LHDA

Lesotho Highlands
Development Authority

ANNUAL REPORT

2020/21

LESOTHO HIGHLANDS DEVELOPMENT AUTHORITY

ANNUAL REPORT

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List of Abbreviations/Acronyms

ARC	Audit and Risk Committee
CE	Chief Executive
CFRD	Concrete-Faced Rockfill Dam
ERMC	Enterprise Risk Management Committee
ERMF	Enterprise Risk Management Framework
ERMP	Enterprise Risk Management Policy
EXCO	Executive Committee
GoL	Government of Lesotho
GWhr	Gigawatt hour
IAS	International Accounting Standards
ICT	Information Communications and Technology
IFR	Instream Flow Requirements
IFRS	International Financial Reporting Standards
KFA	Key Focus Area
LHDA	Lesotho Highlands Development Authority
LHWC	Lesotho Highlands Water Commission
LHWP	Lesotho Highlands Water Project
LLEs	Local Legal Entities
masl	Metres Above Sea Level
MCM	Million Cubic Metres
MOU	Memorandum of Understanding
Phase I	Phase I of the Lesotho Highlands Water Project
Phase II	Phase II of the Lesotho Highlands Water Project
PMU	Project Management Unit
RSA	Republic of South Africa
TCTA	Trans-Caledon Tunnel Authority

PART A: GENERAL INFORMATION

Board of Directors

Mr Robert Mbwana - Board Chairperson

Operations and Maintenance

Chairperson of the Operations and Maintenance Sub-Committee

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

Mrs Neo Foulo - Deputy Board Chairperson

Audit and Risk Management:

Chairperson of the Audit and Risk Management Sub-Committee

- Certificate in International Auditing (ACCA, UK) 2009
- Master of Business Administration (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

Mr Mzwandile Malishe - *Human Resources Management Portfolio and Chairperson of the Human Resources Sub-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 - Durban) 2017,
- Management Development Programme Certificate (MDP) (University of KwaZulu-Natal - Durban) 2015,
- Bachelor of Commerce (Honours) HRM (MANCOSA - Durban) 2014,
- B-TECH Degree – Human Resource Management (University of South Africa – Pretoria) 2009,
- National Diploma Human Resource Management (Mangosuthu Technikon – Durban) 1998

Ms Kanthimathie Rattay

Legal Portfolio & Interim Chairperson of Technical Sub- Committee

- Master of Laws (Georgetown University, Washington, D.C.) 1993,
- Bachelor of Laws (University of the Witwatersrand, South Africa) 1991,
- Bachelor of Arts (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

Mr Lehlomela Phakisi

Socio-Economic Development Portfolio and Chairperson of Sustainable Development Sub-Committee

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

Mr Tente Tente

Chief Executive and Ex Officio Member

- 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
- B.Eng. (Hons) Civil Engineering (Loughborough University) 1995

Dr Taelo Letsela

Natural Environment Portfolio

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

Mr Peete Molapo

Stakeholder Representation

- Master of Arts in Economics (University of East Anglia, UK) 1988
- Post-Graduate Diploma in National Accounts & Economic Statistics (University of East Anglia, UK) 1987
- Bachelor of Arts in Economics (National University of Lesotho) 1982

Adv. Thenjiswa Matshikiza

Board Secretary

- Senior Management Development Programme (University of Stellenbosch) 2019
- New Managers Development Programme (University of Free State) 2016
- Admitted as an Advocate of the High Court of South Africa 2000
- Admitted as an Advocate of the High Court of Lesotho 1994
- Bachelor of Laws(National University of Lesotho) 1994
- Bachelor of Arts in Law(National University of Lesotho) 1992
- Member of the Law Society of Lesotho

