing hydrological modelling, climate adaptation, and best-practice learning across borders

Community development and livelihood restoration
Implementing compensation, resettlement, and community empowerment initiatives providing communities with financial security

Stakeholder engagement and governance
Upholding transparent, ethical, and inclusive governance that fosters bi-lateral trust and investor confidence

Yielding
OUTPUTS

Financial capital
- **M2.9 billion** royalties paid to Lesotho
- **M129.3 million** unbudgeted forex gains
- **M2.695 billion** positive budget variance

Human capital
- **81.25%** implementation of the Organisational Training Plan
- **96.4%** actionable positions populated
- **13** industrial attachments for students

Manufactured capital
Phase I:
- **506.7MCM** water delivered to South Africa
- **M2.897 billion** in royalties earned for Lesotho
- **261GWh** electricity generated at 'Muela
- **M5.0 million** electricity revenue to Lesotho
- **478,089m³** potable water supplied to operations, villages, and communities
- **M128 million** invested in tunnel maintenance and upgrades

Phase II
- **96%** completion of advance infrastructure
- **27%** completion of Polihali Dam
- **39%** completion of Polihali Transfer Tunnel
- **77.7%** completion of Senqu Bridge
- Polihali village, lodge and commercial centre completed
- Oxbow Hydropower Project: design, ESIA, and inception works underway

Social and relationship capital
- **12,838** jobs created for Basotho
- **41%** youth and **18%** women in unskilled roles
- **10%** women in skilled categories
- **68** Young Professionals recruited, including 31 women
- **M49.9 million** total compensation disbursed in FY2025
- Phase II: **12,842** assets surveyed
- **M1.3 million** invested in potable water systems for two villages
- **349** households connected through grid electrification
- **2** community halls under construction

Intellectual capital
- **0** data breaches
- **51** cyber risk score (stable)
- **1** reputation index baseline score established
- **3** new policy frameworks drafted
- **2** fisheries studies
- **3** Bird Atlas events

Natural capital
- **M22.53 million** allocated to ICM and conservation initiatives
- Wetlands rehabilitation: **M5.03 million**
- ICM and livelihoods: **M15.7 million**
- **M1.8 million** invested in conservation and monitoring collaborative partnerships

Our value-creation model *(continued)*

Creating the true measure of our work:

OUTCOMES

In infrastructure and partnerships that improve lives and sustain ecosystems

Economic and social progress
Reliable water supply underpins industrial and urban growth in South Africa, while enabling national development and job creation in Lesotho.
Environmental resilience
Reforestation, wetland rehabilitation, and integrated catchment management strengthen ecosystem services and climate adaptation.
Energy security and transition
Renewable hydropower and planned solar expansion reduce carbon intensity and increase energy independence.
Community wellbeing
Enhanced livelihoods, reduced poverty and improved access to basic services reinforce our social licence to operate.
Regional integration
The LHWP stands as a model of peaceful cooperation and shared prosperity between nations – a cornerstone of Southern African stability.

With our integrated approach ensuring that every decision considers the trade-offs and synergies between capitals through

TRADE-OFFS

- Trade-offs made to manage short-term constraints relating to funding, project execution, environmental stewardship, and stakeholder expectations.
- These reflect strategic prioritisation of long-term national and regional value creation through infrastructure development, environmental stewardship, and institutional strengthening, even where progress in other areas or operational outputs is temporarily constrained.
- Where short-term value erosion occurred, particularly within social and relationship capital, stronger long-term value creation is expected across financial, manufactured, and natural capitals, which underpin LHDA sustainability.

Strategic decision/ focus area	Trade-off made	Rationale	Impact on value creation
Phased approach to compensation and resettlement programmes	• Significant financial and organisational resources were directed toward compensation for assets/properties and resettlement of communities or households affected by the constructions. • This resulted in deferred implementation of some community livelihood restoration programmes and social projects.	• The biggest impact of the Phase II infrastructure will take place after impoundment, planned for October 2027. • To extend opportunities for affected communities to continue to use their arable and communal land, while the LHDA finalises livelihood improvement programmes.	**Short-term** Value erosion in social capital due to slower rollout of livelihood, compensation, and resettlement programmes. **Long-term** Significant value creation through enhanced manufactured and financial capital via expanded water delivery capacity and future royalty revenues.
Temporary suspension of water transfer for tunnel maintenance	• Planned shutdown of the tunnel system to conduct inspection and corrosion protection works of tunnel linings led to reduced quantities of water delivered to RSA, royalties (revenue) for Lesotho, and electricity generation at the 'Muela Hydropower Station.	• Proactive maintenance was required to preserve the integrity, safety, and longevity of critical infrastructure that has operated for decades. • This proactive approach avoids catastrophic asset failures and ensures sustainable operations over the long term.	**Short-term** Reduced electricity generation, quantity of water transfer, and royalties. **Long-term** Strengthened manufactured capital and infrastructure reliability, safeguarding sustained water transfer and energy generation capacity.
Financial prudence and cost containment	• Certain planned activities, including sediment removal and some operational programmes, were deferred or rescheduled to future financial periods to remain within budgetary limits.	• Fiscal discipline in response to funding timing uncertainties and project implementation delays. • Prioritising essential operational and capital expenditures while postponing other activities.	**Short-term** Under-utilisation of approved budgets and slower progress on some initiatives. **Long-term** Preservation of financial capital and improved organisational resilience through disciplined cost management.
Management of Phase II contractor performance challenges	• Delays and productivity issues among contractors resulted in slower infrastructure delivery and under-spending relative to budget. • Additional oversight and corrective interventions were implemented.	• To enforce contractual accountability and recovery strategies rather than accelerate the works at the risk of compromising quality or uncontrolled cost escalation.	**Short-term** Schedule slippage and delayed realisation of infrastructure benefits. **Long-term** Protection of manufactured capital quality and avoidance of future structural safety, or regulatory risks.
Strengthening governance, systems and organisational capacity	• Resources allocated to organisational restructuring, governance improvements, and digital systems development. • Temporary redirection of management attention and resources from operational expansion initiatives.	• Institutional strengthening ensures maintenance of robust governance, risk management, and operational capability required to deliver the complex Phase II programme and future phases.	**Short-term** Slower rollout of some strategy goals such as commercialisation and innovation initiatives. **Long-term** Improved intellectual and human capital through stronger governance, organisational capacity, and institutional resilience.

Measuring our value-creation

Across the first two years of strategy implementation, our performance demonstrates strong value creation in core infrastructure delivery, water security, environmental stewardship, and financial governance.

Progress on the Phase II programme and consistent water transfer performance continue to underpin our long-term contribution to regional water security and national economic value.

At the same time, we are navigating transitional areas where performance improvement is required. These include commercial revenue diversification and the pace of organisational transformation, both of which are expected to strengthen our long-term financial sustainability and institutional capability once implemented.

Overall, our strategic trajectory remains positive, with the majority of value creation occurring in our financial, manufactured, and natural capitals, while ongoing initiatives seek to further strengthen our social, human, and intellectual capitals over the coming years.

Strategic goal	KPIs	FY2023/24 result	FY2024/25 result	Value trend	Capitals impacted
SG1	• Water delivery to South Africa • Potable water supply to Lesotho • 'Muela hydropower generation • Phase II infrastructure progress	• Water delivery near target • Hydropower output slightly below target • Phase II progress exceeded planned milestone	• Water delivery exceeded target • Potable water supply exceeded target • Hydropower output below target due to outages • Phase II progress ahead of schedule	Positive overall infrastructure and water delivery performance	
	• Environmental compliance • Wetlands rehabilitation and catchment restoration	• Environmental compliance • Achieved initial ecosystem restoration with activities underway	• 100% compliance on key environmental parameters • Significant wetlands and land rehabilitation achieved	Strong environmental stewardship and ecosystem restoration progress	
SG3	• Livelihood restoration programmes • Community compensation payments • Community development initiatives	• Compensation payments largely achieved • Initial livelihood pilots implemented	• Continued compensation payments • Expansion of livelihood restoration programmes underway	Transitional progress as programmes scale up	
SG4	• Electricity tariff commercialisation • Tourism and enterprise development	• Tourism operations reached break-even; Electricity tariff reform delayed	• Tourism commercial restructuring ongoing; Electricity tariff review not yet advanced	Commercial revenue diversification slower than planned	
SG5	• Organisational restructuring • Policy development programme • Audit outcome • Cybersecurity risk management	• Governance systems maintained • Organisational restructuring initiated	• Unqualified audit achieved • Cybersecurity risk maintained within threshold • Organisational restructuring delayed	Governance remains strong but institutional reform progressing slower than planned	

Key Positive | Satisfactory | Below expectations

Looking ahead – Sustaining value into the future

As we advance Phase II of the Project and prepare for future phases, we will continue to strengthen our resilience and adaptability.

Key enablers of sustainable value creation include:

- Embedding climate-resilient design in all infrastructure
- Deepening community participation in development planning
- Strengthening financial sustainability through cost-reflective models in energy products and prudent reserves from commercial activities
- Enhancing governance agility and performance culture
- Leveraging digital systems and data for transparency and impact measurement

08

OUR CAPITALS PERFORMANCE



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98 Our natural capital



Our financial capital

Impacting these capitals	
Supporting these strategic core purposes	SP1 SP2 SP3 SP4
Linked to these material matters	M2 M4 M5
Impacting these stakeholders	GL LC E PP SD NG BI PC
Supporting these UN SDGs	

The LHDA ended the year with substantially lower net expenditure (deficit) than budgeted due to higher revenues and underspending on some projects.

Our financial capital highlights

- **M7.272 billion** | Total income
- **M2.9 billion** | Royalties paid to Lesotho
- **M129.3 million** | Unbudgeted forex gains
- **M6.596 billion** | Total expenditure (29% below budget)
- **M2.695 billion** | Positive budget variance (lower than planned deficit)

Financial summary

	Actual 2024/25	Budget 2024/25	Variance (Budget – Actual)
Total income (Cash inflows)	M7,272 billion	M27.6 million	+M7.244 billion
Operating expenditure (Excl. depreciation)	M6,101.1 million	M8,252.2 million	+M2, 151.1 million (under budget)
Depreciation	M327.2 million	M357.7 million	+M30.5 million (under)
Net deficit (Expenditure-Income)	M6,596.1 million	M9,291.2 million	+M2,695.1 million (Lower deficit)

Interest and sundry revenues

We maintained a sound financial position throughout FY2025, enabling us to fund operations and capital works without major shortfalls.

Water transfer royalties, the primary income for Lesotho from the LHDA, were robust, mainly due to meeting water delivery targets. Lesotho received approximately M2.9 billion in royalties during the year, slightly above projections, providing a welcome boost to the national fiscal revenue. This outcome was supported by the fact that with 506.7 MCM in water delivery to South Africa, against 504 MCM planned, we exceeded the annual target.

Electricity generation, however, underperformed relative to the target, which had a minor negative effect on revenue, with 'Muela Hydropower Station generating 261.72GWh for Lesotho against a target of 304GWh, about 13.9% short.

This shortfall was largely due to technical issues in mid-2024:

- A power line trip caused two generator units to shut down for repairs.
- A scheduled tunnel outage for maintenance reduced water flow for electricity generation for some months.

Nonetheless, domestic electricity sales to Lesotho Electricity Company remained within acceptable levels and did not significantly impair our overall financial contribution to the national budget, as power generation yields a smaller revenue stream when compared to water royalties.

Budget utilisation and funding

Our expenditure was closely aligned with the budget, with a major portion invested in Phase II construction and related compensation programmes.

Operational expenditures for maintenance of existing Phase I assets remained on track, and no overruns were reported.

Importantly, both the South African and Lesotho governments met respective funding obligations during the year. Despite the funds being received late and thereby affecting implementation of some planned activities, Lesotho's entire annual contribution was received by Q3, and South Africa continued to disburse funds for Phase II as per schedule. This timely funding was critical in avoiding cash flow issues.

We did not require any emergency financing or loans, indicating the stability of our cash position.

As a precaution, management has been exploring alternative funding models to bolster financial sustainability, such as setting aside, subject to approval, a portion of royalties for reinvestment or improving internal revenue through cost-reflective electricity tariffs. While these ideas are in the early stages, they reflect foresight in managing financial capital against future risks, such as funding fluctuation.

Cost management

We adhered to our procurement and financial regulations to ensure value-for-money in contracts, with cost control measures evident across operations.

Delays in some capital projects, such as the 'Muela sediment removal, were partially due to budget constraints, and we chose to defer that activity to the next year rather than overspend in the current year. This indicates discipline in financial management: prioritising critical works and rescheduling lower-priority expenditures to live within means.

Our financial capital *(continued)*

Our financial capital highlights *(continued)*

Financial summary *(continued)*

Revenue and funding
M7.272 billion
Total revenue

This revenue comprised these major components:

- **M309.10 million** | Government of Lesotho (GoL) contribution
- **M6.4 billion** | Trans-Caledon Tunnel Authority (TCTA-RSA)
- **M391.5 million** | RSA-RSL tax refund
- **M167.8 million** | Exchange gains and interest income

In addition:

- Foreign exchange gains alone contributed an unbudgeted **M129.3 million**
- Interest income and sundry revenues, including rentals, fees, and hospitality income, contributed **M40 million**

While these revenue gains are commendable, it is worth noting that we remain heavily reliant on bi-national contributions and government funding, rather than on self-generated commercial income.

