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Annual Report 1992/93

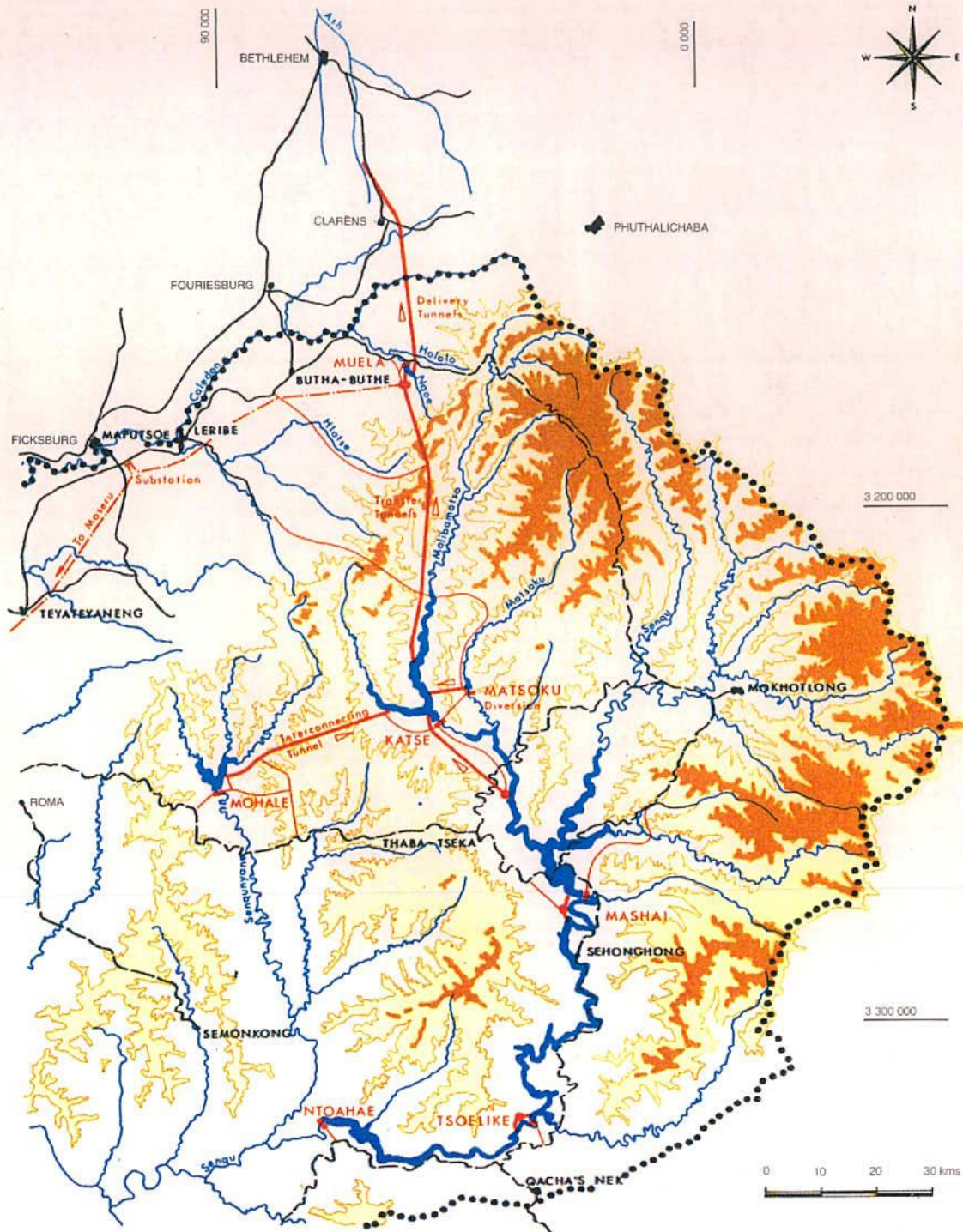
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Lesotho Highlands Development Authority

Layout of the project



LEGEND

- | | | | | |
|----------------------------|------|----------------------------------|----------------------|---------------------|
| ● ROMA | Town | — River | — Reservoir | — Tunnel |
| — Paved road | | — Land above 3 000 m | — Dam | — Transmission line |
| - - - Gravel road/Track | | — Land between 3 000 and 2 500 m | ● Hydropower station | — Access road |
| ●●● International boundary | | — Land under 2 500 m | ● Pumping station | |

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Lesotho Highlands Development Authority

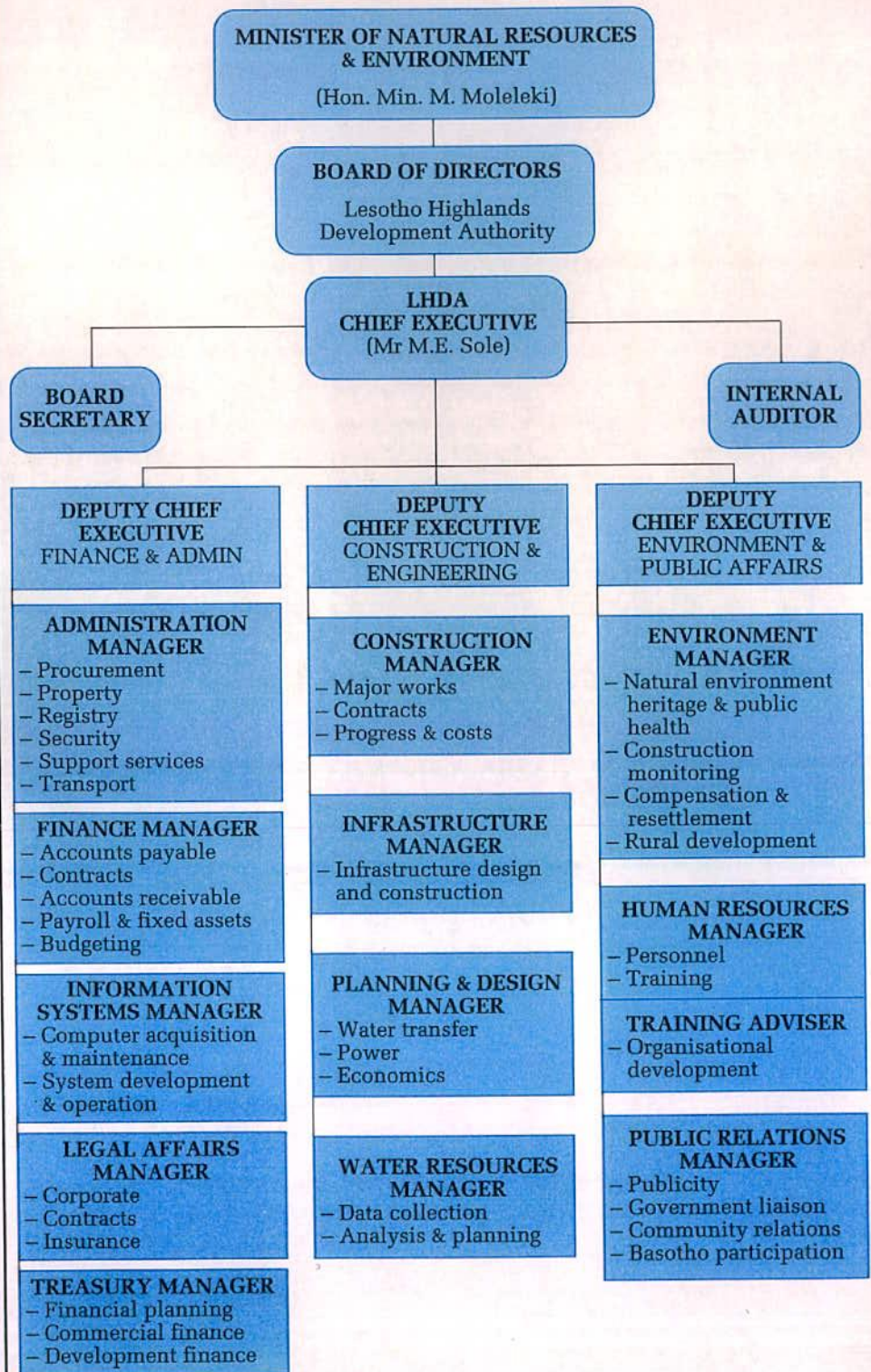
Annual Report
1992/93

March 1993

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Chairman's Statement



*M. Mohapelo
Chairman*

It is my privilege once again to present this report on behalf of the directors of the Lesotho Highlands Development Authority (LHDA) to the co-operating partners on the developments and progress of the Lesotho Highlands water and hydropower projects during the year.

Currently, this ambitious scheme is one of the largest construction enterprises being undertaken in the world, both in engineering magnitude and in financial terms.

In this context, it is pleasing to report that financing arrangements negotiated in the previous year have been put into place and have become operative.

On the engineering front, the project is taking clear shape in spectacularly difficult terrain which has presented great challenges, not least in tunnel boring.

Two All-Africa tunnelling records were set by the speed of advance through Lesotho's mountains during specific months by tunnel boring machine (TBM) teams, and is an achievement to be applauded.

The benefits of the Lesotho Highlands water and hydro-power project to the peoples of Lesotho and of neighbouring South Africa are gradually being appreciated as the various elements of this ambitious scheme are translated from the drawing boards into dramatic reality.