PART A: GENERAL INFORMATION

Vision

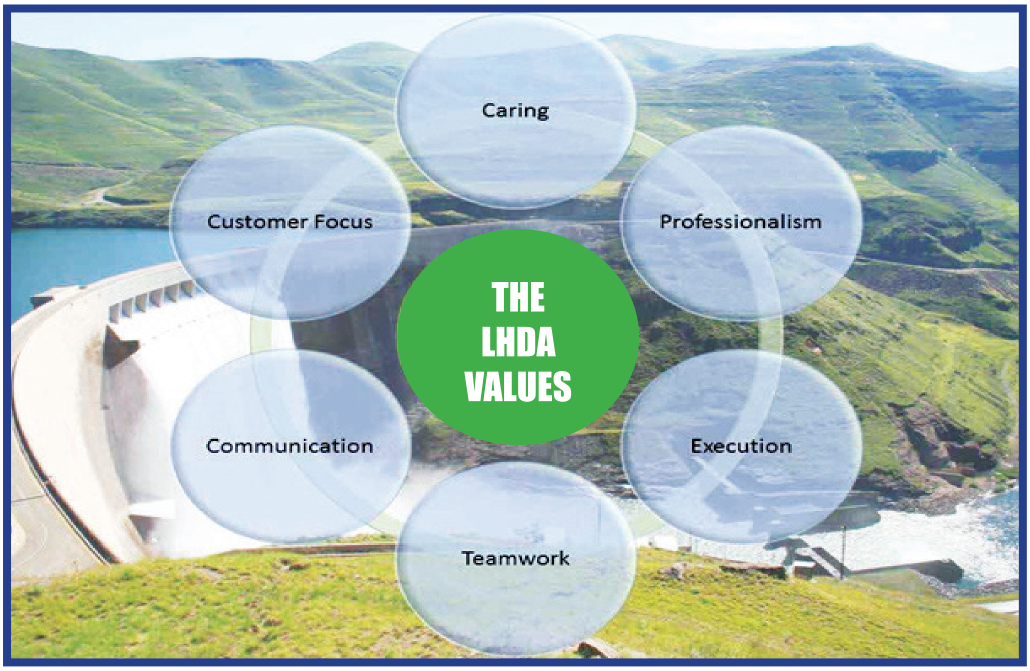
A world class organisation in the development and management of water resources and electricity generation.

Mission

To effectively and efficiently implement the Lesotho Highlands Water Project in accordance with internationally recognised standards, through capable and engaged people.

Values

The LHDA has adopted a set of values to drive the right behaviour within the organisation as illustrated below.



Professionalism	Execution	Teamwork	Communication	Customer Focus	Caring
We discharge our duties with efficiency.	We get things done and have a bias for action.	We value the roles and inputs of others, and draw on each other's strengths and skills.	We share information throughout the organisation, listen effectively, and continuously strive for transparency.	All our actions are directed towards delivering value and meeting our customers' needs.	We care about our employees, assets, environment, communities and stakeholders.