As per the LHDA Corporate Plan, commercial revenue is expected to remain modest in the near term, with only M15 million anticipated for FY2026.

Expenditure and surplus/deficit

We recorded total expenditures of **M6.596 billion**, including:

- Capital project costs
- Operational expenses
- Depreciation

This reflects a 29% decrease compared to the approved budget of M9.291 billion, indicative of notable fiscal discipline and implementation efficiency.

Despite a substantial programme of works under Phase II, the year-end financial outcome presents a positive variance of M2.695 billion, a nearly 29% improvement from the expected deficit level.

The reduced deficit is primarily attributable to:

- Higher-than-anticipated income, including unbudgeted foreign exchange gains and interest income
- Underspending across key operational and capital project areas, partly due to timing differences in project execution and enhanced cost controls*

*The budgeted initial income figure of M27.6 million excludes bi-national and GoL contributions. The variance reflects additional unbudgeted cash inflows.

Budget-vs-Actual analysis

Budget underspend

The year showed 29% underspend against overall budget:

- Primarily attributable to delayed or lower spending in major Phase II capital projects and related activities, alongside some operational savings
- Phase II development costs in the Professional Services category were **M5.59 billion** actual against **M6.84 billion** budget, a saving of **M1.25 billion**
- Compensation and livelihood restoration payments to project-affected communities were dramatically underspent, with:
  - **M133.6 million** of the **M708.8 million budgeted** disbursed for resettlement
  - Livelihood compensation showing under-expenditure of **~M575 million**

This reflects slower-than-planned implementation of livelihood restoration programmes and delays in finalising compensation agreements, confirmed by reports of pending policy approvals during the year.

On the operational side:

- Personnel costs came in at **M256.2 million**, about 8% under the allocated **M278.7 million**, due to vacancies and controlled hiring
- Most other administrative and support expenses were near or below budget, indicating cost discipline in recurrent spending

Crucially, Phase II project spending dominated, at roughly 85–90% of total expenditures, including:

- Major engineering and construction contracts, treated as "professional services" in the accounts
- Associated environmental and social costs

Lower spending in FY2025 does not necessarily imply cost savings in absolute terms, but is indictive rather of timing delays.

Funds allocated for resettlement, environmental management, and certain contract milestones were not utilised by year-end, mainly due to implementation slowdowns.

Management's Q4 performance report highlighted:

- Phase II main contractors' underperformance and delays (e.g. in the Polihali Dam and Transfer Tunnel works) significantly impacted progress
- Delayed release of communal compensation funds and a temporary freeze on some livelihood restoration activities slowed down expenditure in those areas

While these delays resulted in a favourable budget variance in the short term, the outstanding commitments will roll over and potentially lead to bunching of expenditures and higher cash outflows in subsequent periods once issues are resolved.

Budgets exceeded

Certain items exceeded their budgets, with some Phase II sub-projects requiring scope changes that led to increased expenditure, including:

- Polihali Western Access Road construction (contract 4017) spent **M164.6 million** against an original budget of **M43.4 million**, an overshoot of 278% due to:
  - Additional works such as Northern Access Road slope remediation works added via variation order and contractor delays, acknowledged in the Corporate Business Plan updates
  - Polihali permanent housing project incurring **M3.6 million** in costs not budgeted

These increases were isolated and were offset by under-spending and recovery of delays damages elsewhere, with the net impact on the overall budget remaining manageable.

Nonetheless, they underscore the need for vigilant project management and flexible budgeting to accommodate scope creep in these large contracts.

Management's monthly progress reports track a Cost Performance Index (CPI) for each major contract to monitor such variances.

Most contracts, e.g., Polihali Dam and Tunnel, remained near a **CPI of 1.0** (on budget) as of March 2025, whereas the access road showed a **CPI below 1.0**, indicating an over-budget trend. This analytical approach will inform corrective actions, such as re-allocation of contingencies or negotiations on variation orders.

Our financial capital *(continued)*

Our financial capital highlights *(continued)*

Financial summary *(continued)*

Funding and financial sustainability

Our activities are financed through a combination of government contributions and internal funds, and as sole financers of the LHWP, the Lesotho and South African governments provide the capital for Phase II. Thus, under-expenditure mainly means deferred disbursements of committed funds, enabling us to hold short-term surpluses in interest-earning bank accounts.

Internally, we managed to cover a modest portion of our operating costs through:

- Rental collection
- Exceptionally high income from forex gains this year, which improved our cash position, enabling us to hold short-term surpluses.

Our wise spending and investment of excess funds is evidenced by **M31 million** interest earned and a healthy bank balance at year-end.

No external borrowings were undertaken, and we remain solvent with support from our stakeholders.

Thus, despite a large accounting deficit, our financial capital is being preserved, as the deficit relates to planned infrastructure investments that are grant-funded.

In essence, there was no operational cash shortfall during the year. The Government RSA reimburses Phase II costs per the bi-national agreement, while routine O&M expenses are met through both RSA and GoL contributions.

This funding model, however, hinges on timely contributions and a stable macroeconomic environment. As noted in the materiality assessment of this report, any economic or political instability could negatively impact our financial sustainability by delaying funds or increasing costs. Continued prudent financial management and stakeholder support are therefore critical to our resilience.

Key financial indicators

By year-end, our budget utilisation rate stood at approximately **71%,** with **29%** of the approved budget unspent. As income is incidental, the cost-to-income ratio (CIR) is not very meaningful, with a more relevant indicator being the project execution rate.

Measured thus, of the annual budget:

- **80%** | Phase II capital works, our largest expenditure component
- **19%** | Livelihood and compensation programmes, reflecting the significant delays
- **92%** | Operational overheads, personnel, and administration, indicating close adherence to the plan

These figures highlight the need for:

- Focus on accelerating disbursement on delayed community programmes
- Ensuring major works keep to schedule to avoid both under-utilisation and potential future overruns

The overall variance of **29%** under budget is somewhat high. Future reports will clarify whether this is due to scheduling (timing) differences or genuine cost savings. In this case, evidence points to timing issues, with funds are expected to be utilised in FY2026 once obstacles are removed.

Looking ahead

Our financial stewardship during the year under review has contributed to national fiscal strength, with royalties alone accounting for nearly 18% of Lesotho's projected government revenue for 2025/26.

The stable financial position also ensured continuity of operations and avoided cash shortfalls. In the short to medium term, we will focus on accelerating resettlement and livelihood payments, maintaining construction pace under Phase II, and diversifying our revenue streams to enhance resilience.

For more on our financial capital see our Annual Financial Statements on page 122.

Our intellectual capital

Impacting these capitals	
Supporting these strategic core purposes	SP1 SP2 SP3 SP4
Linked to these material matters	M2 M4 M7
Impacting these stakeholders	GL E PP SD
Supporting these UN SDGs	

Our intellectual capital embodies collective knowledge, systems, innovations, and data that underpin the LHDA's ability to plan, construct, operate, and sustain complex bi-national water and energy infrastructure.

During the year under review, we made tangible progress in preserving institutional knowledge, strengthening digital and data systems, and generating new insights to enhance future decision-making and stakeholder value.

Moreover, our intellectual capital performance reflected clear value creation rather than erosion, with:

- Institutional systems stabilised
- Data assets expanded
- Organisational learning deepened

The absence of IP loss or cyber incidents preserved existing capital, while the creation of new informational and technical assets — including the Reputation Index, Livelihood Restoration policy frameworks, and research datasets — enhanced future value potential.

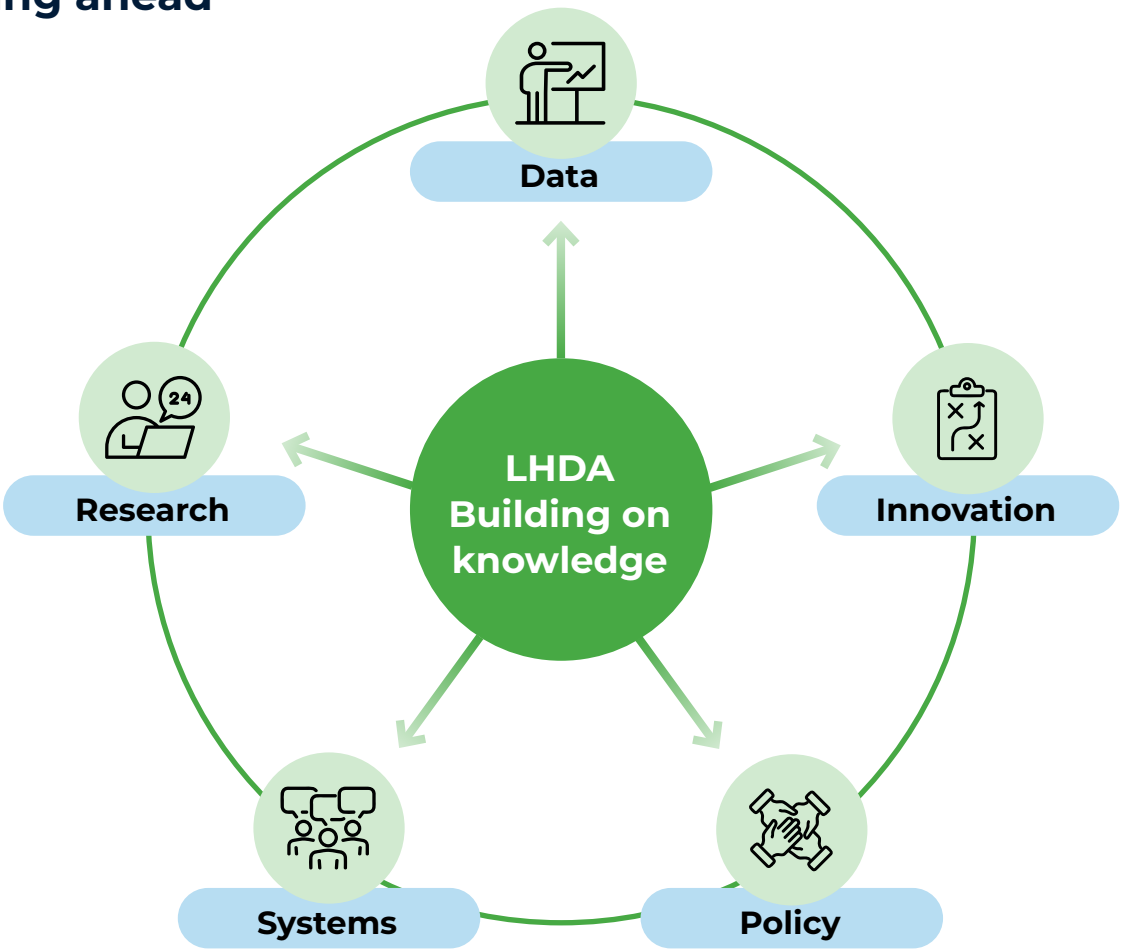
A snapshot of our year

- **0** | Data Breaches
- **51** | Cyber Risk Score ("Stable")
- **1** | Reputation Index Baseline established
- **3** | New Policy Frameworks drafted
- **2** | Fisheries Studies
- **3** | Bird Atlas Events
- **1** | New System Design (LRMIS)

Our intellectual capital *(continued)*

Knowledge preserved. Innovation advanced. Value sustained.

Looking ahead



Knowledge management and innovation

A key milestone of the year was the development of the LHDA Reputation Index and Baseline Survey (January 2025). This initiative established a quantifiable measure of stakeholder perception across key audiences, providing a new evidence-based foundation for our communication, engagement, and risk-management strategies.

By translating stakeholder sentiment into actionable data, LHDA created a new informational asset that deepens organisational intelligence. The insights now allow for:

- Targeted communication planning
- Identification of reputational vulnerabilities
- Replication of high-performing engagement practices

This marks a significant step forward in data-driven stakeholder management, reinforcing our reputation as a learning and adaptive institution.

A new lens on stakeholder trust

Overall summary

- Respondents believe the LHDA will be successful for a long time to come (77%).
- Very good benchmark score to work from.
- There is an opportunity to roll out a training programme for the community and general public, which will also enhance perceptions of CSI initiatives and increase quality of livelihood.

Focus on

1. Updating database with correct information.
2. Update communication plan and align to stakeholder preferences.
3. Thank everyone for their participation and share overview of the results.
4. Share information on CSI and community upliftment for the next 12 months. Focus on face-to-face communication. The community and government want increased visibility.
5. Conduct a repeat study in 12 months to track progress of the implemented ommunication plan.

Digital systems and cybersecurity and funding

In technology, our efforts focused on safeguarding information integrity and building digital readiness.

- Cyber risk score – medium
- Quarterly assessments ranged **between 47 and 57** (on a scale of 31–69)
- Average annual score – **51**, well within the acceptable threshold, validating the effectiveness of our cybersecurity investments, including:
  - Advanced firewalls
  - User access controls
  - Staff training on cyber awareness

No major cyber incidents or data breaches were recorded during the year, a testament to the maturity of our risk-mitigation posture. This stability preserved the operational continuity of mission-critical systems such as dam monitoring, financial management, and engineering document control.