It is particularly heartwarming to report that the LHDA continues to address the needs and concerns of the people living within the project area and to implement measures to alleviate any hardships arising from implementation of the project.

This report succinctly sets out what has been accomplished so far.

None of it could have been achieved without the great spirit of co-operation and determination by all parties concerned which has prevailed throughout the year and which has made my task as chairman a fulfilling one.

A special word of thanks must go to our colleagues representing the banks and governments of countries within the international community participating in the scheme, and to the signatories to the Treaty – the governments of Lesotho and the Republic of South Africa, and the members of the Joint Permanent Technical Commission.

Their time and efforts towards smoothing the work of carrying forward this complex project is

acknowledged with gratitude.

I commend, too, the dedicated support and service rendered by the members of the Board of Directors of the Lesotho Highlands Development Authority.

The manner in which the LHDA staff, the supervising engineers, and the contractors have brought conscientious effort to their task during the year also deserves special mention.

This wholehearted and enthusiastic support, co-operation and commitment augurs well for the effort required in the remaining years to bring this international project to completion.

Chief Executive's Report

M.E. Sole, Chief Executive



IT gives me great pleasure to present a report that reflects substantial progress and sets out the financial statements for the year ended March 31, 1993.

As the report testifies, there were a small number of projects running behind schedule but I am happy to say that overall we were on track in terms of contract deadlines for most of the year, no mean feat in a venture of this magnitude, complexity and diversity.

The financial sector report illustrates the multinational and international dimensions of funds that have been made available for the water transfer projects, and the proposed financing of the 'Muela Hydropower Project.

Offshore loans, including that from the World Bank, and other financial instruments became operative during the year from which financial commitments to contractors were met.

An updated Water Transfer Financing Plan was also widely circulated within the governmental and financial community working with the LHDA.

It is a source of great satisfaction that the international community, represented by governments and the many distinguished financial

institutions and self-financing contractors, has placed its faith and confidence in the Lesotho Highlands Water Project and, with it, the future well-being of the peoples of Southern Africa who are faced with the prospect of finite water resources in the region's industrial heartland, and a growing need for electricity, especially in the rural areas.

For much of the year, southern Africa was gripped by a devastating drought.

The negative impact on the project area was turned to some advantage to accurately assess the sustainability of water flow at the Hololo, Ngoajane and 'Muela construction sites where supplies were threatened.

The Lesotho Highlands Water Project will benefit from improved hydrology knowledge and management as a result.

Progress of work during the year was enhanced by the provision of highly reliable power supplies to contractors and a sophisticated radio telecommunications global network for daily communication which functioned smoothly.

Both services were the product of excellent co-operation between local, South African and international parties to the project.

A final design for Katse Dam with revised elements of safety was agreed in the last quarter of 1992 after special studies and alternative designs were commissioned in response to issues raised by the LHDA Panel of Experts.

Major construction of the Katse Dam and its water transfer systems were well in hand by the year end.

Notably, the Malibamats'o River was diverted through Tunnel No 1 on August 27 and through Tunnel No 2 on December 11, 1992. The Upstream Cofferdam was completed in February 1993.

And, as the financial year closed, excavation of both the TBM drive from Hlotse to Pelaneng and the TBM drive from 'Muela Adit to Hlotse had reached nearly one-third of its total length in each case.

At Ngoajane, excavation of the 5 227-metre TBM drive to Hololo was completed in January 1993, only seven months after work began during July 1992.

I join with the chairman in congratulating the contractors for the achievements of the TBM during this period in breaking the All Africa Tunnelling record twice, which is indicative of the high quality of engineering resources at work on the project.

Like the Katse Dam system, the design of the 'Muela Hydropower Project was modified. I am pleased to say that most of the financing for this project was successfully concluded.

With some contracts awarded and tenders either under evaluation or due to be submitted during 1993, we can expect construction of this project to get well under way during the new fiscal year.

Looking ahead, there was intensive study into, and agreement on, key issues between the LHDA and the Lesotho Electricity Corporation on the tariff structure for power supply, with a view to tabling a final report in 1993.

Steps have also been taken to establish a system to monitor the impact of the Lesotho Highlands Water Project on the economy of the country and to provide reliable statistics which can be helpful in the medium and long term.

Also in this context, the Economics Section provided up-to-date details of capital expenditure on the LHWP as well as core figures of Lesotho's balance of payments to the IMF mission during its annual visit to monitor the Enhanced Structural Adjustment Programme.

Within the broad sweep of the LHDA's Environmental Action Plan responsibilities, support

continued to be given in monetary and aid-in-kind to people living in the project area who were displaced or materially affected, to ensure that their lifestyles are maintained and bettered through income generating schemes.

Audits on health and safety of the communities living in the project area were also conducted.

The impact on the environment continued to receive close attention, ranging from archaeological and palaeontology studies to conservation of the maluti minnow in the Senqunyane River basin, proposals for a vulture restaurant, and the Bokong alpine nature reserve.

An important adjunct of this programme is the LHDA's continuing campaign among villagers and the workforce to create community awareness of environmental protection.

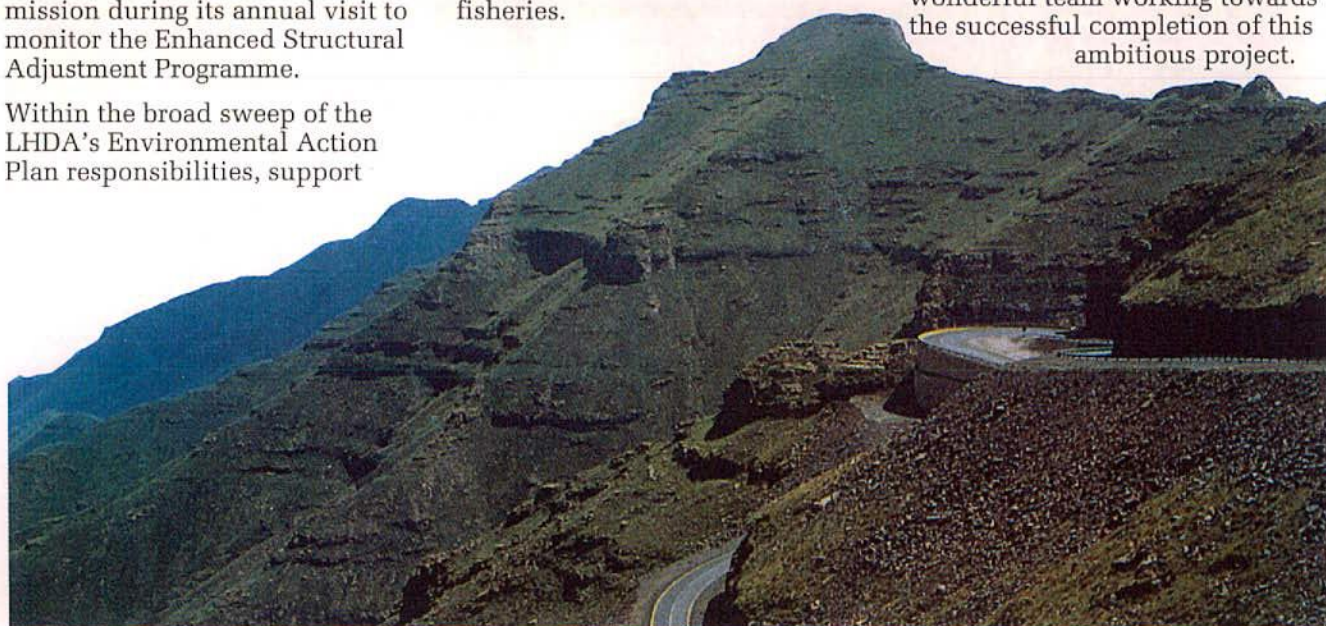
Work is proceeding on the introduction of community schemes embracing the introduction of forestry management, land use planning, animal husbandry, range management, mountain horticulture, field crops and fisheries.

Tourism undoubtedly will be a major feature arising from completion of the water project. A temporary information centre is already functioning at Katse and wide ranging discussions on tourism promotion have taken place with the Ministry of Tourism and private sector entrepreneurs.

Within the LHDA structure, 63 positions were filled by recruitment during the year, bringing the staff complement to 295.

It is pleasing to report that the Construction Skills Training Centre helped upgrade the skills of 103 trainees under its upgrading training programme, conducted mainly to meet the needs of on-site contractors.

It has been a rewarding experience to be at the helm of this vast project at this time. I am indebted to the Government of Lesotho for its continued encouragement and support and to my fellow directors on the LHDA Board, members of the Joint Permanent Technical Commission as well as the LHDA staff, consultants and contractors who have come together as a wonderful team working towards the successful completion of this ambitious project.



Minimal disturbance to natural environment

1.2 Supervision of Main Construction Contracts

Contract LHDA 45 – Katse Dam and Transfer Tunnel

The Consultant submitted a revised staff planning schedule to conform with the requirements of the construction contractors' work schedules and a modified version was agreed to after several months of negotiations. The design review was completed in the previous period. Design work continues in accordance with the programme although considerable additional work has been carried out on special studies and alternative designs for Katse Dam in response to issues raised by the LHDA Panel of Experts. A final design for Katse Dam was agreed in the last quarter of 1992. This design now incorporates a preformed joint to increase the factor of safety. A major claim from the Contractor associated with the dam abutments excavations was negotiated and settled in the amount of M28 million. This settlement included provision for acceleration to recover all delays associated with the claim. The issue of construction drawings has continued in accordance with the programme for both tunnel and dam.