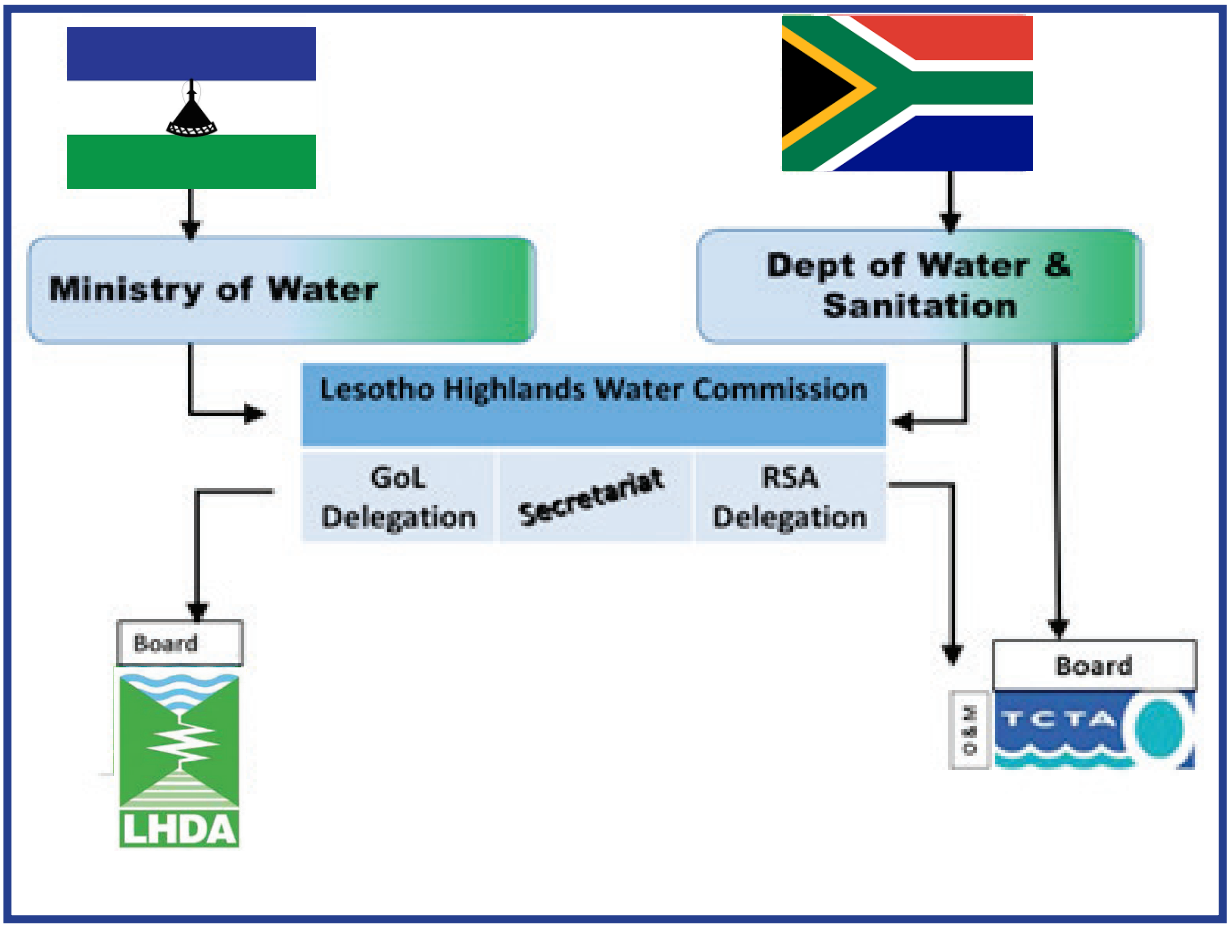
Governance Framework

The Lesotho Highlands Water Project was established by the 1986 Treaty signed on the 24th October 1986 between the Governments of the Kingdom of Lesotho and the Republic of South Africa, referred to as the Parties in the Treaty.

The Treaty also sets out the governance structures required to implement the Lesotho Highlands Water Project on behalf of the Parties.

These structures as depicted below are:
- The Lesotho Highlands Water Commission
- The Lesotho Highlands Development Authority
- The Trans-Caledon Tunnel Authority

Fig 1: **Project Governance**



The Lesotho Highlands Water Commission

The Lesotho Highlands Water Commission is composed of two delegations, one from each Party.

The Lesotho Highlands Water Commission is charged with the overall responsibility and accountability for the Lesotho Highlands Water Project. It acts on behalf of, and advises the two Governments. The Commission is also the channel of all Governments' inputs relating to the Lesotho Highlands Water Project.

The LHDA Board of Directors

In terms of Article 3 (41) of Protocol VI to the LHWP Treaty, the Board of Directors of the Lesotho Highlands Development Authority reports to, and is accountable to, the Commission. The Board operates within the structural framework of the Lesotho Highlands Water Project Governance Manual, Third Edition of 11th July 2017, and the legal framework provided by the 1986 Treaty and Protocol VI to the Treaty, signed on 04 June 1999.

Board Committees

To assist in its stewardship role, the Board has established five (5) Sub-Committees as set out in Table 1 below. Each Sub-Committee is chaired by a Member of the Board. The roles and responsibilities of these sub-committees are as tabulated below.