Groundwork for future process automation was completed. We finalised a requirements analysis and budget allocation for new Human Resources and Safety Management software, to be implemented in FY2026. This preparation reflects our commitment to modernising our knowledge infrastructure and ensuring greater integration of data, safety, and people systems.



Our intellectual capital *(continued)*

Knowledge preserved. Innovation advanced. Value sustained. *(continued)*

Policies, procedures, and applied innovation

Our intellectual capital evolved through the continuous refinement of internal frameworks and field innovation.

Internal task teams reviewed and advanced several governance instruments, most notably the Livelihood Restoration (LR) Policy and accompanying implementation guidelines. Drafts were submitted to the LHWC for iterative feedback and final approval.

This process of policy co-development, incorporating monthly feedback cycles from the LHWC on LR project submissions, deepened our expertise in social safeguards and community engagement, resulting in better-aligned instruments and an institutional learning loop that strengthens governance agility.

At project level, innovation translated into new knowledge creation. Through climate-smart agricultural and livestock initiatives, we:

- Tested conservation agriculture
- Improved seed varieties
- Introduced a new Livestock Resource Management Information System (LRMIS)

These pilots represent applied learning in climate adaptation and sustainable livelihoods, generating scalable knowledge that can inform national development and future LHWP phases.

For more on our social and relationship capital, see page 84.

Research and monitoring

Research remains central to our role as both a project operator and environmental steward. Under the Integrated Catchment Management (ICM) programme, multiple scientific and monitoring studies added to our growing knowledge base.

- Bi-annual fisheries assessments in winter 2024 and summer 2025 in Katse and Mohale reservoirs confirmed sufficient populations of Smallmouth Yellowfish to support potential small-scale commercial fishing enterprises. This data enriches our evidence base for future livelihood and conservation decisions, including the feasibility of community-based cooperatives.
- Complementing this, we coordinated several 'bird atlas bashes' – biodiversity monitoring events that brought together experts and citizen scientists to document avian species around LHWP areas. The data collected expands our environmental database, informing future ecosystem management and reinforcing our position as a knowledge authority on Lesotho's highland water ecosystems.



Our key opportunity lies in formalising and disseminating knowledge products — turning data and pilot experiences into documented case studies, manuals, and open reports. Doing so will not only preserve institutional memory but also position the LHDA as a regional knowledge hub in water, environment, and livelihoods management.

Our people are the cornerstone of LHDA's ability to create and sustain value. Human

Our human capital

Impacting these capitals	
Supporting these strategic core purposes	SP2 SP4
Linked to these material matters	M3 M6
Impacting these stakeholders	GL LC E PP SD M NG BI PC
Supporting these UN SDGs	

capital represents not only the expertise and dedication of our employees, but also the systems, programmes, and culture that support them to perform, grow, and thrive.

During the year under review, our focus remained on strengthening employee value, building institutional capacity, and investing in the future workforce to ensure that the organisation continues to deliver on the LHWP mandate effectively and sustainably.

A snapshot of our year

HR area	Highlights	Outcomes
Workforce and recruitment	• **349** total complement • **373** approved positions • **96.4%** actionable positions populated • **19** temporary employees engaged • **13** active vacancies • **11** positions on hold under recruitment moratorium	• A resilient, motivated workforce delivering on LHWP mandate • Robust pipeline of young talent for long-term sustainability • Improved productivity, workplace morale, and institutional capacity
Talent development	• **M2.49 million** training budget • **81.25%** implementation of the Organisational Training Plan (26 of 32 planned trainings) • **6** additional ad-hoc training interventions delivered	

Employee Value Proposition (EVP) and recognition	• Active EVP campaigns and branded rollouts to entrench culture
	• Employee Assistance Programme (EAP) supporting staff and families with stress, fatigue, anxiety
	• Annual Recognition Awards across five categories:
	  · CE's Game Changer
	  · Team Player
	  · Leadership
	  · Unsung Hero
	  · Best Team	

Youth development	• **21** Young Professionals (YPs) engaged • **31** females cumulatively engaged • **13** Industrial Attachments provided for students in engineering, finance, procurement, and computer science • Comprehensive bursaries and stipends provided, as well as PPE, laptops, and transport	



EVP and wellbeing

We continued positioning the LHDA as an employer of choice while cultivating a workplace culture that promotes engagement, recognition, and wellbeing. Several internal campaigns were launched to entrench the EVP pillars, complemented by branded promotional materials, to reinforce employee ownership of the initiative.

Employee wellbeing was supported through the Employee Assistance Programme (EAP), which provided professional counselling and assistance to employees and their next of kin, particularly in areas of fatigue, stress, and anxiety. Parallel to this, wellness initiatives included sports and recreational activities, designed to promote balance, collegiality, and resilience across the organisation.

Recognition remained a central element of employee engagement, with the Annual Awards of Excellence Ceremony celebrating outstanding performance through its awards. These initiatives not only boosted morale but also reinforced a culture of accountability and excellence.

The C.A.R.E.S Philosophy

By embracing the CARE Philosophy, LHDA demonstrates its commitment to supporting and empowering its employees, fostering a positive work environment, and enabling them to contribute effectively towards the organisation's core purpose of enhancing water resources and promoting peace, prosperity, and the welfare of the people in the Southern African Region.

Care
LHDA values the wellbeing of its employees, prioritising their health, safety, and work–life balance. The organisation fosters a supportive environment where employees feel valued, respected, and supported in achieving their personal and professional goals.

Advancement and Opportunity
LHDA is committed to providing employees with opportunities for growth, development, and career advancement. This includes investing in training programmes, skills development initiatives, and creating pathways for career progression based on merit and achievement.

Recognition
LHDA recognises and appreciates the contributions of its employees towards achieving organisational goals. The company celebrates individual and team achievements, fostering a culture of appreciation, motivation, and pride in the work accomplished.

Excellence
LHDA promotes a culture of excellence among its employees, encouraging continuous improvement, innovation, and adherence to high-quality standards in all aspects of work. The organisation values professionalism, creativity, and dedication to delivering exceptional results.

Sustainability
As the LHDA, we are committed to protecting the environment in which we operate, to minimise any negative impact we may have on those directly or indirectly impacted by the LHWP. We do this for the prosperity of communities and sustainability of ecosystem that fuels the LHWP.

Our human capital *(continued)*

A snapshot of our year *(continued)*

Recruitment and workforce composition

In pursuit of a fully capacitated workforce aligned with our strategic goals, recruitment remained a priority.

Attrition during the year included two resignations and one death, while temporary employees supported business continuity. Alongside the open vacancies, positions placed on hold under a recruitment moratorium were also affected.

This stability reflects our progress in strengthening institutional capacity while balancing budgetary realities. Recruitment efforts continue to emphasise securing scarce and critical skills necessary for the successful implementation of Phase II of the LHWP.

Talent development

Building capability across the organisation remained a central priority:

- The Organisational Training Plan (OTP) guided development interventions, supported by a budget of M2.49 million
- Implementation achieved **26 out of 32** (81.25%) of planned interventions, supplemented by **six additional ad-hoc training interventions**

These initiatives resulted in measurable improvements in employee performance, productivity, and legal compliance while equipping staff with newly acquired technical and managerial skills.

Training also contributed to reduced workplace incidents and enhanced readiness to manage the scale and complexity of Phase II projects.

Key risks included:

- Budget constraints and work exigencies affecting training attendance, mitigated through proactive:
  - Management oversight
  - Evaluation processes

Looking ahead, earlier approval of the OTP and better alignment with branch-level needs will enable more effective delivery and greater impact.

Youth development initiatives

Spanning the areas of EVP, recruitment, training, and youth development, we continued to demonstrate a coherent human capital strategy that prioritises employee wellbeing, institutional capability, and the development of future talent, anchoring employee motivation and brand ambassadorship.

Our Youth Development Programme demonstrated our commitment to nurturing future talent pipelines in alignment with our broader mandate of creating long-term value for Lesotho.

Our engagement of YPs and students was supported through industrial attachments in disciplines including:

- Engineering
- Finance
- Procurement
- Computer science

The programme covered comprehensive attachment-related costs, including stipends, PPE, and IT equipment, ensuring that beneficiaries gained meaningful experiential learning and practical workplace exposure.

Of the cumulative 92 YPs engaged to date in the programme, 31 are female, reinforcing our drive towards diversity and inclusion in technical fields.

Stakeholder feedback emphasised the need to increase stipends, extend programme duration, and provide project tours for participants. These inputs are being considered for the next cycle to further enhance the programme's value.

These efforts position the organisation to sustain value creation through a resilient, skilled, and motivated workforce, while also reinforcing trust among stakeholders by demonstrating a commitment to people and capacity building.

Risks and opportunities

Risks during the year under review included:

- Continued budgetary constraints
- Challenges in recruiting highly specialised technical skills
- High expectations from employees and external stakeholders regarding talent development

Opportunities exist in:

- Deepening partnerships with local and regional universities
- Adopting e-learning platforms for cost-effective training
- Leveraging Phase II project scale to attract talent through meaningful career development opportunities

Looking ahead

The report highlighted areas of business that presented challenges likely to bring uncertainties regarding strategy attainment.

Our outlook on addressing specific human capital areas

Human capital area	Our future focus
Human capacity	We will continue to strengthen our EVP, expand youth initiatives, and pursue more inclusive and adaptive capacity-building programmes. The focus will be on integrating diversity, advancing digital and technical skills, and maintaining high levels of employee engagement.
Data management	We recognise the need for more robust data systems to capture performance across all capitals, and we will strengthen monitoring and evaluation (M&E) by pooling existing M&E resources. In some cases, data had to be gathered manually from different divisions, and some indicators, especially for intellectual and social capital, were reported qualitatively due to a lack of quantifiable metrics. Improving our management information systems and establishing clear owners for each KPI will lead to more complete data. For example, tracking the long-term incomes of ex-residents or the biodiversity index around reservoirs can provide complex data on social and natural capital outcomes, which were not fully available during the year under review.

Our social and relationship capital

Impacting these capitals	
Supporting these strategic core purposes	SP2 SP4
Linked to these material matters	M3 M6
Impacting these stakeholders	GL LC PP SD M NG BI PC
Supporting these UN SDGs	

During the year under review, we reinforced our commitment to communities and stakeholders by delivering an integrated suite of programmes designed to strengthen trust, improve livelihoods, and advance national development priorities.

A snapshot of our year

Social and relationship area	Highlights
Employment Creation	• 12,838 jobs created for Basotho (8,903 skilled; 3,935 unskilled) • 41% youth and 18% women in unskilled roles; 10% women in skilled categories

Compensation and resettlement	• M49.9 million total compensation disbursed in FY2025, including:
	  · M11.4 million annual cash to 1,589 households
	  · M2.8 million in-kind (grain and pulses) to 425 households
	  · M28.6 million lump sums to 308 households
	  · M2.99 million arrears for 86 households
	  · M6.1 million Ombudsman resolutions for 329 households
	• Phase II: 12,842 assets surveyed:
	  · 6,864 (53%) registered in flow-centric system, with 97.3% of private assets compensated in the reporting period of a total of 1,630 assets
	• All payments for reservoir-area assets due by Q3 2026[2]

Livelihoods, Compensation and Corporate Social Investment (CSI)	• M1.3 million invested in potable water systems for two villages
	• 349 households connected through grid electrification (5 villages); procurement in progress for solar at Sephapho
	• Two community halls (Ha Nchela and Thafeng) under construction, 62% complete
	• Education and youth reach:
	  · 9,700 learners
	  · 8 scholarships,
	  · 3 awards
	  · Skills programmes in tourism, entrepreneurship, manufacturing
	• Cultural identity – sponsorship of:
	  · Katse Tourism Festival
	  · Maletsunyane Braai Festival[3]

Local business empowerment

- Set-Aside Contracts

	Polihali Transfer Tunnel (C4021)	Polihali Dam (C4020)
Target	M560 million	M2.14 billion
Committed	M283 million	M1.45 billion
Paid	M79.8 million	M1.22 billion

During the year under review, our Social Development and Environment (SDE) and Public Relations (PR) branches, together with field operations teams, partners across government, civil society, and the private sector, played a central role in ensuring that our operations extended tangible value far beyond the engineering and infrastructure mandate of the LHWP.

Phase II LHDA teams, as well as our contractors and consultants on the Project, played a central role in ensuring that the active construction and implementation phase of our work creates meaningful value for stakeholders.

For more on stakeholders, see page 20.