Contract LHDA 46 – Delivery Tunnel South

The Consultant submitted a revised staff planning schedule to conform with the requirements of the construction contractors' work schedules in early 1992 and a modified version of this plan has been agreed and is currently being implemented. The design review has been completed. Design work continues in accordance with the programme. The issue of construction drawings has continued in accordance with the programme. All of the Consultants

activities are ahead of schedule and completion is currently forecast to be ten months ahead of schedule resulting in a saving of around M8 million.

1.3 Roads Construction:

The rehabilitation of existing paved roads in the Leribe and Butha-Buthe districts was completed in December 1992. The roads were rehabilitated under Contract LHDA 113 and are as follows:

Maputsoe	–	Nyenye
Nyenye	–	Leribe
Leribe	–	Pitseng
Leribe	–	Butha-Buthe – St Peter's Mission
Calendonspoort	–	Butha-Buthe

1.4 Phase 1B Studies

Planning and design studies of Phase 1B access roads commenced in January 1993. The planning study is scheduled to be completed in May 1993 and will recommend the least cost and environmentally acceptable route for construction traffic to Mohale dam and tunnel intake. The design study will be completed in November 1993.

1.5 Phase 1A Rural Development Studies

Proposals for the planning, design and supervision of feeder roads and reservoir crossings in the Katse reservoir local catchments were invited in November 1992. Planning and design studies are scheduled to commence in May 1993.

Studies and Engineering Designs

The year 1992/93 has covered a broad spectrum of engineering design, management of construction contracts, tendering preparations for pending contracts and planning future project development.

Detailed design review has been carried out for the ongoing construction works for Katse Dam, Transfer Tunnel and Delivery Tunnel. At the same time tender documents were prepared and tenders called for the 'Muela Hydropower Project'. The scope of work was defined and a request for proposal was issued to start the planning studies for Phase 1B-Main Works.

2.1 Hydropower

The Consulting Engineer, Lahmeyer and UK) MacDonald Consortium (Germany on were engaged throughout the year on preparation of tender documents and calling of tenders for the 'Muela Hydropower Project'. The first task of the Consultant was to modify the design of the powerhouse and 'Muela Dam in accordance with agreed design arrangements following the tender review done in the previous year.

Following extensive discussions with the donor agencies the contract packaging in tendering procedures were established in April 1992. For construction of the 'Muela Hydropower Project, the work will be carried out under the following five contracts:

LHDA 129A Powerhouse Civil Works - financed by ADB.

LHDA 129B 'Muela Dam, Infrastructure and Operations Building - financed by EEC and EIB.

Discussions were underway at the end of the fiscal year with another donor to participate in the financing of Contract LHDA 129B.

- LHDA 134 Turbines, Generators and Ancillary Plant - Contractor to provide financing.
- LHDA 135 Transformer and 132kV Switchgear - financed by EIB
- LHDA 136 132kV Transmission Line and Substation Bays - Contractor to provide financing.

Contracts LHDA 129A and 129B were issued for tender on 28 September 1992 and tenders received by 28 January 1993. At the end of the fiscal year the tenders were under evaluation with award planned for the latter part of 1993.

Contracts LHDA 135 and 136 were issued for tender on 16 November 1992 and Contract LHDA 134 on 30 November 1992. Tenders for all these contracts are due to be received by 13 April 1993.

During the tendering process the Consultant started on preparation of construction drawings which will continue to near the end of the Project in 1996.

2.2 Water Transfer

With the construction contracts for the main works underway since 1991, the design and construction drawings prepared by the consulting engineers for Katse Dam, Transfer Tunnel and Delivery Tunnel South were reviewed during the year. Particular attention was given to the preformed joint incorporated into the upstream heel of the dam.

Two visits of the Engineering Expert Panel were arranged in June 1992 and February 1993 to review the design and construction for the major contracts. Most emphasis was placed on the design and quarry materials for Katse Dam.

2.3 Construction Power

Construction Power Systems in Hololo and Katse areas have been operational since November 1991 with a high degree of reliability throughout the period. The 33kV Hololo System and 132kV/66kV Katse System are expected to meet the peak construction power demands in 1994.

A tripartite Contract LHDA 152 was signed with LEC and ESKOM in June 1992 for operation and maintenance of the Construction Power System. LEC are carrying out the main maintenance programme. ESKOM provides the specialised training and maintenance assistance to LEC where required.

Preparations were started for the transfer of transmission line assets, to be handed over by LHDA to LEC, in accordance with the GOL policy.

2.4 Telecommunication

The LHWP Radio Telecommunications system using the most modern technology was fully operational during the year. It contributed to the efficiency of operations of the various consultants and contractors. It is provided to meet the daily communication needs with respect to telephones, faxes and data transmission between the construction sites, Maseru offices and the overseas home offices of the foreign companies.

LTC, under an agreement with LHDA, is responsible for the operation, maintenance and billing of all individual subscribers although the assets will remain with LHDA.

The Consulting Engineer, British Telconsult, retained a specialist in Maseru to provide emergency assistance to LTC.

2.5 Phase 1B

During the 1992/93 fiscal year, land use information was prepared for gazetting the Phase 1B Project area prior to the commencement of significant study activity in the area. In cooperation with the Environment Division aerial photography and mapping of the Mohale area was carried

out for the engineering and environmental aspects of the project.

The scope of work and request for proposal was prepared for a Planning Study covering the location and type of dam at the Mohale site. A proposal was received from Acres International Limited and negotiations were held to agree on the final scope of work. The Planning Study is expected to start in June 1993.

2.6 LHDA/LEC Interface Study

The LHDA/LEC Interface Study commenced at the beginning of May, 1992 and the Consultant, Gibbs Sogreah Joint Venture issued an interim working paper at the end of the same month which detailed both the approach to the Study as well as the outline of the assumptions to be made in the analysis. This report was followed by a draft report in mid-July, for which detailed comments from both the Steering Committee and the funding agencies were compiled and duly addressed by the Consultant.

The draft final report was produced and the key findings and recommendations were presented to LHDA at a workshop on the 3rd November, 1992 by the Consultant. The main features of the report are the institutional arrangements, the tariff structure and the Power Sales Agreement. Comments from interested parties were incorporated into the final report and a consensus was reached between LHDA and LEC on key issues. The report is expected to be completed in May 1993.

The Consultant's financial analyst conducted training exercises for both the Economics and the Treasury staff of LHDA on the computer modelling developed in the study.

2.7 Economic Impact of LHWP

The need to establish a system to monitor the actual economic impact of the project was seen as necessary for both the government and prospective investors in Lesotho. Efforts to initiate compilation of a small database of available economic impact

statistics showed limitations in the availability of such statistics. Terms of reference have, therefore, been drawn for this assignment to be done by an outside firm of consultants. A list of possible consultants as well as possible funding agencies for the study was prepared. The assignment will start in the 1993/94 fiscal year.

2.8 IMF

The IMF team as part of their annual country missions to monitor the Enhanced Structural Adjustment Programme with Lesotho, paid visits to LHDA and requested the latest capital expenditures of the Project for both Water Transfer and Hydropower

components. The Economics Section provided core figures for Lesotho's balance of payments, broken down into expenditure on both important goods and services, and local goods and services categories for the mission on behalf of LHDA.

2.9 LHDA Headquarters

The Economics Section has been involved throughout the year with economic assessment of alternatives for LHDA's head office. A number of meetings were held between interested parties to obtain sufficient technical and financial data to conduct the analysis. Reports on several analyses have been prepared.