Table 1: **Board Sub-Committees and Key Responsibilities**

	Audit and Risk Management	Human Resources	Operations and Maintenance	Sustainable Development	Technical
Members	• Neo Phakoana-Foulo ***(Chair)*** • Gerrit Van Wyk • Paul Clack • Moliehi Tsilo Ralitapole • Seretse Mohlouoa ***(LHWC)*** • Piet Swart ***(LHWC)***	• Mzwandile Malishe ***(Chair)*** • Jonty Tshipa • Gerard Photo Mofolo • Mathabo Sebilo • Leon Tromp ***(LHWC)*** • Lerato Makholela ***(LHWC)*** • Tumisang Mosotho ***(LHWC)***	• Robert Mbwana ***(Chair)*** • Ngaka Andrias Lesala • Khathutselo God-grey Maumela • Nandha Govender • Moroke Ntene ***(LHWC)*** • Molefi Mokhethi ***(LHWC)*** • Leon Tromp ***(LHWC)***	• Lehlomela Phakisi ***(Chair)*** • Daphney Ramaphosa • Makase Nyaphisi • Taelo Letsela • Puseletso Matete • Bernice Khoachele ***(LHWC)*** • Peete Molapo • Moroke Nteene ***(LHWC)*** • Reggy Tekateka ***(LHWC)***	• Kanthimathie Rattay ***(Chair)*** • Willie Croucamp • Musa Furumele • Thabang Tsehlo • Moroke Nteene ***(LHWC)*** • Leon Tromp ***(LHWC)*** • Mohlabani Monyake ***(LHWC)*** • Mohlomi Thamae ***(LHWC)***
Responsibilities	Advises and assists the Board in fulfilling its oversight responsibilities for financial reporting, information technology, external audit, internal audit, internal financial controls, corporate risk management and sound corporate governance.	Advises and assists the Board with regard to the organisational structure and human resources issues including talent management, attraction, retention, remuneration policies and strategies, succession planning and overall human resource management and development.	Advises and assists the Board in fulfilling its oversight responsibilities for the Project's Operations and Maintenance strategies, programmes and operational performance.	Advises and assists the Board in fulfilling its oversight responsibilities for sustainability of the Project's social and environmental programmes and projects.	Advises and assists the Board with regard to technical, engineering, environmental and social matters relating to the implementation of Phase II of the Lesotho Highlands Water Project.

Board and Sub-Committee Meetings

The total number of meetings held by the LHDA Board of Directors and the Sub-committees during the year is illustrated below.

Table 2: **Board and Sub-Committee Meetings held between April 2020 and March 2021:**

	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Total
Board	√	√	√	√	√	√√	√	√		√	√	√	**12**
Sub - Committees													
Audit & Risk Management	√		√		√		√	√			√		**6**
Sustainable Development		√		√√		√		√		√	√√	√	**9**
Human Resources	√		√√		√		√√	√			√		**9**
Operations & Maintenance		√		√		√		√	√	√		√	**7**
Technical	√	√	√	√	√	√	√	√		√	√	√	**11**
Total Meetings	**4**	**4**	**5**	**5**	**4**	**5**	**5**	**6**	**1**	**5**	**5**	**5**	**54**

Instruments of Corporate Governance

The LHDA has put in place necessary instruments designed to facilitate and inculcate an environment where good corporate governance and integrity can thrive. These include Board and Committee Charters, Code of Conduct, the LHWP Anti-Corruption Policy, Fraud Policy, Compliance Policy and Framework and a set of corporate values and principles that underpin the day-to-day activities of the organisation.

The LHDA has a zero tolerance approach to dishonest, corrupt and illegal conduct. This approach is central to the LHWP Anti-Corruption Policy and Code of Conduct.

Under the Whistle Blowing Policy, a hot line has been introduced to enable anyone, internal and external stakeholders, to report concerns about suspected unethical or unlawful behaviour, and any other matter related to organisational integrity.

The LHDA's comprehensive risk management approach covers all operations and risks associated with corrupt and dishonest behaviour.

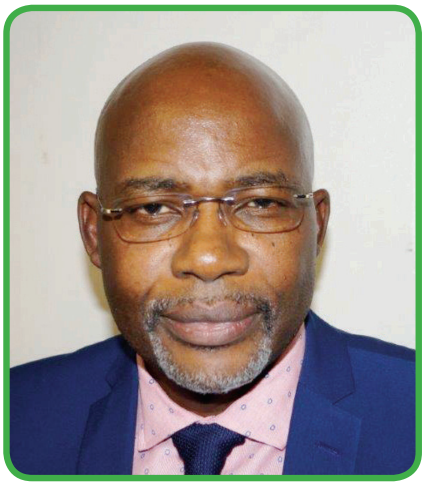
Ethics Management

The LHDA continues to promote ethics within its working environment. In the financial year under review, all staff signed a commitment to the LHDA's Code of Conduct and formally declared all business interest they have.

Statement by the Chairman of the Board

I am pleased to present the LHDA's Annual Report for the period ending March 2021.

The period under review has been one of the most challenging ones. It was clear during the review of the 2020/2021 Business Plan that the impact of the COVID-19 pandemic on the operations of LHDA was quite severe and that the organisation needed to adapt to this new reality.