In-kind compensation

- 425 households provided for
- Support for agricultural production and food security in the Highlands with:
  - More than M11.4 million disbursed in annual cash compensation to 1,589 households
  - M2.8 million directed towards the procurement of grain and pulses from local farmers
- M40.7 million allocated for lump sum payments to 318 households
- Arrears amounting to M2.99 million settled for 86 households
- 329 households received M6.1 million through Ombudsman-related complaint resolutions
- Emergency housing repairs were completed for 26 resettled families in Thetsane

These compensation initiatives directly improved household welfare while strengthening confidence in LHDA's accountability and responsiveness

Infrastructure investments at community level

These advanced steadily, with:

- **Two grid electrification projects**, covering 349 households in Ha Makhalanyane, Pontšeng, Likomisi, Lebiletsa, and Phomolo, commenced in February 2025
- Procurement initiated for **a solar electrification project** at Sephapho
- M1.3 million invested in the rehabilitation and extension of **potable water systems across two communities**, enhancing access to safe water
- **Construction of 2 community halls** at Ha Nchela and Thafeng progressed to 62% completion, representing important social assets for community gatherings, education, and participatory decision-making

Together, these projects directly improved access to electricity, water, sanitation, and social infrastructure, which are central to community resilience and long-term human development

Our social and relationship capital *(continued)*

A snapshot of our year *(continued)*

Engagement with communities and stakeholders

We deepened our engagement with communities and stakeholders with platforms that provide inclusive spaces to address community concerns, share project updates, and co-create solutions, reinforcing transparency and accountability as hallmarks of LHDA's approach through:

- **The 2025 Stakeholder Conference**, bringing together more than 300 delegates, including ministers, NGOs, financiers, and members of the diplomatic corps, reaffirming the institution of this platform after a decade-long absence
- **8 mini-conferences across** Katse, Mohale, 'Muela, Maseru, and Polihali, enabling grassroots dialogue with more than 260 participants

CSI programmes complemented these engagements by targeting education, youth empowerment, women's participation, cultural identity, and biodiversity, including:

- **Over 9,700 learners reached** through career expos and school programmes, with 12 schools participating in the 'Muela Career Day and 17 in the Hololo Development Foundation initiative
- **Directly supporting skills development and employability** through sponsorship of:
  - 8 scholarships
  - 3 Lerotholi Polytechnic student awards of excellence



Youth and women's empowerment

This remained a priority, with programmes that strengthened stakeholder trust, enhanced social cohesion, and positioned the LHDA as a partner in both national and community development through:

- Training in tourism, entrepreneurship, and product manufacturing, equipping beneficiaries with income-generating skills.
- Increased sponsorship of cultural tourism platforms such as:
  - Katse Tourism Festival
  - Maletsunyane Braai Festival
- Investing in wetland and biodiversity initiatives aligned with the National Strategic Development Plan (NSDP) II

Our social and relationship capital *(continued)*

A snapshot of our year *(continued)*

Phase II resettlement and compensation

We have prioritised resettlement, asset registration, and compensation as integral components of sustaining trust and securing the social licence to operate. Resettlement action plans (RAPs) have been prepared for all major works areas, including:

- Polihali North-East Access Road (PNEAR), Polihali Dam, Transfer Tunnel eastern works, and elements of the Project Housing component
- Reservoir impoundment area and the remainder of the Project Housing component
- Polihali Western Access Corridor (PWAC), covering the powerline and telecommunications routes
- Western (Katse) area, covering camps and works areas in the Matsoku Valley and adjacent to the Katse Reservoir



Initiative outcomes

Initiative outcomes include:

- Households in LHWP catchments experience **improved food security and living standards**
- **Grid and solar electrification projects** promise lasting benefits for over **300 families**
- Investments in **potable water and sanitation** contribute to improved public health outcomes, having reached more than **3,000 households since 2022**
- The construction of community halls has provided vital infrastructure for social and civic participation
- **Stakeholder conferences and CSI programmes** reinforce the LHDA's reputation, with baseline survey results:
  - Confirming recognition of the LHDA's role in development
  - Highlighting the need for greater transparency and visible benefit delivery

Surveying, verification, and approval of assets

This was completed by March 2025, with:

- 12,842 assets surveyed, verified, and approved
- Ongoing registration, particularly for assets in the Polihali Reservoir impoundment area.
- Compensation processes supported by a structured Land Access Protocol, ensuring that:
  - Ownership is verified
  - Beneficiaries' banking details collected
  - Formal verification documents (asset verification forms, entitlement forms, offer letters) signed.

This approach enables transparent, timely, and traceable compensation delivery.

Resolution of community complaints by liaison teams have provided essential support in:

- Facilitating grievance redress
- Strengthening beneficiary confidence in the fairness of the process

Compensation disbursements are aligned with the acquisition of land and assets required for project works, ensuring that construction proceeds in tandem with stakeholder commitments.

Our social and relationship capital *(continued)*

A snapshot of our year *(continued)*

Phase I and Phase II programmes

These reflect our role as more than an infrastructure implementer: we are a driver of community development, trust-building, and inclusive growth as:

- Households in catchment areas experience improved food security, electrification, and access to safe water and sanitation
- Phase II resettlement and compensation programmes further reinforce equity and fairness

Risks we faced

- Timely delivery of community projects that often depend on third-party implementers
- Drought posed a threat to agricultural procurement schemes
- Heightened community expectations presented reputational challenges if benefits were delayed.

These risks were mitigated by:

- Strengthened governance and implementation of community development projects
- Elevated cross-functional delivery of these projects and stakeholder engagement
- Implementation of the IRF and establishment of the IRC, providing an opportunity to raise accountability and transparency in reporting and sharing key information with stakeholders
- Reinforcement of grievance mechanisms and embedding stakeholder feedback loops into programme delivery through:
  - Increased support to our social and relationship capital through Board oversight and various Sub-Committees of the Board, including:
    - Social Development Sub-Committee
    - ARC

For more on risk management, see page 46.

Looking ahead

In the short term, we will:

- Complete all outstanding Phase I community development projects by March 2026
- Finalise the construction of the Ha Nchela and Thafeng community halls by September 2025
- Refurbish 26 resettlement houses along the mountain road by March 2026
- Register all assets to be affected by the Polihali Dam by March 2026 and effect payments by the third quarter, ensuring timely compensation processes
- Scale up women's and youth empowerment programmes

In the short to medium term, we will:

- Strengthen small business participation in Phase II procurement
- Expand biodiversity and conservation initiatives
- Continue to institutionalise the Annual Stakeholder Conference as a flagship accountability platform
- Explore the use of digital tools for consultations and grievance redress

In Phase II we will focus on:

- Employment
- Skills development
- Local business empowerment



Our manufactured capital

Impacting these capitals	
Supporting these strategic core purposes	SP1 SP2 SP3 SP4
Linked to these material matters	M1 M2 M3 M4 M7
Impacting these stakeholders	GL LC PP SD M NG BI PC
Supporting these UN SDGs	

Now in its operation and maintenance stage, Phase I of the LHWP, through our manufactured capital, continues to provide tangible benefits to both Lesotho and RSA.

Our manufactured capital is inextricably linked to other capitals, particularly:

- Financial capital through royalties, electricity revenue, and capital investments
- Social and relationship capital through livelihoods and multi-purpose infrastructure and community facilities
- Natural capital through water and energy resource use
- Human capital through construction jobs and skills development.

A snapshot of our year

Phase I

506.7 MCM
water delivered to South Africa

M5.0 million
electricity revenue to Lesotho

M2.897 billion
in royalties earned for Lesotho

478,089m³
potable water supplied to operations, villages and communities

261GWh
electricity generated at 'Muela

M128 million
invested in tunnel maintenance and upgrades

Phase II

- **96%** Completion of advance infrastructure
- **77.7%** Completion of Senqu Bridge
- **27%** Completion of Polihali Dam
- Polihali village, lodge and commercial centre completed
- **39%** Completion of Polihali Transfer Tunnel
- Oxbow Hydropower Project: design, ESIA, and inception works underway

Phase I

Operations and maintenance

Phase I of the LHWP is now in its operation and maintenance stage and continues to provide tangible benefits to both Lesotho and RSA.

The 506 million cubic meters (MCM) water delivery to RSA during the reporting period generated M2.897 billion in royalties for the GoL, notwithstanding the tunnel maintenance period from October 2024 to May 2025, where water delivery was completely shut down.

This scheduled maintenance is part of the asset lifecycle management plans and maintenance schedule that demands this level of extensive inspection every five years and major maintenance as the inspections should require.

To mitigate against the impact of this maintenance and the resulting curtailment of some royalty revenue, larger, compensatory quantities of water were delivered in the months ahead of October 2024 and after the maintenance works.

This reliable water supply underpins Gauteng's and the region's economic and social development, while ensuring Lesotho remains a net beneficiary of its water resources.

For more on our contribution to communities, see page 84.

Community benefits for Lesotho

Services safeguarding public health, sustaining LHDA's operations, and improving community living standards:

- Potable water supply and sewage treatment for LHDA operations villages and surrounding communities, with 478,089m³ of treated water supplied, including:
  - Contributions from 'Muela (177,840m³)
  - Katse (140,649m³)
  - Mohale (87,600m³)
  - Likileng (72,000m³)

Our manufactured capital *(continued)*

A snapshot of our year *(continued)*

Phase I *(continued)*

Electricity benefits for Lesotho

The year saw continued offsetting of national electricity imports while advancing the country's energy security through electricity from the 'Muela Hydropower Plant, which:

- Generated 261GWh of renewable electricity during the reporting period
- Yielded M5.0 million in revenue for the GoL

Preparations for the Katse Mini-Hydropower Plant, now under construction, will further augment this clean energy footprint.

During the October 2024 to May 2025 shutdown, at the 'Muela Hydropower Station, there were high energy imports, eroding some financial value for the GoL. However, this was an important exercise in ensuring sustainable integrity of the system and the power station.

M128 million was invested in tunnel maintenance to preserve system integrity, alongside significant capital works including:

- Corrosion protection at the 'Muela Hydropower Station and bypass tunnels
- Replacement of process controllers
- Upgrades to water and sewage treatment plants
- Fire detection system replacements

At Katse and Mohale, investments included:

- Dredging
- Procurement of new siltation pumps
- Construction of water reticulation networks
- Refurbishment of electrical equipment and operations buildings
- Road networks spanning more than 200km across Katse and Mohale, ensuring reliable access for both LHDA operations and surrounding villages

Phase I outcomes

- Reinforcement of the resilience of LHWP infrastructure
- Extension of useful lifespan
- Guarantee of continued delivery of value to stakeholders in both Lesotho and RSA

Phase II

Phase II of the LHWP represents the next frontier of value creation, expanding both water transfer and hydropower capacity. This phase consists of two major components:

- Water Transfer, funded by South Africa
- Hydropower Component, funded by Lesotho

Overall construction progress

Overall construction progress on Phase II stood at 42.8%, against a planned target of 40% by 31 March 2025, with notable achievements in both enabling works and main infrastructure.

Advance infrastructure reached 96% completion, including:

- Upgrading of the 16.1km Polihali Northeast Access Road
- Construction of the 54km Polihali Western Access Road
- Resurfacing of 96km of the Northern Access Road
- Provision of bulk power supply and telecommunications
- Completion of the Polihali village and lodge, Katse Lodge upgrade, and Polihali Commercial Centre

Main works

Polihali Dam:

- Designed as a **163.5m high** concrete-faced rock-fill dam
- Reached **27%** completion by March 2025.

Complementary works well underway include:

- **50m** saddle dam
- Side-channel spillway
- Compensation outlet tower and house
- Access bridge.

Polihali Transfer Tunnel

- **38km long, 5m diameter** waterway connecting Polihali to Katse
- **39%** completion

Collectively, these works will expand water transfer capacity from **780 MCM** annually to **1,280 MCM** annually, securing:

- Future royalties for Lesotho
- Increased energy production
- Additional rate of flow of water from the Polihali Dam through 'Muela Hydropower Stations, increasing the station's output by **30%**

Our manufactured capital *(continued)*

A snapshot of our year *(continued)*

Phase II *(continued)*

Complementary infrastructure

This includes:

- Senqu Bridge (77.7% complete)
- Khubelu and Mabunyaneng bridges
- Associated feeder roads progressed to restore connectivity across communities once the Polihali reservoir is impounded

Ancillary facilities are being advanced through separate packages, underscoring LHDA's commitment to integrated development. These include:

- Police stations
- Schools
- Health centres
- Prisons

Oxbow Hydropower Project, the central element of Phase II's energy ambitions, also commenced. Early achievements include:

- The award of contracts for detailed engineering design and construction supervision services (M800 million)
- Environmental and Social Impact Assessment (M12.5 million)
- Delivery of inception reports

Once complete, Oxbow will transform Lesotho's energy landscape by boosting generation capacity, inching Lesotho closer to future exports of renewable power, and will feature:

- A 100m high CFRD dam
- A 6.6km headrace tunnel
- A powerhouse equipped with four Pelton turbines (4 x 23.3MVA) for an overall capacity of 80MW

New transmission lines to 'Muela.

Risks and opportunities

Risks faced include those that continue to exert pressure on awarded contracts and long-term budgets, and arising from:

- Potential infrastructure failure
- Foreign exchange volatility
- Global inflationary pressures that have increased the costs of materials, labour, and logistics

Opportunities lie in embedding climate-resilient design and predictive maintenance technologies, which will extend infrastructure lifecycles and enhance value creation.