Concrete pouring into the foundations of a double curvature arch dam – Katse

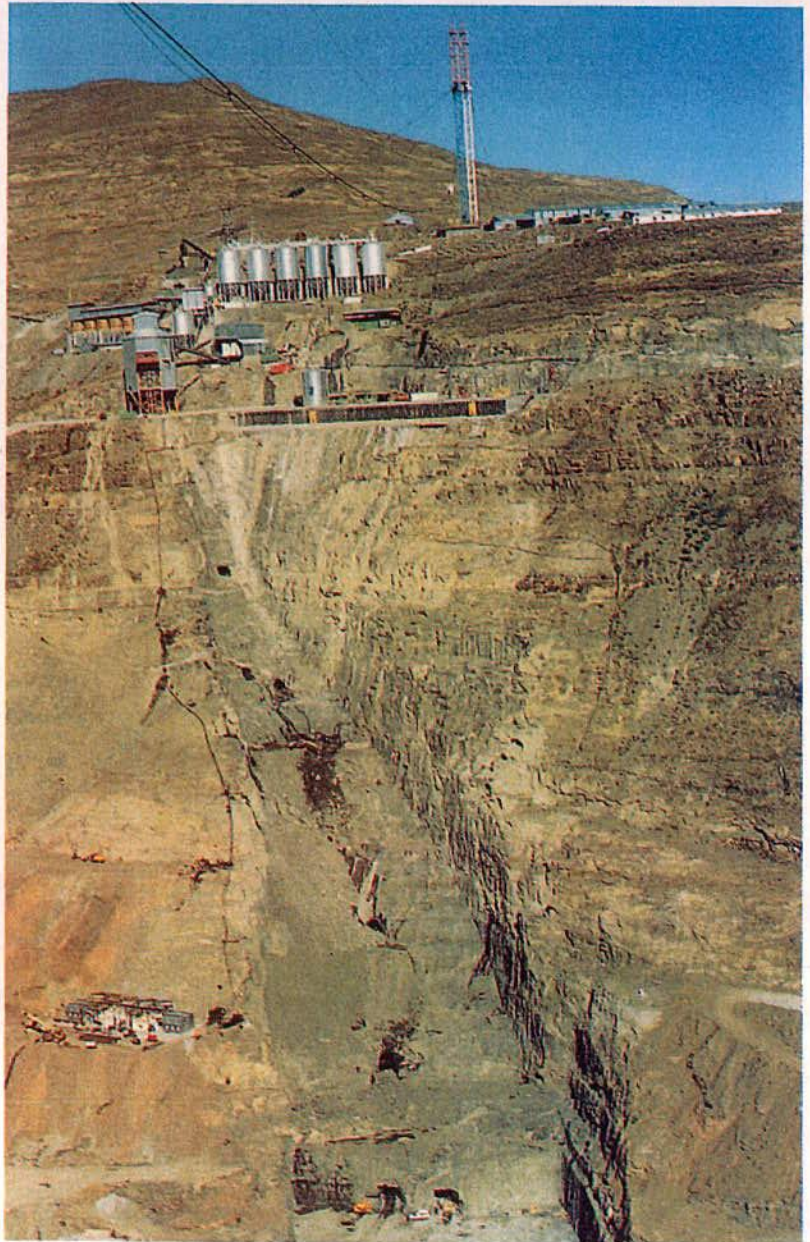
Water Resources

A programme to monitor low flows upstream and downstream of the water abstraction points on the Hololo, Khukhune and Ngoajane rivers for the construction sites was initiated during the drought period that prevailed in the country.

This programme enhanced the assessment of the sustainability of the low flow regime that threatened the supply of water at the three (3) construction sites of Hololo, Ngoajane and 'Muela.

Routine work on data collection, processing and analysis for all the hydrometric and rainfall stations in the LHWP were done, as well as water related activities pertaining to planning, design, construction and environmental aspects of the LHWP.

The Institute of Hydrology Wallingford was engaged to recommend a method to update the hydrology for the LHWP.



The excavated Katse Dam foundations

Environment

The Division concentrated on implementation of the various components of the Environmental Action Plan. Technical assistance to the Division was sought through international advertisement.

4.1 Compensation

One replacement house was constructed along the northern access road. Sites were secured and a supervision contract was negotiated for the construction of one hundred and thirty-eight houses to be relocated from under the powerline corridor. Additional sites were not fully provided as requested from the Mabote Project. This delayed the construction of replacement houses and has put people under the powerlines at risk. However, this matter is receiving urgent attention.

The *compensation information system* was operational by September 1992. However, a few enhancements will be incorporated into the system to enable calculation of mixed commodities and to better reconcile this system with the accounting system.

Payments were made for *grain, fodder, trees* and *cash* in lieu of compensation.

A total of 794 tonnes of maize was distributed to 1 382 households affected by thirteen construction contracts, at a cost of M552,875 (excluding transport). Table 1 compares this volume with that of previous years.

A total of 28,719 bales (20kg) of fodder at a cost of M191 382 were distributed to six villages of Nkokana, Theko, Ramanamane, Mensel, Ramokoatsi and Kennan.

The Division distributed 1,129 fruit tree seedlings to 52 households.

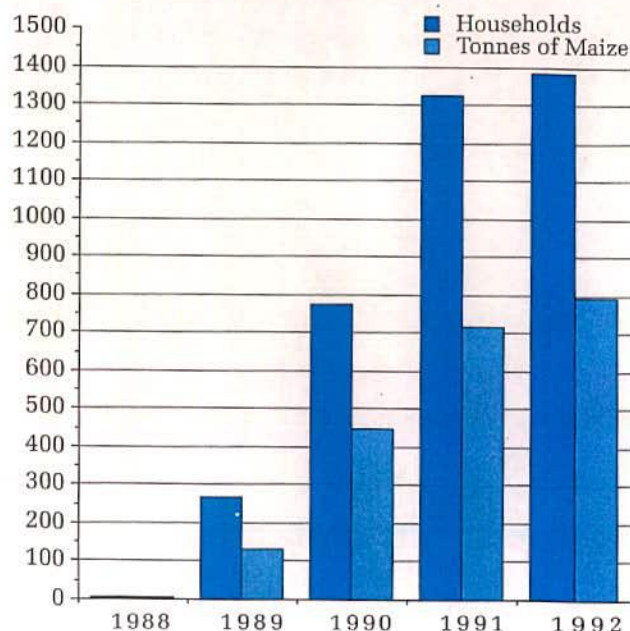
Cash payments of M302 627 were made to 133 households who lost a total of over sixty thousand square metres of garden land.

Supply of grain and fodder, and survival of seedlings were severely affected by the prevailing drought conditions. However measures are being taken to rectify this situation.

Table 1:
Volume of Grain Compensation
from 1988 to 1992

YEAR	HOUSEHOLDS	TONNES OF MAIZE
1988	5	4
1989	268	133
1990	775	446
1991	1326	718
1992	1382	794

**Volume of Grain Compensation
from 1988 to 1992**



Land acquired for purposes of the project to date is 5 339 ha, of which 3 434 ha was range land, 33 ha was garden land and the rest was crop land.

4.2 Baseline Surveys

Baseline surveys for biology, water quality and epidemiology were completed successfully and monitoring programmes were developed for implementation by LHDA. Relevant government departments will be involved in the monitoring plan.

4.3 Heritage

Programmes in archaeology and paleontology were successfully conducted. No significant fossils were found in the tunnels.

4.4 Maluti Minnow

The first phase of the programme for the *conservation of the maluti minnow* was completed in the Senqunyane River basin. Further studies will be undertaken in the Jorotane and Bokong Rivers; and suitable habitats for relocation will be selected.

4.5 Geographical Information System

The system was utilised to produce maps on population distribution in the Katse and 'Muela catchments, inundated fields and the Phase 1B scheme area.

4.6 Public Awareness, Environmental Education and Nature Reserves

Programmes of Public Awareness and Environmental Education were conducted among the village communities and workforce in the Project area. Concept designs for the proposed vulture restaurant and information centre in the Bokong alpine nature reserve were prepared by architects. Consultations took place with the local people and users of the range area. A can recycling programme was initiated at Ha Lejone and Katse.

4.7 Construction Monitoring

Construction contracts for the dam, tunnels and other works were continually monitored for their environmental effects. The results of environmental and health and safety audits were satisfactory, but indicated some minor areas of concern for which mitigation has been proposed.

4.8 Rural Development

Funding of M1.9m for the Government of Lesotho's share of the Rural Development Plan was secured for the 1992/93 financial

year. A draft funding plan for the entire programme was prepared, with a guarantee for annual subventions by the GOL. More important was the formation of a GOL Task Force composed of Principal Secretaries of relevant ministries with the objective to facilitate the funding and implementation of the Rural Development Plan.

Draft memoranda of understanding between LHDA and the Ministry of Agriculture were prepared for the implementation of the *Community Forestry, Land Use Planning with People, Animal Husbandry and Range Management, Mountain Horticulture and Field Crops and Fisheries support* projects. A second range management area in the Katse catchment was initiated; a trial of highland maize seed was successfully done by 10 farmers; and preparations were made with local authorities and villagers for the start of community seminars on needs assessment and land use options.

The *Visitor Information and Tourism Project* was under discussion with the Ministry of Tourism and private entrepreneurs. A temporary information centre at Katse was built and is operated by Public Relations Division.

The Rural Training and Income Generation Programmes were switched to the former LHDA Construction Skills Training Project at Thaba-Tseka. An interim programme will be conducted on literacy and numeracy training, technical and entrepreneurial training and awareness campaigns, while the detailed request for proposal is being prepared for a management consultancy to operate the centre. Extension and enterprise marketing surveys were conducted in the scheme area.

The following projects were at advanced stages in the project life cycle: Request for Proposal – *Construction Communities and Electrification, Village Water Supply and Sanitation*; Tenders under evaluation – *Rural Feeder Roads and Reservoir Crossings*.

4.9 Cartography

The *Cartography Section* was instrumental in the production of the scheme area map for Phase 1B. The Section carried out land measurements for compensation purposes

and pegged sites in the Bokong Selected Development Area. The aerial photography contract for the Mohale Dam catchment (Phase 1B) was begun and is scheduled for completion in May 1993. The Section established new centralised surveying services.

4.10 Public Health

Since Leribe Trauma Unit was commissioned, a total of 1,191 out patients were seen. Of these 54 were project related and 37 were referred from other medical facilities. The rest were local patients.

A total of 122 operations were done at the Unit.

A total of 349 people were seen in the Physiotherapy department, five were project related.