Robert Mbwana Pr Eng
Board Chairperson

Following this new reality, the LHDA immediately developed an Emergency Response Plan to mitigate the adverse effects of this pandemic. As we sought to regain lost ground where possible, we were cognizant of the fact that successfully delivering on the LHDA mandate would not only require our ability to adapt to an ever changing and complex environment, but it also forced us to forge greater team cohesion. We also had to leverage Information and Communications Technology (ICT) infrastructure as an enabler of business operations and knowledge management. I would like to pay testament to those dedicated LHDA staff involved in ensuring the IT infrastructure was in place to facilitate working from home across the LHDA, in such a short timescale.

Whilst we had planned to fast track the implementation programme of Phase II of the LHWP to mitigate the impact of the delays at that time, little did we know that we are about to experience one of the most tumultuous years to date and to a large extent, we still are experiencing.

Following the World Health Organization (WHO) declaration of COVID-19 as a global pandemic on the 11th March 2020, the South African State President and the Kingdom of Lesotho's Prime Minister announced national lockdowns in both countries, effective 27 and 29 March 2020 respectively. This was just a month before the start of the period under review. The impact of the COVID-19 pandemic has been felt right across LHDA as it has across the world, which has necessitated a new approach to the way we all work.

I would like to thank everyone within LHWP and specifically LHDA for the remarkable adaptability and resilience they have shown in continuing to perform to the best of their abilities in such challenging circumstances. It is really greatly appreciated.

Despite these challenges, the Board continued to ensure continuous improvement in all areas of governance, including the oversight responsibility to ensure that the core functions of the Project are adequately managed. During the reporting period deliberate efforts were taken to maximize participation of Lesotho and South African companies as guided by Article 10 of the Phase II Agreement. This was achieved by implementation of employment, skills development, preferential procurement, and enterprise development strategies during the implementation of the Advance Infrastructure Programme.

The Board and its Sub-Committees continued to meet remotely in order to discharge its responsibilities. I am happy to report that all the Board and Sub-Committee meetings that were planned for the reporting period were undertaken albeit remotely. During the reporting period, the Board was able to consider approve or recommend for approval several policies and guidelines tabled by Management.

Project Funding

Regarding project funding, Trans-Caledon Tunnel Authority (TCTA) continued to make efforts to raise funds in the capital markets to fund construction of the water transfer component of the Lesotho Highlands Water Project. TCTA reported that there is sufficient interest from the market to provide commercial funding with government support, including guarantees where required. Furthermore, negotiations with two Development Finance Institutions (DFIs), namely: African Development Bank (AfDB) and New Development Bank (NDB) were at an advanced stage.

The status of the hydropower component of Phase II of the Project is unchanged from the previous reporting period. By the end of the reporting period, LHDA was awaiting confirmation of the preferred option by the Government of Lesotho. However, ongoing discussions on the matter indicate that, this will take traction during the next financial year.

Polihali Dam and Tunnel Transfer Procurement

Following negotiations with the Lenders (DFIs) and after careful consideration of their procurement rules and procedures, a decision was taken to cancel the pre-qualification process for both the Polihali Dam and the Polihali Transfer Tunnel. At the end of the reporting period Preparations for open tender for the construction of Polihali Dam and Polihali Transfer Tunnel were in progress. The tenders for the construction of the tender for the construction of the Polihali Transfer Tunnel and Polihali Dam are planned to be advertised during the first and second quarter of the next financial year, respectively.

The annual financial statements have been independently reviewed and reported on by the external auditors. The auditors conclude that the financial statements present fairly, in all material respects, the financial position of the LHDA as at end of 31st March 2021.

I am very grateful to my colleagues on the Board of LHDA who continue to provide the LHDA with the requisite guidance in a very professional manner to ensure that the Project is successfully implemented.

On behalf of the Board, I would like to thank the LHDA Management and staff who continue to serve the organization with passion and dedication not only during this financial year but during the more than thirty years of its existence.

I also wish to acknowledge the support from many of our stakeholders and project partners.

I also like to acknowledge and recognize the representatives of both the Governments of Lesotho and South Africa in the Lesotho Highlands Water Commission for their continued support and guidance on this Project.

Thank You

Statement by the Chief Executive

It is my pleasure to once more present highlights of our journey over the year ending March 2021.

This is the period in which organisations around the globe had to deal with the advent of COVID-19 and its impact.

Tente Tente
Chief Executive

The LHDA business operations were not spared. Some of planned initiatives got derailed, leaving no option but to move some of the target outputs into the next financial year. We continued to implement mitigation measures in line with the LHDA COVID-19 Mitigation Guidelines and Procedures to ensure business continuity though we were constrained.