Looking ahead

Collectively, our efforts will be focused on ensuring continuity of royalties, expansion of clean energy supply, and enhancement of socio-economic development for Lesotho and South Africa by:

- Finalising the LHWP lifecycle asset management framework, ensuring long-term integrity of existing assets and new ones
- Ensuring Phase II focus will remain on:
  - Accelerating dam and tunnel works
  - Completing major bridges works
  - Advancing the Oxbow Hydropower Project through detailed design, fundraising, ESIA, and early works

Our natural capital

Impacting these capitals	
Supporting these strategic core purposes	SP1 SP2 SP3 SP4
Linked to these material matters	M1 M2 M3 M4 M6 M7
Impacting these stakeholders	GL LC PP M NG PC
Supporting these UN SDGs	

A snapshot of our year

198.8ha
wetlands rehabilitated (target: 172.93ha)

100%
compliance on priority water quality parameters

661.51ha
land restored (target: 600ha)

M22.53 million
allocated to ICM and conservation initiatives

M3.73 million
allocated to seven farmers through SADP, CAFI, UNDP for livelihoods diversification

Natural capital component	Indicators	Outcomes
Wetlands and catchment restoration	• **198.8ha** wetlands rehabilitated (target: 172.93ha) • **342ha** brush control completed • **52.9km** brush lines established • **26** loose rock structures and 34 gabions built • **389m²** sodding completed • **45 stone beacons (67.5m³)** placed to mark wetland boundaries	• Strengthened catchment health and biodiversity • Reduced erosion and sedimentation • Enhanced environmental awareness and skills in communities
Ecological restoration (Catchment)	• **661.51ha** land restored (target: 600ha) • **1,306.15ha** brush control achieved • **716.35km** trash and stone lines established • **434 gabions** and **199 rock structures** built • **14,085 trees** planted	
Livelihoods and community capacity	• **M3.73 million** allocated to seven farmers through SADP, CAFI, UNDP for livelihoods diversification • Community capacity-building workshops and awareness campaigns delivered	
Water and biodiversity management	• **100% compliance** on priority water quality parameters • Progress on LHWP Water Quality Analytical Laboratory in partnership with Rand Water • Bi-annual fish stock assessments at Katse and Mohale, Polihali fisheries surveys • Annual bird monitoring (Southern Bald Ibis, Bearded Vultures, Atlas Bash for other species)	
Financial resources	• **M22.53 million** allocated to ICM and conservation initiatives: • Wetlands rehabilitation: **M5.03 million** • ICM and livelihoods: **M15.7 million** • Environmental conservation and monitoring: **M1.8 million** Collaborative partnerships • Partners include: · GoL ministries · Local communities · NGOs (BLSA, MDTP) · RSA partners (TCTA, Rand Water) · Financers (LHWPII) and development agencies (GEF, WFP, BirdLife SA, Bearded Vulture Task Force)	

Our natural capital *(continued)*

A snapshot of our year *(continued)*

Budgets

Budget items	Amount
Wetland rehabilitation	M5.03 million
ICM and livelihoods	M15.7 million
Environmental Conservation and Catchment Monitoring through Biological Management Action Plan (BMAP), Fisheries, Katse Botanical Garden (KBG)	M1.8 million
Total budget	**M22.53 million**

The year saw overperformance in most activities, conducted in collaboration with:

- Regulators
- GoL ministries/departments
- Local structures, communities, cooperating partners
- NGOs:
  - BLSA
  - MDTP
- RSA partners:
  - TCTA
  - Rand Water
- Financers LHWP II
- Development partners:
  - GEF Small Grants Programme
  - SADP
  - CAFI
  - Renoka
  - WFP
  - BirdLife South Africa
  - Bearded Vulture Task Force
- Environmental scientists, ecologists, cross-functional monitoring teams, GIS experts, community members

Care of biophysical and ecological environments

We execute this through the Integrated Catchment Management (ICM) Programme that fosters collaboration with the communities within the LHWP catchments.

We thus focus on:

- Wetlands conservation and restoration
- River catchments
- Biodiversity (flora/fauna)
- Soils and water quality monitoring
- Establishment of a protected area in river headwaters
- Community capacity-building in the management of natural resources
- Adherence to Environmental Management Plans (EMPs) and the Aquaculture Regulatory Framework (ARF) through the auditing of:
  - Aquaculture operators
  - Contractors
  - LHWP works

Wetlands under rehabilitation

Specific activities and interventions implemented included:

- Brush control
- Establishment of brush lines
- Construction of loose rock structures and gabions
- Sodding
- Placement of stone beacons to delineate wetland boundaries at:
  - Thaba-phatšoa
  - Koting-sa-likhama
  - Mohlakeng-oa-likhama
  - Khauli
  - Rapokolane

Land area under ecological restoration

For the land area under ecological protection, we advanced stakeholder engagement in the processes leading towards the establishment of a protected area.

For more on stakeholder engagement, see page 20.

Specific interventions included:

- Brush control
- Establishment of trash and stone lines
- Construction of gabions and rock structures
- Planting of trees

The farmers assisted in drafting grant proposals benefitted from a total allocation of M3.73 million from

- Smallholder Agriculture Development Project II (SADP)
- Competitiveness and Financial Inclusion (CAFI), and United Nations Development Programme (UNDP) for livelihoods diversification initiatives

Water quality monitoring

Water quality monitoring activities were conducted with all priority parameters achieving 100% compliance with LHDA Guidelines.

The establishment of the LHWP Water Quality Analytical Laboratory (WQAL), has been advanced through a long-term partnership with Rand Water (RW).

ICM Programme

Our ICM Programme seeks to:

- Improve catchment health
- Restore wetlands
- Reduce erosion and sedimentation while ensuring sustained biodiversity.

These activities are entwined with:

- Enhanced environmental skills and awareness among LHDA staff and communities
- Strengthened monitoring systems (credible environmental data)
- Increased community trust as well as participation in conservation programmes

Implementation

Implementation of the ICM Programme includes:

- Interventions implemented, including erosion control
- Invasive species removal, with a target of 600ha by March 2025
- Implementation of livelihoods diversification projects

Implementation of the LHWP Biodiversity Management Plan includes:

- Bi-annual fish stock assessments in the Katse and Mohale dams
- Polihali fisheries surveys
- Annual birds monitoring (Southern Bald Ibis, Bearded Vultures, and annual atlas bash for other bird species)

Quarterly water quality monitoring includes:

- Processes towards establishment of LHWP analytical laboratory
- Catchment surveillance
- Implementation of EFR Policy and procedures (water quality (quarterly assessments))
- Establishment of a protected area in the headwaters of rivers that feed the LHWP reservoirs

Environmental awareness workshops are held for workers and communities.

For more on our CSI, see page 84.

09

LOOKING AHEAD





Looking ahead

As we advance Phase II of the Project and prepare for future phases, we will continue to strengthen our resilience and adaptability.

Sustainable value creation

Our aim in the short to medium term will be to reinforce key enablers of sustainable value creation, which will include:

- Embedding climate-resilient design in all infrastructure
- Deepening community participation in development planning
- Strengthening financial sustainability through cost-reflective models and prudent reserves
- Enhancing governance agility and performance culture
- Leveraging digital systems and data for transparency and impact measurement

Integrated analysis

We understand that clearly, transparently, and adequately communicating our commitment to presenting our strategy, performance, governance, and risk management is fundamental to the trust we strive to foster in our organisation and its strategic goals.

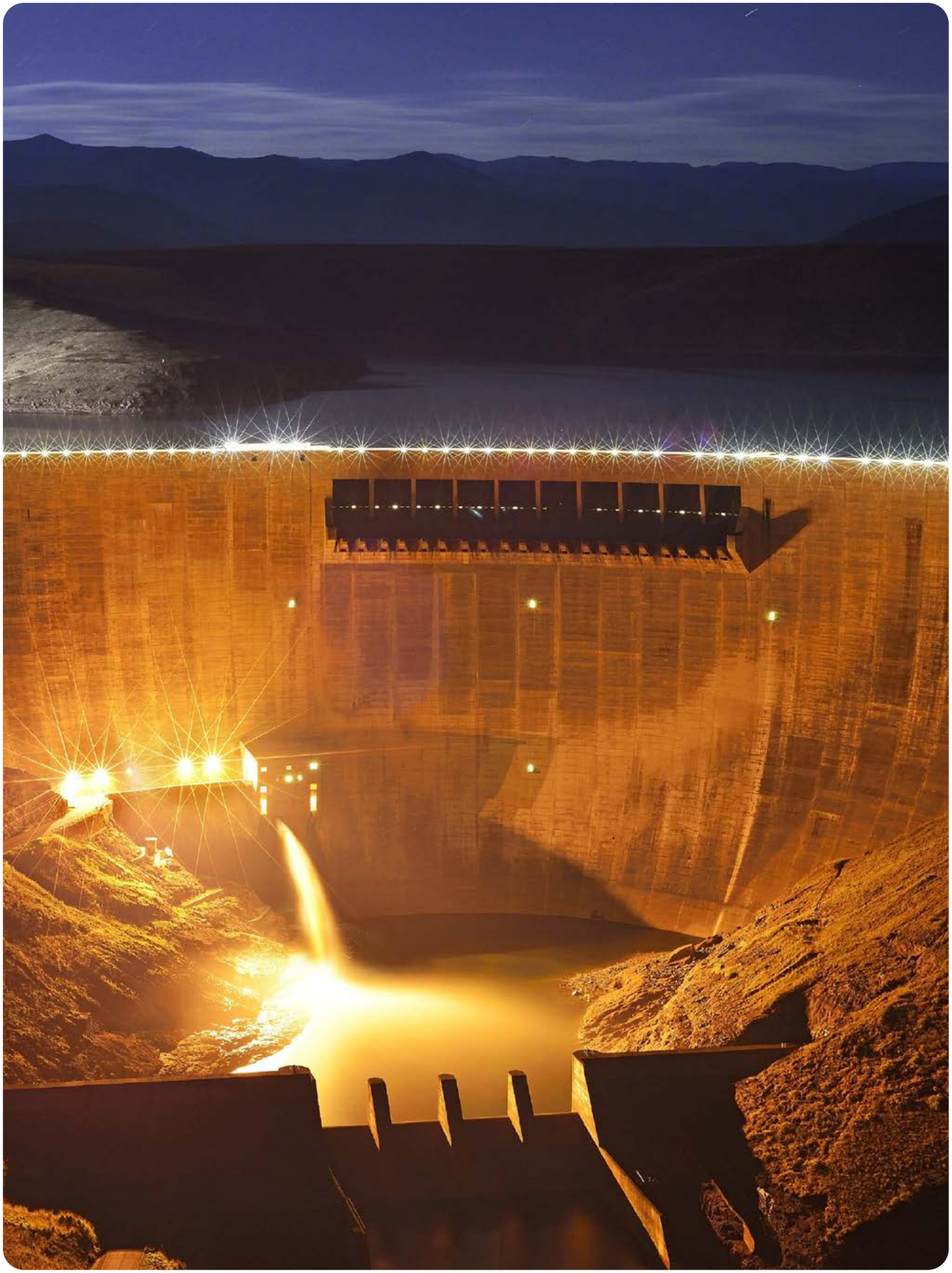
We will therefore work towards further enhancing linkages in our integrated report, more effectively connecting the way any one capital's performance affects any other, such as in:

- Demonstrating how investments in human capital, such as training, improve project delivery
- Showing how environmental conservation efforts reduce long-term costs.

Future reports will more explicitly discuss these interdependencies, thereby moving beyond siloed reporting.

While the present report qualitatively discusses challenges, we aim to ensure that future reports will benefit from scenario analysis, laying out best-case, base-case, and worst-case scenarios for key variables like water demand or climate impact, and ways in which the organisation would respond.

We recognise that such an approach will help readers form their own view of the LHDA's future and resilience strategies.



10

OUR GOVERNANCE



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A snapshot of our governance

The governance of the LHDA is anchored in a unique bi-national framework that reflects nearly four decades of partnership, equity, and accountability, and forms a key part of our intellectual and human capitals.

Foundational instruments

- **1986 LHWP Treaty (as amended)** – establishes the bi-national partnership between Lesotho and South Africa.
- **Phase II Agreement** – provides the framework for expansion, implementation of the Phase II Programme, and equitable benefit-sharing.

Oversight body

- **Lesotho Highlands Water Commission (LHWC):**
  - Bi-national oversight and policy direction
  - Safeguards the balance of national interests
  - Ensures compliance with Treaty and agreements

Institutional governance

- **Board of Directors** – strategic leadership and oversight
- **Delegation of Authority Framework** – empowers effective and accountable decision-making
- **Governance Manual** – codifies decision-making authority, delegation limits, and oversight mechanisms

Integrated delivery

- Phase I: Operations and maintenance of existing assets
- Phase II: Active construction and implementation
- Both delivered under a single governance architecture that ensures continuity and integration

Value of governance

- Preserves equity between nations
- Strengthens trust and accountability
- Provides assurance of sustainable delivery for almost four decades

Our governance framework

Our dual approach ensures that our governance not only meets compliance requirements but also embraces international best practice.