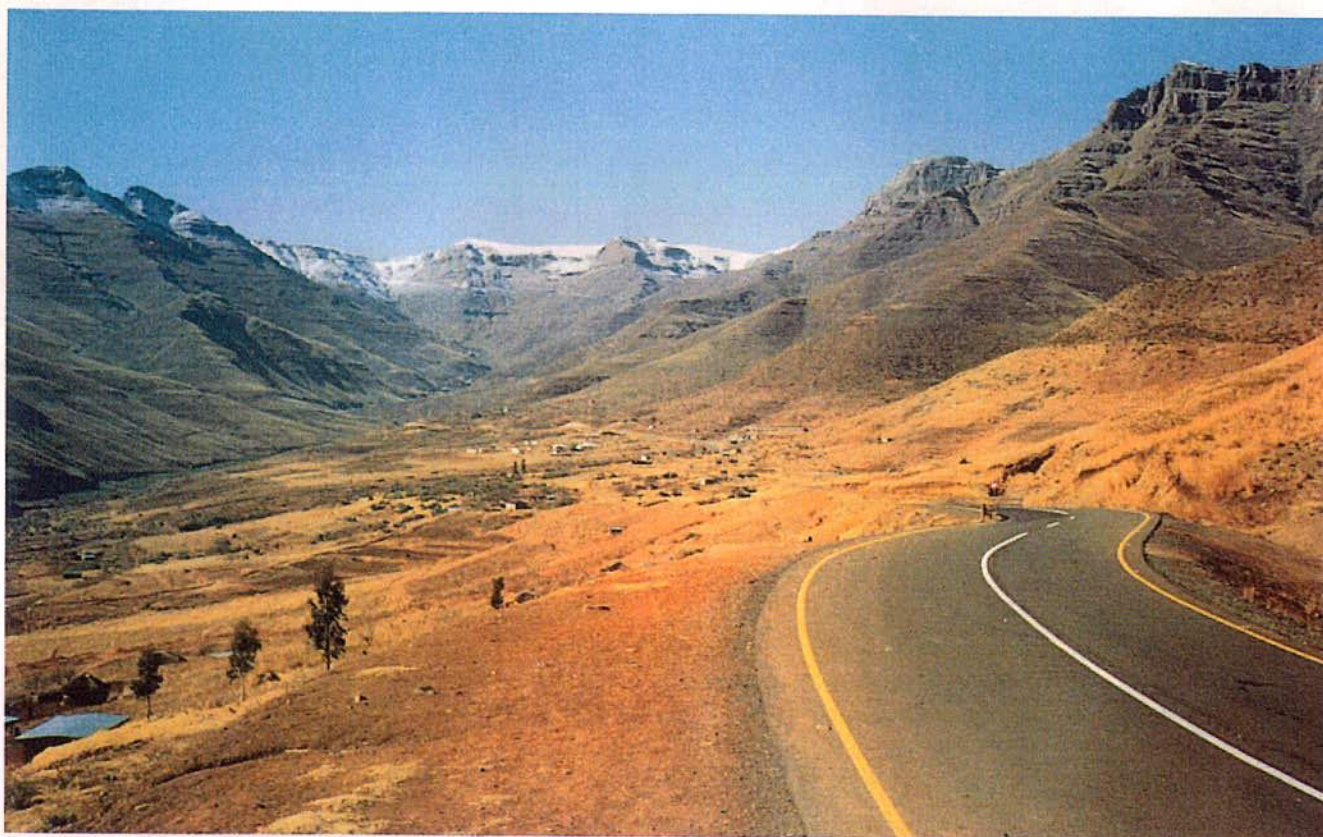
A total of 6,243 school children were edu-

Table 2:
No of Patients operated at LTU

Operation	No.	Sex Distribution	
		Male	Female
Minor	7	4	3
Major	115	93	22
Total	122	97	25
Project related	7	7	0

cated on Road Safety. A total of 5 Pitsos were held in Butha-Buthe Catchment on Health Education and Rural Sanitation and Water Supply – 249 people attended.

The Baseline Epidemiology Survey was done and a draft final report handed to LHDA. Relevant Ministries will be involved in the monitoring of the Phase 1A programmes.



The Lesotho Highlands Water Project has opened access to the snow-capped Roof of Africa

Human Resources

5.1 Personnel

Performance Appraisal System was implemented for the first time. During the period of reporting the LHDA grew remarkably. Sixty-three positions were filled by recruitment, thus bringing the total number of staff to two hundred and ninety-five.

The breakdown of the strength as at March 1993 is as follows:

Division	Locals	Expatriates	Total
Executive	20	1	21
Treasury	21	4	25
Environment	57	1	58
Administration	30	—	30
Finance	25	1	26
Legal	8	—	8
Human Resources	14	1	15
Construction	19	12	31
Planning & Design	28	5	33
Infrastructure	8	1	9
Water Resources	11	1	12
Public Relations	17	—	17
Information Systems	10	—	10
TOTAL	268	27	295

5.2 Training

The Construction Skills Training Centre produced 103 trainees under the Upgrading Training Programme. This training was introduced specifically to meet the needs of contractors.

Tenders for the Management Development Programme were evaluated. Negotiations started with the successful tenderer.

The first Training Plan was produced and the criteria of funding courses was agreed with JPTC.

The summary of the training conducted during the period of report is hereunder:

Category	Number of Participants	No. of Courses
1. Management training	30	34
2. Engineering related training	25	16
3. Legal related training	5	4
4. Environment training	20	19
5. Computer related training	68	20
6. Secretarial training	53	17
7. Finance	22	12
8. Others	12	7
TOTAL	235	129

Local Participation Programmes

LHDA maintained links with the local business groups throughout the period.

Metsi Ford Food Catering Company formed in 1989 comprises 50 local shareholders who have gone into joint venture with Ford Food. The equity share of the joint venture is 45:55 respectively. During the year under review, the company catered at Lesotho Co-operative College only.



Staff members of the Metsi Ford Food company, discussing business in the reception area

Setha-Se-Oele Furniture Manufacturers (Pty) Ltd., is a new business venture formed during the report period. The operations of this company have not yet commenced.



Phase I Government Office Complex – Qhobosheane in Maseru. Sample of work done by Kopanang Steel Fixers

Kopanang Steel Fixers is a local company of twenty Basotho men with long experience in steel fixing. They were encouraged to form a company with a view to go into joint venture with RSA companies for the purposes of getting sub-contracts from LHWP.

Basotho Transport Consortium (Haulage Company) was formed in 1989. Members are doing good business with the contractors of Lesotho Highlands Water Project. Their vehicle fleet has doubled.



Nthane Bros Transport, one of the members of the Basotho Transport Company

Project financing

7.1 Water Transfer

All the offshore loans including that from the World Bank, became effective in May 1992, after the conditions precedent were satisfied. This allowed the payment of contractors to be effected from the offshore export credit and commercial loans.

The first drawdown of foreign currency, of some M320 million equivalent, was made from the offshore loans to reimburse the CMA 2 facilities which had been used to bridge foreign costs. An arrangement was worked out whereby the Department of Water Affairs of South Africa, through the Trans-Caledon Tunnel Authority (TCTA), purchased the incoming foreign currencies from the Central Bank of Lesotho in order to procure forward cover from the South African Reserve Bank for the future repayment of the offshore loans.

The Nedbank and Barclays Bank portions of the CMA 2 facility were repaid by means of Cost Related Payments by TCTA when they fell due for payment.

The Water Transfer Financing Plan was updated in November 1992 and circulated widely to lenders and authorities of the Project. In terms of the loan covenants LHDA is obliged to produce this plan on a half yearly basis, and as such preparations were commenced for the next update due to take place in May 1993.

As part of the planning process for Phase 1B, a draft financing strategy was developed and presented to the Project authorities for consideration and approval. Although the draft strategy does not place emphasis on the

objective of maximising foreign finance, as was the case with Phase 1A, it is based on the similar principle that foreign costs will be financed from foreign sources. The draft strategy will be refined further with the new contract packaging that has been agreed by the parties.

7.2 Hydropower Finance

Following the Donors Conference held in November 1991, at which confirmation of financing offers was made for the engineering and civil works component of the 'Muela Hydropower Project (MHP), appraisal missions were carried out by the following financing agencies:

- African Development Bank (ADB)
- European Investment Bank (EIB)
- Commonwealth Development Corporation (CDC)

Both the ADB and EIB successfully completed their appraisals which confirmed that the MHP met their investment criteria. As a consequence, the financing requests were tabled before the respective Boards and were accordingly approved.

The process of concluding all conditions of effectiveness and signing, with respect to both ADB and EIB loans, has been set in motion. This should be completed in time to allow for signing to take place in May for the ADB loan and June for EIB loans.

CDC took a decision not to proceed with their financing of the MHP since the results of their economic evaluation did not meet their investment criteria. As an immediate measure to fill the gap created by CDC's decision, the Development Bank of Southern Africa was approached and the LHDA's financing request is being considered at a high level in the Bank.

As a by-product of the LHDA/LEC Interface Study carried out by Gibb Sogreah, a financing model is being developed for eventual handing-over and operation by LHDA. An initial financing plan has been produced which is shown in Schedule B.