I am happy to report that during the reporting period the full complement of the Executive Team was completed with the appointments of the Divisional Manager Corporate Services and the Divisional Manager Phase II.

Water and Electricity Generation

For most of the reporting period there was low rainfall and this affected the level of water in the reservoirs. However, following the heavy rains during the last quarter the water levels in the Katse Dam recovered from a low level of 37% in April 2020 to 79% in March 2021. At just over 779 million cubic metres, the amount of water transferred to South Africa was close to the target of 780 million cubic metres. On the other hand, electricity generation of 392.4 GWh was achieved against the planned target of 397 GWh, presenting a variance of 0.7% below the planned target for the year and corresponding revenue was also slightly below the target. The details are covered in the body of the report.

Environment and Social

A successful implementation of the LHWP is one that leaves the environment with little to no traces of degradation as a result of construction work. To mitigate the undesirable impacts of construction, the Lesotho Highlands Development Authority is implementing a Biodiversity Management Action Plan (BMAP), that prioritises four (4) elements of biodiversity based on their interdependencies, presumed negative impacts as a result of Project implementation and their use as indicators of the health of the catchments within which they exist. These elements are rangelands, wetlands, birds and fish; notably the Maloti Minnow and other native fish species. Despite the challenges posed by the COVID-19 pandemic, LHDA continued with environmental conservation and restoration works within the LHWP.

During the period under review a bold initiative was taken to arrest the historic backlog of unresolved community compensation complaints. Engagements with the Project Authorities are ongoing and LHDA continued to pay compensation to the affected communities. We are hopeful that meaningful progress will be realized during the next financial year.

Phase II of The Lesotho Highlands Water Project

Advance infrastructure contracts

The Advance infrastructure programme continued under stringent COVID-19 safety and health protocols, following the lifting of the national curfew by the Government of Lesotho in May 2020.

Several advance infrastructure contracts were running behind schedule and where possible Management continued to intensify efforts to remove the cause of the delays. It is however pleasing to note that overall progress for the construction of advance infrastructure civil works at Polihali and Katse was at 95% and the projected substantial completion is by the end of June 2021. Construction of the Diversion Tunnels is also progressing well and is expected to be completed by December 2021. The bulk power supply and sub-stations contracts were not lagging far behind. Progress on the construction of the Polihali North Eastern Access Road (PNEAR) was delayed due to various technical reasons, including effects of COVID-19. Progress with Polihali Western Access Roads (PWAR) construction contracts was slightly better but still behind schedule.

Polihali Dam and Transfer Tunnel Contracts

In July 2020 the decision was taken to take the Polihali Dam and Polihali Transfer Tunnel to open tender and cancel the prequalification approach. The revised Tender Documents for the construction of both the Polihali Dam and the Transfer Tunnel were submitted to the Lenders for no objection and to the Project Authorities for approval in March 2021. The plan is to stagger the tender process, with the Transfer Tunnel to be advertised first and followed by Polihali Dam tender three months later. The advertisements are planned for the first and second quarter of 2021/22 Fiscal Year.

Concluding Remarks

The period under review was indeed one of the most exciting and challenging in the history of LHDA. It was also a very enriching one in terms of skills and experience. The lessons learned thereof will be put to good use in the subsequent years.

My heartfelt appreciation of the continued spirit of support and cooperation demonstrated by the Project Authorities amid tough challenges of implementing a very difficult governance structure. The unwavering support and dedication from my colleagues in the Executive Team, the LHDA Management and Staff is commendable.

Thank You

PART B: INSTITUTIONAL ISSUES AND CAPACITY BUILDING

Corporate Performance

The LHDA is currently using a three (3) year planning horizon. The reporting period implements the first year of the 2020 – 2023 Strategic Plan. The internal review, guided by the Performance Management and Development System (PMDS), indicates the overall performance of 1.48% above the weighted satisfactory performance score of 300, on the scale of 100 to 500. The 2020/21 Fiscal Year performance was highly influenced by the delays owing to the effects of COVID-19 pandemic. Compared to first and second years of the 2017-2020 Strategic Plan, performance has declined by the 14.12 and 7.29 points, respectively. On the contrary, it has improved by the 1.4 points compared with the third year of the 2017-2020 Strategic Plan.

The Strategic Plan outlines the actions required for the LHDA to realise its Corporate Short-Term to Medium-Term goals through development of Human Resources Strategies that will ensure a business model that realigns LHDA's business divisions, reduce complexity, invest in technology and cut costs of doing business.