Mandatory instruments

We operate within a comprehensive mandatory regime, comprising:

- **Treaty (1986) and Protocol VI (1999)** – establishes roles, responsibilities, and accountability of the LHWC and LHDA
- **LHDA Order (1986) and Amendment Act (2000)** – defines fiduciary obligations of the Board
- **Phase II Agreement (2011)** – guides implementation of the Phase II programme
- **Governance Manual (2022)** – codifies decision-making authority, delegation limits, and oversight mechanisms

Voluntary best practice

Beyond mandatory obligations, LHDA adopts globally recognised standards to strengthen governance culture:

- King IV (2016) and King V (2024) Codes of Corporate Governance
- G20/OECD Corporate Governance Principles (2015)
- ISO 37000:2021 Governance of Organisations
- Mohlomi Corporate Governance Code (2021)

Who leads us

Our Board of Directors

The Board comprises nine highly qualified members, transparently appointed to ensure diversity of expertise across technical, legal, financial, and development disciplines.

Independent oversight is reinforced through fiduciary accountability and periodic performance assessments.

The Board provides strategic leadership, ensures transparency and disclosure, approves major policies and expenditure limits, and exercises oversight of management and operations.

Board members



Mr. Stephen Phakisi
Board Member, Chairperson of the Board of Directors
Mosotho
Joined: 2018



Mr. Mzwandile Malishe
Board Member, Chairperson of the Human Resources Committee
South African
Joined: October 2019



Ms. Kantha Rattay
Board Member, Deputy Board Chairperson
South African
Joined: September 2019



Lefadi Lucas Makibinyane
Board Member, Chairperson of the Operations and Maintenance Sub-Committee
South African
Joined: August 2022



Mrs. Neo Phakoana-Foulo
Board member
Mosotho
Joined: 2018



Mr. Peete Molapo
Board Member
Mosotho
Joined: April 2018



Mr. Robert S. Mbwana. Pr.Eng
Board member (former Board Chairperson), Chairperson of the Technical Sub-Committee
South African
Joined 2011



Mr. Tente Tente
Board Member, LHDA Chief Executive
Mosotho
LHDA Chief Executive since 2019



Dr. Taelo Letšela
Board Member, Chairperson of the Sustainable Development Sub-Committee
Mosotho
Joined October 2019



Advocate Mpho Sebusi-Maholi
Corporate Secretary
Mosotho
Joined: 2024

Who leads us *(continued)*

Board members *(continued)*



Mr. Stephen Phakisi

Chairperson the Board of Directors

- International Certificate – Preparedness and Disaster Management (Granfield University UK, 1997)
- Master's in Economics (University of Alberta, Canada, 1996)
- Certificate of Management (McGill University, Canada, 1992)
- Honours Degree with Honours (Economics and Business (University of Dalhousie Canada, 1994)

Stephen L. Phakisi is a development and infrastructure specialist with more than two decades of experience in water sector development, integrated catchment management and large-scale infrastructure programmes. His professional experience includes extensive involvement in the Lesotho Highlands Water Project, the Lesotho Lowlands Water Supply Scheme and Millennium Challenge Corporation-funded programmes. He has served on numerous boards and governance structures, including financial institutions and development organisations. Mr. Phakisi brings strong expertise in stakeholder engagement, project management, environmental management and development cooperation, with a particular focus on sustainable livelihoods and water resource management.



Mrs. Neo Phakoana-Foulo

Chairperson of the Audit and Risk Committee

- Certificate in International Auditing (ACCA, UK, 2009)
- MBA (University of the Free State, SA, 2008)
- Professional Stage (CA) (FCCA, UK (Fellow Member, 2006))
- International Capital Markets Qualification (UK, 2000)
- Chartered Accountant (Lesotho, 1999)
- Diploma in Business Studies (National University of Lesotho, 1992)

Neo Foulo is an accomplished chartered accountant and governance professional with extensive leadership experience spanning finance, risk management, telecommunications, education and public institutions. She currently serves as Rector of the Centre for Accounting Studies and has previously held senior executive positions including General Manager: Audit, Fraud and Risk at Econet Telecom Lesotho and Finance and Administration Manager under the Millennium Challenge Account. Ms. Foulo has served on numerous boards and governance structures, including the Central Bank of Lesotho, Lesotho Revenue Authority and Standard Lesotho Bank. Her strong background in audit, corporate governance, risk management and institutional leadership significantly strengthens the Board's oversight and financial governance capabilities.



Mr. Robert S. Mbwana. Pr.Eng

Former Board Chairperson, Chairperson of the Technical Sub-Committee

- Registered Professional Engineer (ECSA, 1998)
- BSc Civil Engineering (University of Malawi, 1987)
- Diploma in Civil Engineering (Polytechnic University of Malawi, 1984)

A registered Professional Civil Engineer with more than 35 years of experience in water infrastructure development and programme management, Robert S. Mbwana brings extensive expertise in the planning, design and implementation of large-scale water projects across Southern Africa. He has held senior leadership positions in both the public and private sectors, including serving as Water Services Manager for the City of Cape Town and Managing Director of Inhlakanipho Consultants. Mr. Mbwana has also served on the Board of the Trans Caledon Tunnel Authority (TCTA), where he chaired technical committees overseeing major strategic water infrastructure programmes. His deep technical knowledge, governance experience and leadership within the water sector continue to provide strategic oversight to the LHDA Board.



Ms. Kantha Rattay

Deputy Board Chairperson

- Master of Laws (Georgetown University, Washington DC, 1993)
- Bachelor of Laws (University of the Witwatersrand, South Africa, 1991)
- BA (University of the Witwatersrand, South Africa, 1990)
- Admitted to practice as an attorney of the High Court of South Africa
- Membership in Professional Societies – Law Society of South Africa

Kantha Rattay is a highly experienced legal and infrastructure finance specialist with deep expertise in public-private partnerships (PPPs), infrastructure transactions and project finance. Through KR Consulting and previously as a Partner at White & Case LLP, she has advised governments, development institutions and private sector entities on complex infrastructure and energy projects across Africa and internationally. Her portfolio includes advisory work on renewable energy projects, transport infrastructure, toll roads, water and sanitation projects, and hospital PPPs. Ms. Rattay's expertise in legal structuring, regulatory compliance and infrastructure financing contributes significantly to the Board's governance and strategic oversight.

Who leads us *(continued)*

Board members *(continued)*



Dr. Taelo Letšela

Chairperson of the Sustainable Development Sub-Committee

- PhD Ecology (University of the Witwatersrand, Johannesburg, South Africa, 2004)
- Master of Natural Resources Management (MNRM) (University of Manitoba, Winnipeg, Canada, 1995)
- BSc (National University of Lesotho, 1990)

Dr. Taelo Letšela is an environmental scientist and academic with extensive experience in ecology, environmental management and international environmental governance. He previously served as Executive Director of the Africa Institute, an intergovernmental organisation supporting African countries in implementing multilateral environmental agreements related to hazardous chemicals and waste management. During his tenure, he led major regional programmes funded by institutions such as UNEP, UNIDO, GEF and the governments of Denmark, Finland and Sweden. Dr. Letšela also served in academia at the National University of Lesotho and continues to provide environmental consultancy services through Global Environmental Solutions. His expertise strengthens the Board's environmental governance and sustainability oversight.



Mr. Mzwandile Malishe

Chairperson of the Human Resources Committee

- Professional Memberships: South African Board for People Practice (SABPP) – Chartered HR Professional, Institute of Directors Southern Africa (IoDSA) – Member
- Senior Leadership Development Certificate (SLDP) (University of KwaZulu-Natal, 2017)
- Management Development Programme Certificate (MDP) (University of KwaZulu-Natal, 2015)
- BCom (Honours) HRM (MANCOSA, 2014)
- BTech – Human Resource Management (University of South Africa, 2009)
- National Diploma Human Resource Management (Mangosuthu Technikon, Durban, 1998)

Mzwandile Malishe is an experienced human capital and organisational development professional with expertise in human resource management, leadership development, performance management and institutional transformation. He currently serves as Human Resources Development Manager at Ithala Development Finance Corporation and has extensive experience in HR strategy, talent management, governance and organisational development. Mr. Malishe also leads several private sector business ventures and has served on various bid committees and governance structures. His experience in strategic human capital management and governance supports the Board's oversight of organisational effectiveness and institutional performance.



Mr. Lefadi Lucas Makibinyane

Chairperson of the Operations and Maintenance Sub-Committee

- BEng with Honors (Chemical Engineering) (University of Teesside, Middlesbrough, UK, 1990)
- Post Graduate Certificate Management Development Programme in Project Management (University of South Africa School of Business Leadership, South Africa 1998)
- Master's in Business Leadership (University of South Africa School of Business Leadership, Pretoria, South Africa, 2002)

Lefadi Lucas Makibinyane is a Chartered Engineer and seasoned executive with extensive experience across infrastructure development, engineering, finance, utilities and governance. His career spans leadership roles in major institutions including Anglo American, Sasol, the Industrial Development Corporation (IDC), the City of Tshwane Metropolitan Municipality, Consulting Engineers South Africa (CESA), Rand Water and Amatola Water Board. He has led large-scale infrastructure portfolios with multi-billion-rand budgets and served on numerous public sector boards and audit committees. Mr. Makibinyane combines technical engineering expertise with strategic finance and governance experience, bringing valuable insight into infrastructure delivery, public sector performance and institutional oversight.



Mr. Peete Molapo

Stakeholder Representation

- MA in Economics (University of East Anglia, UK, 1988)
- Post-Graduate Diploma in National Accounts and Economic Statistics (University of East Anglia, UK, 1987)
- BA in Economics (National University of Lesotho, 1982)

Peete Molapo is an economist and development strategist with extensive experience in macroeconomic policy, financial sector development, trade and institutional leadership. His distinguished career includes serving as Chief Executive Officer of the Lesotho National Development Corporation, Deputy Governor of the Central Bank of Lesotho, Executive Director at the African Development Bank and Chief Economist at Lesotho Bank. He has also worked extensively as a consultant on trade policy, industrialisation, enterprise development and regional integration initiatives within Lesotho and the broader SADC region. Mr. Molapo brings to the Board strong expertise in economic policy, development finance and strategic planning.

Who leads us *(continued)*

Board members *(continued)*



Mr. Tente Tente

LHDA Chief Executive

- Registered Professional Engineer (ECSA) 2005
- Construction Management Programme (Stellenbosch University, 2005)
- Diploma in Advanced Concrete Technology (Institute of Concrete Technology, 2002)
- MSC Structural Engineering (Surrey University, UK, 1996)
- BEng (Hons) Civil Engineering (Loughborough University, 1995)

Tente Tente is an accomplished civil engineer and infrastructure executive with extensive experience in large-scale water transfer and dam infrastructure projects in Lesotho and South Africa. Prior to his appointment as Chief Executive of the LHDA in 2019, he served as Divisional Manager: Phase II, where he played a central role in advancing the implementation of Phase II of the Lesotho Highlands Water Project. His career spans key engineering and project management roles on major infrastructure programmes including the Mohale Dam and Berg Water Project. Mr. Tente possesses strong expertise in project delivery, procurement, contracts management and water infrastructure development, and continues to lead the LHDA in delivering its strategic mandate and transformational infrastructure programme.



Advocate Mpho Sebusi-Maholi

- LLB (National University of Lesotho, 2010)
- Post Graduate Diploma in Business Administration (University of the Free State, 2019)
- MBA candidate (University of the Free State, 2024)
- Admitted Advocate of High Court of Lesotho and Court of Appeal

Advocate Mpho Sebusi-Maholi has served as LHDA's Corporate Secretary since 2024, providing strategic governance, compliance and corporate secretariat support to the Board of Directors and its Sub-Committees. An admitted Advocate of the Courts of Lesotho, she has more than 15 years of experience at LHDA in corporate governance, litigation, contract management, regulatory compliance, procurement advisory, dispute resolution and land and property law. She holds a Bachelor of Laws degree and a Postgraduate Diploma in Business Administration and is pursuing a Master of Business Administration. Her extensive institutional knowledge and legal expertise support effective Board processes, sound governance practices and the protection of LHDA's legal and organisational interests.

Our executive management

Name	Position	Gender	Tenure
Mr. T. Tente	Chief Executive	M	6 Years
Mr. R. Molapo	Divisional Manager: Operations and Development	M	11 Years
Ms. Mochaba	Divisional Manager: Social Development and Environment	F	2 Years
Mr. L. Mokaoane	Chief Finance Officer	M	9 Years
Mr. K. Moejane	Divisional Manager: Corporate Services	M	5 Years
Mr. N. Maiketso	Divisional Manager Phase II	M	4 Years

Ethics, integrity and accountability

Ethical leadership remains the cornerstone of our governance culture, and we continue to uphold a strong framework that embeds integrity and accountability across all levels.

All employees and Board members commit to the organisation's Code of Ethics and Member Code of Conduct, ensuring a shared standard of behaviour and professionalism. This is complemented by our Conflict-of-Interest Policy, which requires an annual declaration of personal or financial interests to safeguard the objectivity of decision-making.

We also maintain robust anti-corruption and fraud prevention frameworks which reinforce our zero-tolerance approach to dishonest or unethical conduct. In addition, our Whistle-Blowing Policy and independently managed hotline provide a safe and confidential channel through which employees and stakeholders can report concerns, thereby strengthening transparency and promoting a culture of accountability.

Our Board sub-committees

The Board executes its oversight role through five sub-committees, each chaired by an independent member with relevant expertise.