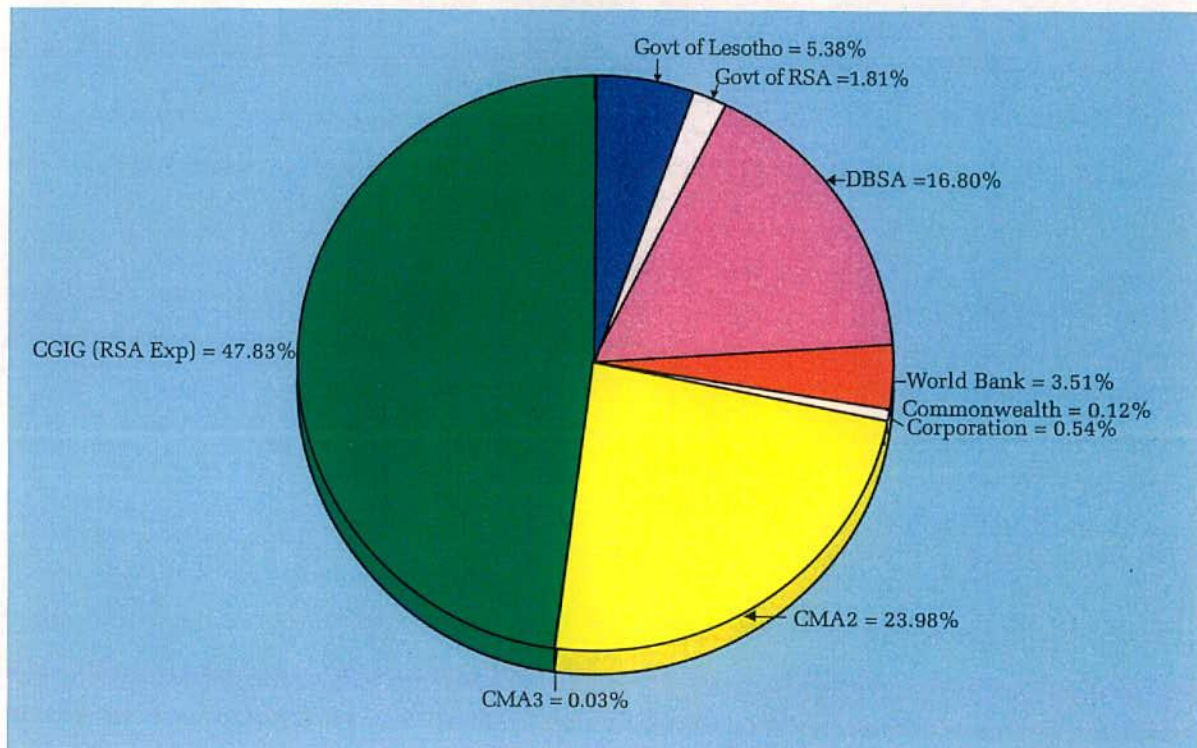
7.3 Rural Development Plan

The Treasury Division is represented in the Task Force comprising both Government and Project officials, the responsibility of which is to develop a funding plan for all projects which have been identified for GOL funding.

7.4 Operations

A sophisticated Loan Covenant Monitoring Procedure was developed and implemented successfully to monitor compliance with LHDA's complex loan conditions.

Financing Secured for Water Transfer



Financing Secured for Water Transfer

LENDER	LOAN VALUE (000's)		TOTAL MALOTI EQUIVALENT	CONTRACTS (000's)			LOCAL INFRASTRUCTURE & ADMINISTRATION
	Currency	Amount		123	124/5	126	
Government of Lesotho	LEM	170,107	170,197				170,107
Government of the Republic of South Africa	SAR	548,370	548,370				548,370
Development Bank of Southern Africa	SAR	515,023	515,023				515,023
World Bank (IBRD)	USD	110,000	349,305				349,305
Commonwealth Development Corporation	GBP	3,700	17,548				17,548
Commonwealth Development Corporation	GBP	17,000	80,624	41,118	26,606	12,900	
CMA 2	SAR	370,000	370,000				370,000
CMA 3	SAR	1,900,000	1,900,000				1,900,000
CGIC (RSA Export Credit)	SAR	1,500,000	1,500,000	716,633	532,075	251,292	
Hill Samuel							
- Export Credit	GBP	49,434	234,446	75,815	107,743	50,888	
- Commercial Loan	GBP	8,724	41,375	13,379	19,013	8,983	
Banque Nationale de Paris							
- Export Credit	FRF	595,443	344,571	105,483	162,393	76,695	
- Commercial Loan	FRF	105,077	60,806	18,614	28,657	13,534	
Dresdner Bank AG							
- Export Credit	DEM	163,490	320,965	97,748	151,587	71,630	
Dresdner Bank Luxembourg SA							
- Commercial Loan	DEM	20,071	39,404	12,407	18,332	8,664	
KfW							
- Export Credit	DEM	81,745	160,483	48,874	75,794	35,815	
- Commercial Loan	DEM	10,035	19,701	6,204	9,166	4,331	
Credit Lyonnais							
- Export Credit	ITL	63,664,807	125,961	125,961			
- Export Credit	GBP	10,000	47,426	47,426			
- Export Credit	FRF	110,422	63,899	63,899			
- Commercial Loan	FRF	87,567	50,673	50,673			
TOTALS			6,960,686	1,424,236	1,131,367	534,731	3,870,353

SCHEDULE B

N.B. Currency conversions have been effected using Exchange Rates as at 31st March 1993.

Proposed Financing Plan for 'Muela Hydropower Project

LENDER	CURRENCY	TOTAL MALOTI EQUIVALENT	CONTRACTS (000's)					ADMIN COSTS	ENGL-NEERING	ENVR-ONMENT
			129A	129B	134	135	136			
ADS (Bank) - Loan	UA	70,250	70,250							
ADF (Fund) - Loan	FUA	64,630	64,630							
EDF (EEC) - Grant	ECU	148,326		53,365				91,793	3,168	
EIB (Risk Capital Loan)	ECU	60,584		60,584						
EIB (Own Resources)	ECU	20,906				20,906				
Other (incl. DBSA)	MIX	85,202	10,891	22,839	7,770		17,642	3,500	22,560	
Mixed Credit (Export Credit and Grants)	MIX	143,059			131,298		11,761			
Government of Lesotho	LEM	113,057	11,819	3,229				74,510	11,059	12,440
TOTALS		706,014	157,590	140,017	139,068	20,906	29,403	78,010	125,412	15,608



Lesotho Highlands Development Authority

Financial Statements for
the year ended 31 March 1993

**Financial Statements for the Year ended
31 March 1993**

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Balance Sheet at 31 March 1993	24
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Directors' Approval

The Financial Statements which appear on pages 21 to 34 were approved by the Board of Directors on 24 June 1993 and are signed on its behalf by:

M. Mohapeloa
Chairman

M.E. Sole
Chief Executive

Report of the Auditors to the members of the Board of the Lesotho Highlands Development Authority

We have audited the financial statements set out on pages 22 to 34 for the year ended March 31, 1993 in accordance with generally accepted auditing standards.

To the best of our knowledge and belief and on information supplied to us, the financial statements reflect a true statement of the assets and liabilities of the Authority at March 31, 1993.

KPMG Peat Marwick
Auditors

Statement of Activities and Accounting Policies

Year ended 31 March 1993

1. Statement of Activities

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

The Authority is also conferred with general functions in relation to water resources, electricity, education and training of its employees, monitoring activities and land transactions.

The Authority is presently engaged upon construction of Phase 1A and the planning of Phase 1B of the Lesotho Highlands Water Project. At this time progress upon Phase 1A is satisfactory and the Authority envisages completion in 1996. The principal physical features of Phase 1A in Lesotho are as follows:

- (a) A 185 metre high concrete arch dam on the Malibamats' o River at Katse.
- (b) A 45 km transfer tunnel north from the Katse reservoir to the Hydropower complex at 'Muela.
- (c) A 72 MW underground Hydropower complex at 'Muela.
- (d) A 15 km delivery tunnel north from 'Muela under the Mohokare (Caledon) River which forms the border 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, two new bridges, upgrading of border crossing facilities and new river crossings, camps, communications, power supply, etc.
- (f) Associated conservation, environmental and rural development activities.

2. Principal Accounting Policies

The financial statements are prepared on the historical cost basis and incorporate the following principal accounting policies:

2.1 Capital work-in-progress

Costs incurred on the implementation of the Lesotho Highlands Water Project, including costs incurred prior to the establishment of the Authority on 24 October, 1986, are capitalised and shown as fixed assets on the balance sheet of the Authority. As construction will not be completed before 1996, no depreciation is charged.

Cost comprises all attributable costs of bringing the asset or group of assets to working condition for their intended use, and includes inter alia:

- (a) all costs of investigations, surveys, feasibility studies, engineering studies, preparation of designs, construction, construction supervision, procurement and commissioning;
- (b) the establishment and administration costs of the Authority;
- (c) the costs of any land or interests in land, and any improvements to such lands;
- (d) the costs of measures taken in order to ensure that members of local communities in Lesotho are not adversely affected by Project related activities, including compensation paid;
- (e) all finance charges (including interest payments, financing and foreign exchange cover charges and other charges) relating to finance raised to fund capital expenditure.

All costs incurred are apportioned to one or more of the following activities:

Statement of activities and accounting policies

Year ended 31 March 1993 (continued)

- (i) generation of hydro-electric power in the Kingdom of Lesotho ("Hydropower")
- (ii) delivery of water to South Africa ("Water Transfer")
- (iii) ancillary developments in the Kingdom of Lesotho ("Ancillary Developments").