Strengthening Governance

Emphasis was placed on strengthening of LHDA governance, ensuring that consistent, structured, merit-based hiring practices for all target positions are in place. This has included the further development and tightening of policies on talent acquisition in line with enhanced labour practices as well as risk management. The talent acquisition policy covers all areas from position approval and interviews to onboarding and integration processes.

During the reporting period LHDA filled two (2) Executive level positions, that of the Divisional Manager Corporate Services and Divisional Manager Phase II. Further to this, the organisation completed recruitment of two (2) Branch Managers. There has also been a greater focus on digitisation of processes related to leave and attendance administration, with the aim of increasing the efficiency and quality of HR processes internally.

A balanced approach to talent acquisition

Against the backdrop of strategic repositioning and the challenges ahead, LHDA has adopted a balanced approach to talent acquisition. It relies both on leveraging the skills and experience already available within the organisation, while bringing in the necessary capabilities that will help position the Authority for long-term sustainable performance.

In 2020/2021, the LHDA continued to strengthen its internal career mobility activities to drive greater career development and retention of employees. The current focus is on communicating and informing employees, creating greater visibility of opportunities and enabling managers. It is important to note that in preparation to implement the LHDA's Strategy 2021/2022 – 2023/2024, a more focused approach will have to be developed to actively identify redeployment opportunities, a key aspect of internal career mobility and an important measure to realise restructuring programs in a socially responsible manner.

Filling of the LHDA Staff Establishment

The LHDA target for population of structure during the 2020/2021 financial year is 90%. There are three hundred and fifty-seven (357) positions in the approved structure. The filling of the structure stands at 94.11% (336/357) as at end of March 2021. Sixteen (16) employees joined the organization in the reporting period.

Building the new talent

Another key aspect of LHDA's hiring strategy is to ensure a steady pipeline of junior talent, including permanent hires and interns, and investment in this area will continue. The year 2020/2021 saw more than 28 graduates hired, 37.1% of whom are female.

CE with Young Professionals in Polihali

There has also been a particular strategic focus on integrating divisional graduate trainee programs for all infrastructure functions to build a broader and more flexible talent pool for the future. As a result, Young professionals are offered improved career opportunities and flexibility, a key factor determining LHDA's overall ability to retain people with the requisite skills.

Information Communications Technology (ICT)

The year 2019 saw the world being hit by the COVID-19 pandemic, which resulted in governments embarking on lockdowns. This instantaneous change in the working environment affected the LHDA in April 2020 and necessitated the organization to work remotely. The IS Branch ensured that this new way of working became the norm throughout 2020/21 by increasing its bandwidth by more than five times, providing staff with modems and mobile devices. The IS Branch had to put more emphasis on the provision of secure, accessible-from-anywhere-ICT-services, and ensured that its critical applications (in excess of 100 systems) were made accessible remotely.

The knowledge assets, which were held by the Mohale library were also processed and digitized to allow remote working and paperless environment. A crucial system which is used to pay compensation of affected communities was also re-deployed using latest web-based technologies, to allow it to run on any device and improve remote access.

Internal Audit Assurance

The Internal Audit function conducted scheduled audits and reviews for the purpose of providing management with independent and objective assurance on the efficiency and effectiveness of operations. The risk-based 2020/21 Internal Audit Operational Plan was submitted and approved by the Audit and Risk Committee in February 2020 and subsequently approved by the LHDA Board. The planned audits were carried out successfully, with some challenges posed by Covid-19.

Included in the Internal Audit Plan was the consultancy project: Fraud Risk Assessment, which was conducted to effectively identify and prioritize areas with potential fraud exposure within LHDA and review of the internal controls in place to prevent or detect such risks.

The Combined Assurance Model is still progressing and reporting was done biannually using this model, during the financial year.

Risk Management

The Audit and Risk Committee (ARC) and the Enterprise Risk Management Committee (ERMC) monitor the risk management processes, every other month. The LHDA Board of Directors guarantees LHDA's resilience through implementation of the Business Continuity Management (BCM) Policy to deal with the effects of the unpredictable nature of the COVID-19 pandemic. The implications of COVID-19 and climate change on the LHDA operations and activities are devastating, and the LHDA adapts and responds to the risk exposures and repercussions, by putting in place climate adaption strategy and continuously updating the LHDA COVID-19 Mitigation Guidelines and Procedures. All these are meant to safeguard peoples lives and the environment to be able to achieve business sustainability, for future generations.