Audit and Risk Committee

Members
Mrs. Neo Foulo – Chairperson
Ms. Kanthimathie Rattay
Mr. Gerrit van Wyk
Mr. Paul Slack
Mr. Vincent Mello
Mr. Sekete Phohlo

Responsibilities
Financial reporting, IT systems, internal and external audit, internal controls, corporate risk management

Who leads us *(continued)*

Our Board sub-committees *(continued)*

Human Resources Committee

Members
Mr. Mzwandile Malishe – Chairperson
Mr. Peete Molapo
Mr. Jonathan Thekiso
Mr. J Jasen
Dr. Jonty Tshipa
Mrs. Mamojela Koneshe

Responsibilities

Talent management, remuneration policies, succession planning, workforce development

Operations and Maintenance Committee

Members
Makibinyane Lefadi – Chairperson
Mr. Nandha Govender
Mr. Mphetheng Mokubung
Mr. Khathutshelo Maumela
Mr. Robert Mbwana

Responsibilities

Strategies and oversight of operational performance of Phase I assets

Sustainable Development Committee

Members
Dr. Taelo Letšela – Chairperson
Mr. Peete Molapo
Mr. Stephen Phakisi
Mr. Mxolisi Dube
Dr. Makase Nyaphisi

Responsibilities

Oversight of social, environmental, and sustainability programmes

Technical Committee

Members
Mr. Robert Mbwana – Chairperson
Ms. Kanthimathie Rattay
Dr. Taelo Letsela
Mr. Ronald Watermeyer
Mr. Molefi Mokhethi
Mr. Mohlomi Thamae

Responsibilities

Technical, engineering, environmental, and social matters relating to Phase II implementation

Board and sub-committee performance

During the year under review, the Board and its sub-committees maintained a high level of activity and discipline, convening 51 meetings in total.

Body	Meetings held	Performance (% of planned meetings)
Board of Directors	12	100%
Audit and Risk	7	95%
Human Resources	6	92%
Operations and Maintenance	7	95%
Sustainable Development	7	95%
Technical	13	100%

The overall meeting attendance rate of >95% reflects a high level of diligence, commitment, and accountability across our governance structure.

Looking ahead – Continuous improvement and outlook

We remain focused on continuously enhancing our governance systems to remain responsive to growing complexity and evolving stakeholder expectations.

Key areas of attention will include the ongoing review of the delegation of authority, which will support more efficient and decentralised decision-making while maintaining strong oversight.

We are also prioritising succession planning to preserve institutional memory and secure long-term leadership continuity.

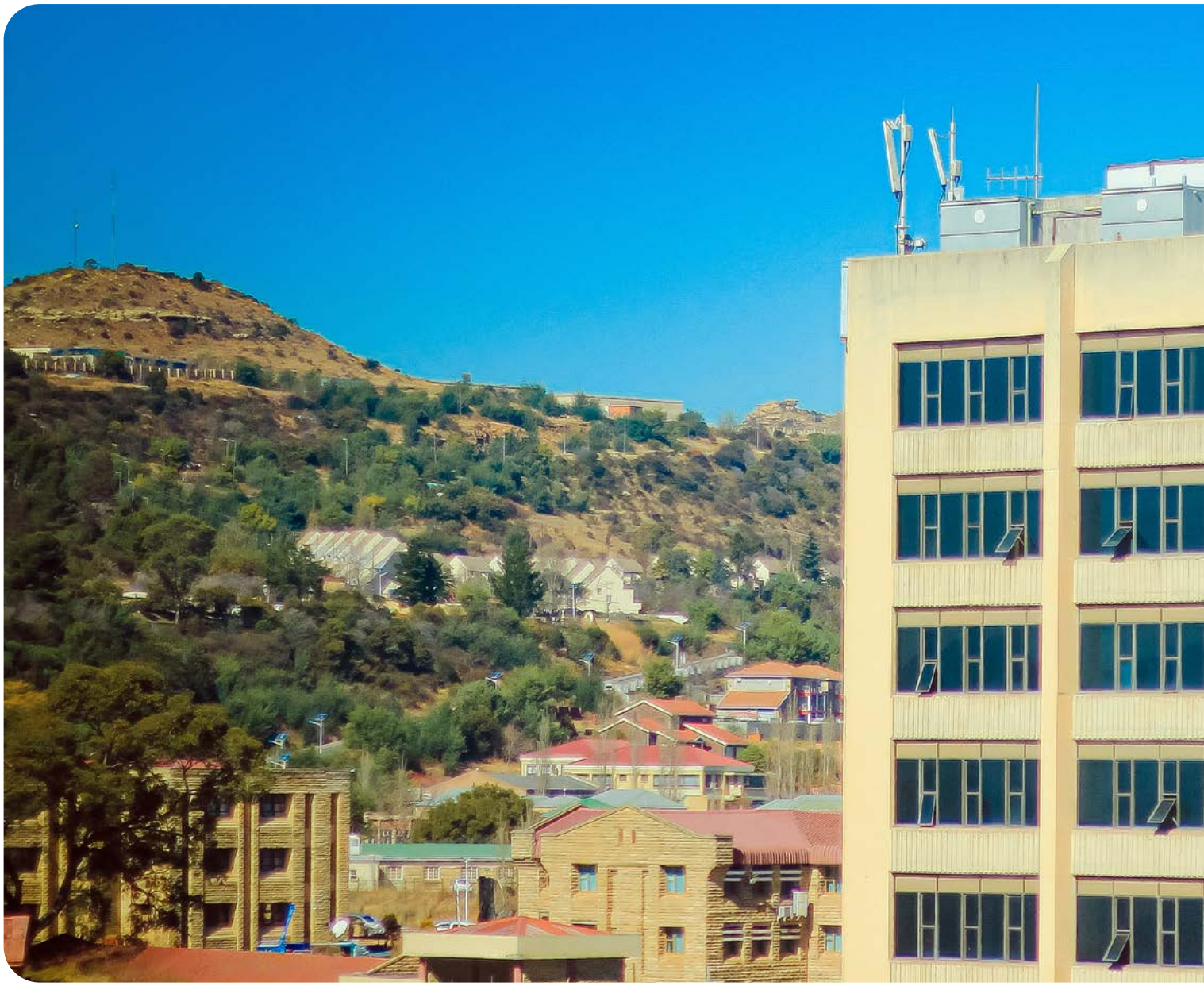
Further work is underway to align reporting practices and disclosures with global sustainability standards, ensuring that LHDA practice remains comparable with international benchmarks.

In addition, governance structures will continue to be strengthened through deeper engagement with financers, regulators, communities, and other stakeholders – reinforcing our commitment to transparent, responsible, and stakeholder-centred governance.

We remain committed to maintaining a governance system that is not only compliant but value-creating — preserving equity between nations, safeguarding the environment and communities, and ensuring sustainable delivery of the LHWP for future generations.

11

CORPORATE INFORMATION




LHDA

Corporate information

	Address		
Branch	**Mailing**	**Physical**	**Telephone number**
Lesotho Highlands Development Authority (LHDA) Head Office	P.O. Box 7332 Maseru 100 Lesotho	LHDA Tower Building Kingsway Road Maseru Lesotho	+266 22 246 000/22 311 280
Mohale Operations	P.O. Box 7332 Maseru 100 Lesotho	Ha Mohale Likalaneng Maseru	+266 22 246 100/52 255 00 +266 22 936 116
Townsites			
'Muela Operations	'Muela Hydropower Station P.O. Box 894 Botha-Bothe Lesotho	'Muela Hydropower Station Situated Upper 'Muela Village Botha-Bothe Lesotho	+266 22 248 000 +266 22 311 280 – (Extensions): 2230/2231/2233
Townsites			
Katse Operations	P.O. Box 7332 Maseru 100	LHDA Katse Bokong Thaba Tseka	+266 52 253 200/22 246 200
Polihali Operations	Polihali Branch P. O. Box 133 Mapholaneng 520 Mokhotlong 500 Lesotho	Polihali Branch Situated at Malingoaneng Mokhotlong Lesotho	+266 22 246 300



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ANNUAL FINANCIAL STATEMENTS



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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 and 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 126 and 127.

Approval of the annual financial statements

The Annual Financial Statements, set out on pages 129 to 174 and the supplementary information on pages 176 to 177, were approved by the Board and signed on behalf of the Board by:



Ms. K. Rattay
ACTING CHAIRPERSON
30 September 2025



Mr. T. Tente, Pr Eng
CHIEF EXECUTIVE
30 September 2025

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 129 to 175, 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

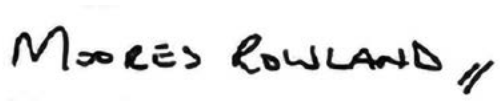
Independent auditor's report to the members of the Lesotho Highlands Development Authority *(continued)*

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 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

	Amount M'000
TOTAL FUNDS AND RESERVES	
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 M'000	2024 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

	Note	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 to the annual financial statements of the Lesotho Highlands Development Authority

for the year ended 31 March 2025

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.

Notes to the annual financial statements of the Lesotho Highlands Development Authority *(continued)*

for the year ended 31 March 2025

Notes supporting amounts presented in the annual financial statements (continued)

1 Accounting policies *(continued)*

1.2 Accounting policies: amended IFRS accounting standards pronouncement adopted in the current period *(continued)*

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.

Notes to the annual financial statements of the Lesotho Highlands Development Authority *(continued)*

for the year ended 31 March 2025

1 Accounting policies *(continued)*

1.3 Accounting policies: new and amended standards (and interpretations) issued before 31 March 2025, but not yet effective *(continued)*

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.

Notes to the annual financial statements of the Lesotho Highlands Development Authority *(continued)*

for the year ended 31 March 2025

2 Accounting policies: Summary of material accounting policies *(continued)*

2.1 Accounting policies: Property, plant and equipment (PPE Completed Works) *(continued)*

A. PPE: measurement (continued)

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.

Notes to the annual financial statements of the Lesotho Highlands Development Authority *(continued)*

for the year ended 31 March 2025

2 Accounting policies: Summary of material accounting policies *(continued)*

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.

Notes to the annual financial statements of the Lesotho Highlands Development Authority *(continued)*

for the year ended 31 March 2025

3 Accounting policies: Financial instruments *(continued)*

3.1 Financial instruments: Financial assets *(continued)*

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.

Notes to the annual financial statements of the Lesotho Highlands Development Authority *(continued)*

for the year ended 31 March 2025

3 Accounting policies: Financial instruments *(continued)*

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.

Notes to the annual financial statements of the Lesotho Highlands Development Authority *(continued)*

for the year ended 31 March 2025

3 Accounting policies: Financial instruments *(continued)*

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.

Notes to the annual financial statements of the Lesotho Highlands Development Authority *(continued)*

for the year ended 31 March 2025

3 Accounting policies: Financial instruments *(continued)*

3.10 Accounting policies: Capital funds *(continued)*

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.

Notes to the annual financial statements of the Lesotho Highlands Development Authority *(continued)*

for the year ended 31 March 2025

3 Accounting policies: Financial instruments *(continued)*

3.12 Accounting policies: Leases *(continued)*

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).

***A LHDA as lessee** (continued)*

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.

Notes to the annual financial statements of the Lesotho Highlands Development Authority *(continued)*

for the year ended 31 March 2025

3 Accounting policies: Financial instruments *(continued)*

3.12 Accounting policies: Leases *(continued)*

3.12.2 Leases: LHDA as lessee *(continued)*

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:

Notes to the annual financial statements of the Lesotho Highlands Development Authority *(continued)*

for the year ended 31 March 2025

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.

Notes to the annual financial statements of the Lesotho Highlands Development Authority *(continued)*

for the year ended 31 March 2025

3 Accounting policies: Financial instruments *(continued)*

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.

Notes to the annual financial statements of the Lesotho Highlands Development Authority *(continued)*

for the year ended 31 March 2025

3 Accounting policies: Financial instruments *(continued)*

3.18 Critical judgements, accounting estimates and assumptions *(continued)*

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.

Notes to the annual financial statements of the Lesotho Highlands Development Authority *(continued)*

for the year ended 31 March 2025

3 Accounting policies: Financial instruments *(continued)*

3.18 Critical judgements, accounting estimates and assumptions *(continued)*

3.18.2 Judgements, estimates and assumptions: Estimation uncertainty and assumptions *(continued)*

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.