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. The Government of the Republic of South Africa is, by way of Cost Related Payments, responsible for the costs of the Water Transfer activities.

2.2 Foreign Exchange

Assets and liabilities in foreign currencies are translated to Maloti at rates of exchange ruling at the end of the financial year or, where applicable, at forward cover rates.

Transactions in foreign currencies are translated to Maloti at rates of exchange ruling at the date of the transaction or where appropriate, at forward cover rates.

Premiums on forward exchange contracts are amortised over the period of the contract.

Under the terms of the Treaty covering the project and the Ancillary Agreement to the Treaty of 13 November 1991, the Government of the Republic of South Africa is obligated to effect debt service payments on all loans guaranteed by it.

The forward cover contracts have been effected by the Government of the Republic of South Africa.

Exchange differences are allocated to the cost of the related activity.

2.3 Cost Related Payments

Cost related payments from the Governments of Lesotho and South Africa are recognised and credited to the Capital Fund on the date due for payment.

Cost related payments become due when the relevant cost falls due for payment; provided that cost related payment may be paid directly to contractors or consultants, or, where costs have been financed by way of loans shall be due for payment at the time such loans become redeemable.

Funds obtained on concessionary terms for the Water Transfer component are, for the purpose of cost related payments, deemed to be loans at the interest rate and redemption terms applicable to loans of the International Bank for Reconstruction and Development.

2.4 Royalties

Royalties arising from the Lesotho Highlands Water Project, including advance royalty payments through the Southern Africa Customs Union, accrue to the Government of Lesotho and are therefore not reflected in the financial statements of the Authority.

2.5 Other income

Other income arising, such as interest earned, exchange gains and miscellaneous income, is credited to the cost of the activity to which it relates.

Balance Sheet at 31 March 1993

	Notes	31 March 1993		31 March 1992	
		M'000	M'000	M'000	M'000
Assets Employed					
Fixed Assets	1		2 309 134		1 486 429
Current Assets					
Advance Payments		227 562		307 461	
Other Receivables		24 898		1 090	
Cash on Deposit at Bank		15 615		17 713	
		<u>268 075</u>		<u>326 264</u>	
Current Liabilities					
Contracts Payables and Accruals		185 811		148 541	
Retentions		66 054		39 104	
Other Payables and Accruals		19 573		8 440	
Short Term Loan		401 832		719 082	
		<u>673 270</u>		<u>915 617</u>	
Net Current Liabilities	6		<u>(405 195)</u>		<u>(588 903)</u>
			<u>1 903 939</u>		<u>897 526</u>
Financed by:					
Capital Fund	2		611 742		411 344
Government of Lesotho Fund	3		17 069		50 046
Long term liabilities	4		<u>1 275 128</u>		<u>436 136</u>
			<u>1 903 939</u>		<u>897 526</u>

Statement of Changes in Financial Position for the Year ended 31 March 1993

Source of Funds

	M'000
Government of Lesotho	9 904
Government of Republic of South Africa	153 493
Increase in Term Liabilities	521 742
Increase in Net Current Liabilities	133 542
	818 681

Uses of Funds

Expenditure on Capital Work-in-Progress

Administration	60 375
Construction	487 300
Engineering	77 492
Environment	13 733
Financing	179 781
	818 681

Increases in Net Current Liabilities

Decrease in Advance Payments	79 899
Increase in Other Receivables	(23 808)
Decrease in Cash on Deposit and at Bank	2 098
Increase in Contract Payables and Accruals	37 270
Increase in Retentions	26 950
Increase in Other Payables and Accruals	11 133
	133 542

Notes to the Financial Statements for the Year ended 31 March 1993

1. Fixed Assets

Capital Work in Progress

	Balance 1/4/92 M'000	Increase During Year M'000	Balance 31/3/93 M'000
Phase 1A:			
Hydropower			
Administration	8 083	4 670	12 753
Construction	0	750	750
Engineering	28 248	11 406	39 654
Environmental	1 097	955	2 052
Financing	212	873	1 085
	<u>37 640</u>	<u>18 654</u>	<u>56 294</u>
Ancillary Developments			
Administration	5 842	1 540	7 382
Construction	72 490	14 118	86 608
Engineering	4 160	2 422	6 582
Environmental	1 341	1 297	2 638
Financing	1 201	2 591	3 792
	<u>85 034</u>	<u>21 968</u>	<u>107 002</u>
Water Transfer			
Administration	155 544	54 165	209 709
Construction	808 992	472 432	1 281 424
Engineering	170 495	62 482	232 977
Environmental	17 180	11 481	28 661
Financing	211 544	180 341	391 885
	<u>1 363 755</u>	<u>780 091</u>	<u>2 144 656</u>
Phase 1B:			
Water Transfer			
Engineering	0	1 182	1 182
Total Fixed Assets	<u>1 486 429</u>	<u>822 705</u>	<u>2 309 134</u>

- (a) Fixed Assets at 1 April 1992 have been restated to reflect agreements reached upon Cost Allocation and to show Costs attributable to Ancillary Development. The overall effect has been to increase costs attributable to the Government of Lesotho by M6,283,000 and to reduce the costs attributable to the Government of South Africa, by M6,283,000.
- (b) Included in financing of Phase 1A Fixed Assets is M31,452,000 representing the finance costs attributable to funds obtained on concessionary terms of the Water Transfer Component, deemed to be loans with interest rates and redemption terms applicable to loans of the International Bank for Reconstruction and Development.

Phase 1B costs are wholly water transfer and a Republic of South Africa cost responsibility.

Notes to the Financial Statements for the Year ended 31 March 1993 (continued)

2. Capital Fund

	Govt. of Lesotho M'000	Govt. of South Africa M'000	Total M'000
Balance at 1 April 1992	116 391	294 953	411 344
Cost Related Payments –			
Hydropower and Ancillary Development	46 905		46 905
Water Transfer		153 493	153 493
Balance at 31 March 1993	<u>163 296</u>	<u>448 446</u>	<u>611 742</u>

Total Water Transfer costs at 31st March 1993 amount to M2 145 838 000 of which M448 446 000 has been paid as shown above.

The balance of M1 697 392 000 is funded by loans which will be discharged through debt service payments, representing further cost related payments.

3. Government of Lesotho Fund

	M'000
Balance at 1 April 1992	50 046
Amounts provided by the Government of Lesotho	31 324
Less: Cost related payments on Hydropower and Ancillary Developments transferred to Capital Fund	(46 905)
Add: Net Financing Income Accrued	4 024
Less: Cost related payment received from Government of South Africa	(21 420)
Balance at 31 March 1993	<u>17 069</u>

The total amount provided by the Government of Lesotho during the period is analysed by original source as follows:

Notes to the Financial Statements for the Year ended 31 March 1993 (continued)

3. Government of Lesotho Fund (continued)

Analysis of Funds Provided by the Government of Lesotho

	Balance 1 April 1992 M'000	Increase During Year M'000	Balance at 31 March 1993 M'000
European Development Fund	21 163	22 479	43 642
European Investment Bank	6 908	224	7 132
Government of France	67 154	3 569	70 723
Government of Lesotho	5 814	5 541	11 355
International Development Association	27 130	(1 819)	25 311
Overseas Development Administration	6 585	944	7 529
United Nations Development Programme	2 653	11	2 664
United States Agency for International Development	612	—	612
Centre for International Migration	764	—	764
Government of Ireland	—	375	375
	<u>138 783</u>	<u>31 324</u>	<u>170 107</u>

The terms and conditions on which these amounts have been provided have not yet been determined.

Notes to the Financial Statements for the Year ended 31 March 1993 (continued)

4. Long Term Liabilities

	Balance at 01/04/1992 M'000	Balance at 31/03/1993 M'000
Facilities for which foreign exchange forward cover contracts have been effected		
<i>A Facilities specific to Katse Dam and Appurtenant Works, Transfer Tunnels and Delivery Tunnel South</i>		
Banque Nationale De Paris		
Export Credit Loans		
(a) Katse Dam	-	13 600
(b) Transfer Tunnels	-	66 517
(c) Delivery Tunnel South	-	39 733
Commercial Loans		
(d) Katse Dam	-	21 250
(e) Transfer Tunnels	-	32 714
(f) Delivery Tunnel South	-	15 450
Credit Lyonnaise		
Export Credit Loan		
(g) Katse Dam	-	54 070
Commercial Loan		
(h) Katse Dam	-	46 242
Dresdner Bank AG		
Export Credit Loans		
(i) Katse Dam	-	13 027
(j) Transfer Tunnels	-	40 108
(k) Delivery Tunnel South	-	25 119
Dresdner Bank Luxembourg SA		
Commercial Loans		
(l) Katse Dam	-	14 469
(m) Transfer Tunnels	-	21 379
(n) Delivery Tunnel South	-	10 102
Hill Samuel Bank Limited		
(o) Export Credit Loan	-	103 242
(p) Commercial Loan	-	44 774

The above loans are multi-contract and relate to Katse Dam, Transfer Tunnels and Delivery Tunnel South

Notes to the Financial Statements for the
Year ended 31 March 1993 (continued)

4. Long Term Liabilities (continued)

Kreditanstalt Fur Wiederaufbau (KFW)

Export Credit Loans		
(q) Katse Dam	—	6 461
(r) Transfer Tunnels	—	19 868
(s) Delivery Tunnel South	—	12 446
Commercial Loans		
(t) Katse Dam	—	7 235
(u) Transfer Tunnels	—	10 690
(v) Delivery Tunnel South	—	5 051

Commonwealth Development Corporation (CDC)

(w) Commercial Loan	—	124 607
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The above loan is multi-contract
and relates to Katse Dam,
Transfer Tunnels and Delivery
Tunnel South

**B Facility specific to provision of
communication systems to the project**

Commonwealth Development Corporation

Commercial Loan	—	20 004
		<hr/> 768 158

Less provision for unamortised cost of forward cover		<hr/> 187 414
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580 744

Facilities for which foreign exchange
forward cover contracts have not been
effected

**C Facility specific to provision of consultancy
training and project preparation**

**International Bank for Reconstruction
and Development**

World Bank Loan		15 653
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Notes to the Financial Statements for the Year ended 31 March 1993 (continued)

4. Long Term Liabilities (continued)

D Facilities for provision of Infrastructure and Institutional support

Development Bank of Southern Africa – (DBSA)

In respect of:

(a) Southern Access Road	25 113	25 700
(b) Northern Access Road – Northern Portion	160 750	156 032
(c) Katse Bridge	2 638	2 557
(d) Northern Access Road Southern Portion	58 135	56 523
(e) Border Crossing Facilities	8 235	8 315
(f) Infrastructure Management	335	348
(g) Katse Village Building Works	34 147	45 882
(h) North End Access Road	39 375	45 501
(i) Power Supply	61 859	77 911
(j) Katse Village Engineering Works	20 635	23 185
(k) Communication System	1 345	1 676
(l) Butha-Buthe Engineering Supervision Compensation	14 850	17 350
(m) Civil Construction Training Needs Preparation Costs and Accommodation	802	814
(n) Civil Construction Training Needs – Moveable Assets	468	432
(o) Civil Construction Training Needs – Establishment Costs	221	215
(p) Upgrading of Border Crossing Facilities at Maputsoe and Calendonspoort	–	–
(q) Butha-Buthe Building Works	9 745	11 723
(r) Accounting Systems Computerisation	–	3 118
(s) Facilities for Overall Project Implementation	–	–
Trust Bank – Trust Bank Facility	694	–
CMAII Facility – Barclays Bank of Swaziland Ltd	9 974	–
CMAII Facility – ABSA Consortium	366 756	344 322
CMA II Facility – Nedbank	333 596	–
CMA III Facility – Standard Bank/ First National Bank	–	258 039
Trans Caledon Tunnel Authority	5 545	–
	<u>1 155 218</u>	<u>1 676 960</u>
Less: Current portion	719 082	401 832
	<u>436 136</u>	<u>1 275 128</u>

Notes to the Financial Statements for the Year ended 31 March 1993 (continued)

4. Long Term Liabilities (continued)

- A Facilities specific to Katse Dam and appurtenant works, Transfer Tunnels and Delivery Tunnel South.
- (a) Repayable in 20 semi-annual instalments commencing at the earlier of six months after the date of delivery of the provisional acceptance certificate or 31 July 1997, and bearing interest at fixed rates.
 - (b) Repayable in 20 semi-annual instalments commencing at the earlier of six months after the date of delivery of the provisional acceptance certificate or 31 July 1997, and bearing interest at fixed rates.
 - (c) Repayable in 20 semi-annual instalments commencing at the earlier of six months after the date of delivery of the provisional acceptance certificate or 31 July 1997, and bearing interest at fixed rates.
 - (d) Repayable in one instalment on 30 June 1997 and bearing interest at a varying rate.
 - (e) Repayable in one instalment on 30 June 1997 and bearing interest at a varying rate.
 - (f) Repayable in one instalment on 30 June 1997 and bearing interest at a varying rate.
 - (g) Repayable in 20 semi-annual instalments commencing at the earlier of six months after substantial completion or 31 July 1997 and bearing interest at fixed and varying rates.
 - (h) Repayable in one instalment on 30 June 1997 and bearing interest at a varying rate.
 - (i) Repayable in 20 semi-annual instalments commencing at the earlier of six months after date of substantial completion of contract or 31 July 1997 and bearing interest at a varying rate.
 - (j) Repayable in 20 semi-annual instalments commencing at the earlier of six months after date of substantial completion of contract or 31 July 1997 and bearing interest at a varying rate.
 - (k) Repayable in 20 semi-annual instalments commencing at the earlier of six months after date of substantial completion of contract or 31 July 1997 and bearing interest at a varying rate.
 - (l) Repayable in one instalment on 30 June 1997 and bearing interest at a varying rate.
 - (m) Repayable in one instalment on 30 June 1997 and bearing interest at a varying rate.
 - (n) Repayable in one instalment on 30 June 1997 and bearing interest at a varying rate.
 - (o) Repayable in 20 semi-annual instalments commencing at the earlier of six months after commissioning or 31 July 1997 and bearing interest at a fixed rate.
 - (p) Repayable in one instalment on the last business day in June 1997 and bearing interest at a varying rate.
 - (q) Repayable in 20 semi-annual instalments commencing at the earlier of six months after substantial completion or 31 July 1997, and bearing interest at a fixed rate.
 - (r) Repayable in 20 semi-annual instalments commencing at the earlier of six months after substantial completion or 31 July 1997, and bearing interest at a fixed rate.
 - (s) Repayable in 20 semi-annual instalments commencing at the earlier of six months after substantial completion or 31 July 1997, and bearing interest at a fixed rate.
 - (t) Repayable in one instalment on 30 June 1997 and bearing interest at a varying rate.
 - (u) Repayable in one instalment on 30 June 1997 and bearing interest at a varying rate.

Notes to the Financial Statements for the Year ended 31 March 1993 (continued)

4. Long Term Liabilities (continued)

- (v) Repayable in one instalment on 30 June 1997 and bearing interest at a varying rate.
- (w) Repayable in 28 semi-annual instalments commencing on 30 January 1998, bearing interest at a varying rate.
- B** Facility specific to provision of communication systems to the project.
Repayable in 8 semi-annual instalments commencing on 31 January 1997 and bearing interest at a fixed rate.
- C** Facility specific to provision of consultancy, training and project preparation.
Repayable in 24 semi-annual and increasing instalments commencing on 1 November 1997, bearing interest at a varying rate.
- D** Facilities for provision of Infrastructure and Institutional Support.
- (a) Repayable over 20 years, including a 4 year grace period, and bearing interest at 8 percent per annum.
- (b) Repayable over 22,5 years, including a 2.5 year grace period, and bearing interest at 8 percent per annum.
- (c) Repayable over 20 years, including a 2 year grace period, and bearing interest at 8 percent per annum.
- (d) Repayable over 20 years, including a 2.5 year grace period, and bearing interest at 8 percent per annum.
- (e) Repayable over 20 years, including a 1 year grace period, and bearing interest at 11 percent per annum.
- (f) Repayable over 10 years, including a 3 year grace period, and bearing interest at 4 percent per annum.
- (g) Repayable over 20 years, including a 2 year grace period, and bearing interest at 16 percent per annum.
- (h) Repayable over 20 years, including a 1.5 year grace period, and bearing interest at 8 percent per annum.
- (i) Repayable over 20 years, including a 1.5 year grace period, and bearing interest at 15 percent per annum.
- (j) Repayable over 20 years, including a 2 year grace period, and bearing interest at 12 percent per annum.
- (k) Repayable over 10 years, including a 2 year grace period, and bearing interest at 4 percent per annum.
- (l) Repayable over 20 years, including a 2 year grace period, and bearing interest at 12 percent per annum.
- (m) Repayable over 13 years, including a 0.5 year grace period, and bearing interest at 8 percent per annum.
- (n) Repayable over 3 years, including a 0.5 year grace period, and bearing interest at 16 percent per annum.
- (o) Repayable over 10 years, including a 0.5 year grace period, and bearing interest at 4 percent per annum.
- (p) Repayable over 10 years, including a 2 year grace period, and bearing interest at 14 percent per annum.
- (q) Repayable over 20 years, including a 2 year grace period, and bearing interest at 15 percent per annum.
- The CMA II facility is repayable on 31 August 1993 and bears interest at varying commercial rates.
- The CMAIII facility is repayable in ten equal annual instalments commencing on the earlier of the first anniversary of completion of Phase 1A of the project, or 1 July 1997 and bears interest at varying commercial rates.
- All loans are guaranteed by the Government of South Africa.

Notes to the Financial Statements for the Year ended 31 March 1993 (continued)

5. Forward Cover

All foreign currency denominated loans, except that of the International Bank for Reconstruction and Development, are the subject of forward cover.

6. Capital Commitments

Outstanding capital expenditure contracted for at 31 March 1993 amounted to M2 264 million. Finance has been secured as at 31 March 1993 to meet all of these commitments, including current liabilities.

7. Taxation

In accordance with Section 29(1) of the Lesotho Highlands Development Authority

Order (No. 23) of 1986, the Authority is exempt from sales tax payable under the Sales Tax Act 1982, tax on any income or profits from any source payable under the Transfer Duty Act 1966, stamp duties payable under the Stamp Duties Order 1972 and any fees payable under the Deeds Registry Act 1967.

8. Income Statement

An Income Statement has not been prepared as all expenditure and related income for the period has been charged to Capital Work-in-Progress.