Notes to the annual financial statements of the Lesotho Highlands Development Authority *(continued)*

for the year ended 31 March 2025

4 Profit or (loss) is stated after the following expenses

4.1 Profit/(Loss) is stated after:

	2025 M'000	2024 M'000
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.

Notes to the annual financial statements of the Lesotho Highlands Development Authority *(continued)*

for the year ended 31 March 2025

5 Property, plant and equipment

5.1 Property plant and equipment: Completed works by type

	Civils – Bridges & Roads M'000	Civils – Buildings and other structures M'000	Land M'000	Civils – Dams/ Galleries M'000	Civils – Tunnels M'000	Civils – Other M'000	Plant & Sundry Other M'000	Total 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)

Notes to the annual financial statements of the Lesotho Highlands Development Authority *(continued)*

for the year ended 31 March 2025

5 Property, plant and equipment *(continued)*

5.2 Property plant and equipment: Completed works by classification

	Hydropower Civil Works M'000	Hydropower Plant M'000	Water Transfer Civil Works M'000	Office Furniture & Equipment M'000	Motor Vehicles M'000	Computer Equipment M'000	Land and Buildings M'000	Total 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)

Notes to the annual financial statements of the Lesotho Highlands Development Authority *(continued)*

for the year ended 31 March 2025

5 Property, plant and equipment *(continued)*

5.3 Property, plant and equipment: Work-in-progress

	Hydropower		Ancillary Development		Water Transfer			Operations & Maintenance	Total
	M'000 Phase 1A	M'000 Phase 2	M'000 Phase 1A	M'000 Phase 1B	M'000 Phase 1A	M'000 Phase 1B	M'000 Phase 2	M'000	M'000
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 M'000	2024 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**

Notes to the annual financial statements of the Lesotho Highlands Development Authority *(continued)*

for the year ended 31 March 2025

6 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.

Notes to the annual financial statements of the Lesotho Highlands Development Authority *(continued)*

for the year ended 31 March 2025

6 Investment property *(continued)*

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 M'000	Total 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)

Notes to the annual financial statements of the Lesotho Highlands Development Authority *(continued)*

for the year ended 31 March 2025

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 M'000	2024 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 M'000	2024 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:

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.

Notes to the annual financial statements of the Lesotho Highlands Development Authority *(continued)*

for the year ended 31 March 2025

8 Right of use asset and lease liabilities *(continued)*

8.2 Lease liabilities *(continued)*

Maturity Analysis-Contractual Undiscounted Cashflows

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

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.

Notes to the annual financial statements of the Lesotho Highlands Development Authority *(continued)*

for the year ended 31 March 2025

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	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

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.

Notes to the annual financial statements of the Lesotho Highlands Development Authority *(continued)*

for the year ended 31 March 2025

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		
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.

Notes to the annual financial statements of the Lesotho Highlands Development Authority *(continued)*

for the year ended 31 March 2025

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

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

	2025 M'000	2024 M'000
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.

Notes to the annual financial statements of the Lesotho Highlands Development Authority *(continued)*

for the year ended 31 March 2025

15 Deferred income

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

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.

Notes to the annual financial statements of the Lesotho Highlands Development Authority *(continued)*

for the year ended 31 March 2025

15 Deferred income *(continued)*

15.2 Lesotho biodiversity deferred income

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

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.

Notes to the annual financial statements of the Lesotho Highlands Development Authority *(continued)*

for the year ended 31 March 2025

16 Contract payables, accruals and retentions *(continued)*

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**
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

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

Maturity profile

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.

Notes to the annual financial statements of the Lesotho Highlands Development Authority *(continued)*

for the year ended 31 March 2025

18 Provisions

	Provision for future compensation M'000	Provision for legal claims M'000	Provision for severance pay M'000	Provision for leave pay M'000	Total 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.

Notes to the annual financial statements of the Lesotho Highlands Development Authority *(continued)*

for the year ended 31 March 2025

18 Provisions *(continued)*

18.1 Provision for future compensation *(continued)*

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:

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
2025					
Expected Undiscounted cash flows as of 31 March 2025	39 889	369 258	561 950	33 921	1 005 018
2024					
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.

Notes to the annual financial statements of the Lesotho Highlands Development Authority *(continued)*

for the year ended 31 March 2025

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**

Notes to the annual financial statements of the Lesotho Highlands Development Authority *(continued)*

for the year ended 31 March 2025

B. Grant revenue recognised

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.

21 Cost allocation

21.1 Amounts allocated

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

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.

Notes to the annual financial statements of the Lesotho Highlands Development Authority *(continued)*

for the year ended 31 March 2025

21 Cost allocation *(continued)*

21.4 Cost allocation and funds per government

	Note	Capital Fund – Government of Lesotho M'000	Capital Fund – Government of South Africa M'000	Total Capital funds M'000	Hydropower M'000	Total funds and Reserves 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**
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.

Notes to the annual financial statements of the Lesotho Highlands Development Authority *(continued)*

for the year ended 31 March 2025

24 Tax refund

Tax Refund	157 488	91 101
Total Tax Refund	**157 488**	**91 101**

25 Other income

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

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

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.

Notes to the annual financial statements of the Lesotho Highlands Development Authority *(continued)*

for the year ended 31 March 2025

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

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:

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

Notes to the annual financial statements of the Lesotho Highlands Development Authority *(continued)*

for the year ended 31 March 2025

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

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**

Additional information not forming part of the annual financial statements

for the year ended 31 March 2025

32 Financial instruments and risk management

32.1 Categories of financial instruments

Categories of Financial Assets

	Notes	Amortised cost M	Total M
2025			
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			
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

	Notes	Amortised cost M	Leases M	Total M
2025				
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				
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.

Additional information not forming part of the annual financial statements *(continued)*

for the year ended 31 March 2025

32 Financial instruments and risk management *(continued)*

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 M'000	2024 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**

Additional information not forming part of the annual financial statements

for the year ended 31 March 2025

32 Financial instruments and risk management *(continued)*

32.5 Expected credit loss allowance

Expected payment date

	2025			2024		
	Gross	**ECL**	**Net carrying**	Gross	ECL	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.

Additional information not forming part of the annual financial statements *(continued)*

for the year ended 31 March 2025

32 Financial instruments and risk management *(continued)*

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.

	Notes	Current M'000	<30 days M'000	30–60 days M'000	61–90 days M'000	>91 days M'000	Total M'000
2025							
RECEIVABLES:							
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

32 Financial instruments and risk management *(continued)*

32.6 Amounts receivables: days past due *(continued)*

31 March 2024

Receivables that have impairment losses

Days past due

	Notes	Current M'000	<30 days M'000	30–60 days M'000	61–90 days M'000	>91 days M'000	Total M'000
2024							
RECEIVABLES:							
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)

Additional information not forming part of the annual financial statements *(continued)*

for the year ended 31 March 2025

32 Financial instruments and risk management *(continued)*

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.

	Notes	Less than 1 year M	2 to 5 years M	Total M	Carrying amount M
2025					
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					
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	212 851
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.

Additional information not forming part of the annual financial statements *(continued)*

for the year ended 31 March 2025

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

35 Detailed statement of profit or loss and other comprehensive income for the year ended 31 March 2025 *(continued)*

	Notes	2025 M'000	2024 M'000
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

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**
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**

13

GLOSSARY OF TERMS

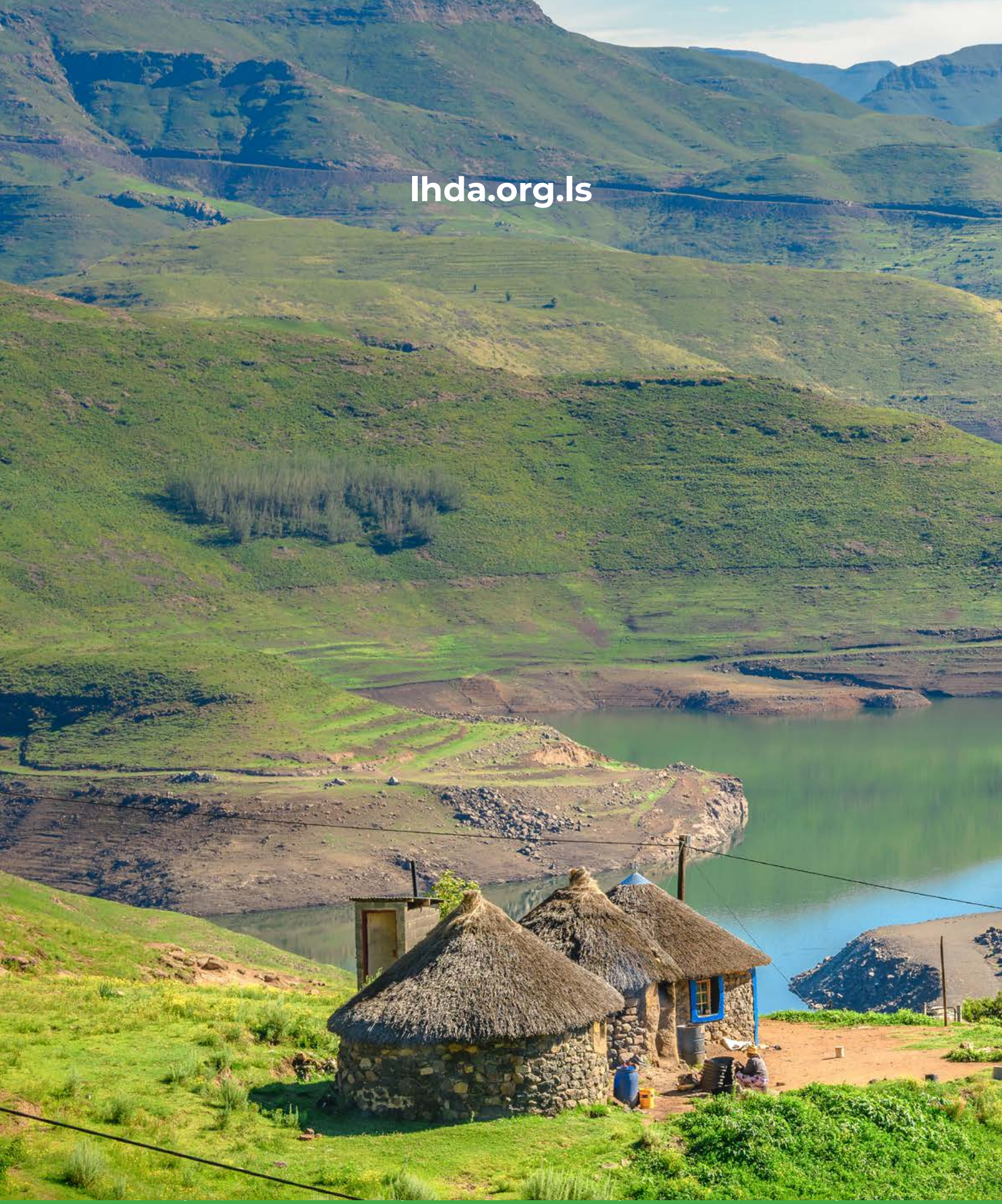




Glossary of terms

Terms and abbreviations used in this report

ALC	Area Liaison Committee
ARC	Audit and Risk Committee
ARF	Aquaculture Regulatory Framework
BLSA	Business Leadership South Africa
BMAP	Biological Management Action Plan
CAFI	Competitiveness and Financial Inclusion
CALC	Combined Area Liaison Committee
CIR	Cost-to-income ratio
CSI	Corporate Social Investment
CPI	Cost Performance Index
DFI	Development Finance Institution
EAP	Employee Assistance Programme
ECL	Expected Credit Loss
EFR	Environmental Fiscal Reform
EMP	Environment Management Plan
EPPIC	Environmental Planning Professions Interdisciplinary Committee
ERM	Enterprise risk management
ERMF	Enterprise risk management framework
ESG	Environmental, Social and Governance
ESIA	Environmental and Social Impact Assessment
EVP	Employee Value Proposition
EXCO	Executive Committee
GEF	Global Environment Facility
GoL	Government of Lesotho
GWh	Gigawatt hour
HR	Human Resources
IASB	International Accounting Standards Board
IFR	Instream Flow Requirements
IFRS	International Financial Reporting Standards
ICM	Integrated Catchment Management
ICT	Information and Communication Technology
IRC	Integrated Reporting Committee
IRCA	International Register of Certified Auditors
IRF	Implementation Reporting Framework
IP	Intellectual Property
IT	Information Technology
KBG	Katse Botanical Garden
KPI	Key Performance Indicator
LBT	Lesotho Biodiversity Trust
LHDA	Lesotho Highlands Development Authority
LHWP	Lesotho Highlands Water Project
LHWC	Lesotho Highlands Water Commission
LLE	Local Legal Entity
LR	Livelihood Restoration
LRMIS	Livestock Resource Management Information System
LSL	Lesotho Loti
M&E	Monitoring and Evaluation
MCM	Million cubic metres
MDTP	Maloti Drakensberg Transfrontier Project
NGO	Non-Governmental Organisation
NSDP	National Strategic Development Plan
OTP	Organisational Training Plan
PNEAR	Polihali North-Eastern Access Road
PPE	Property, plant and equipment
PR	Public Relations
PWAC	Polihali Western Access Corridor
PWAR	Polihali Western Access Road
RAP	Resettlement action plan
RSA	Republic of South Africa
RSL	Revenue Services Lesotho
RW	Rand Water
SAACE	South African Association of Consulting Engineers
SADP	Smallholder Agriculture Development Project
SAICE	South Africa Institute of Civil Engineers
SDE	Social Development and Environment
SHEQ	Safety, Health, Environment, and Quality
TBM	Tunnel Boring Machine
TCTA	Trans-Caledon Tunnel Authority
UNDP	United Nations Development Programme
UNSDG	United Nations Sustainable Development Goals
VAT	Value Added Tax
WATSAN	Water and Sanitation
WFP	World Food Programme
WQAL	Water Quality Analytical Laboratory
YP	Young Professional


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