Senqu River Flooding

To improve the responsiveness and efficacy of risk controls, the LHDA Board of Directors continues to manage and monitor risks and opportunities through ARC by looking at trends and the rate at which risk mitigation activities are implemented. For 2020/21 Fiscal Year, few risk exposures were dealt with successfully due to the effects of COVID-19 pandemic.

Project Publicity and Stakeholder Engagement

Project Publicity

During the reporting period intensified efforts were maintained to engage various stakeholders and publicise the Project using a variety of channels, including newspapers, trade publications, radio programmes, TV documentaries and Press releases. Interest in contracts being procured under Phase II of the Project accounted for much of the publicity. A media monitoring and analysis report for the period indicated that the overall tone of the media was evenly spread between the positive, negative and a balanced tone.

Stakeholder Engagement

The LHDA's Stakeholder Engagement Framework (SEF) was developed during the period under review. The Framework is intended to provide direction and a holistic view of the LHDA's various stakeholder engagement and communication activities with a variety of stakeholders. It represents LHDA's commitment to stakeholder engagement activities that are transparent, purposeful, relevant, open and honest, inclusive and responsive and make the LHDA accountable.

A stakeholder perception survey was initiated towards the end of the reporting period. The survey was conducted in order to assess what the current and desired perceptions per stakeholder group are. This will also provide a benchmark against which the effectiveness of the LHDA's communications reach and impact can be measured.

PART C: SUSTAINABILITY REPORT- CORPORATE SOCIAL INITIATIVES

Sustainable Development

The LHDA is committed to the key principle of sustainability. This commitment is to implement the LHWP mandate to meet the needs of the present generation without compromising the ability of future generations to meet their own needs.

The Corporate Social Investment (CSI) Policy

The LHDA CSI Policy provides guidance on which activities to support. The Policy is grounded in the conviction that the LHDA's CSI initiatives should not only result in the enhanced stature and image of the LHDA as a good corporate citizen but that these should also help create an environment conducive for reciprocal support for LHDA's causes and support the long-term sustainability of the LHDA operations, hence the notion of return on the investments.

The impact of the COVID-19 pandemic adversely impacted on the implementation of this initiative. The on-going programmes such as the Bursaries Scheme and the Young Professionals Programme continued under COVID-19 restrictions.

The Scope and Application

a) Education and Training (Skills Development)
b) Environmental Management
c) Research and Development
d) Stakeholder Relations improvement
e) Tourism Development
f) Youth development including the Young Professionals Programme (YP)
g) Enterprise Development not covered by both the livelihoods improvement programs and the Social development programs of the LHDA
h) Infrastructure Development

During the year, the Management approved funding of the programmes listed below.

Young Professionals programme

As reported in the previous Report, the LHDA is implementing a programme targeting young professionals in Lesotho and South Africa who have just graduated with experiential learning that supports their transition into the working environment. This is done to take advantage of the significant opportunities for skills development presented by the LHWP, especially Phase II.

As at the end of the reporting period a total number of internships so far offered remained at thirty (30), of these 26 are Basotho Nationals and 4 are RSA nationals.

The interns are engaged with consultants on ten contracts listed below:

Table 3: LHDA Young Professionals Programme ; Number of Interns by Consultant

No	Contract Number	Description	Number of Interns
1	3006	Professional services for the design and construction supervision of the Polihali dam and appurtenant works.	4
2	3007	Professional services for the design and construction supervision of the Polihali transfer tunnel.	3
3	3008	Professional services for the bulk power supply and telecommunications.	4
4	3009	Professional services for the planning, design and construction supervision of housing and associated infrastructure	4
5	3014	Professional services for the design and construction supervision of the Polihali north-east access road	2
6	3020	Professional services for the design and construction supervision of the construction of the major bridges	2
7	3022	Professional services for the design and supervision of the Polihali diversion tunnels.	4
8	6006	Professional services for resettlement planning and implementation: Polihali western access corridor	2
9	6015	Professional services for the resettlement planning and implementation of the Polihali site establishment and reservoir area.	3
10	2223	Provision of Services- The Project Management Unit (PMU)	2
		Total	**30**

Sponsorship activities

The CSI initiatives that require some form of gatherings such as mobilisation of the communities to 'clean-up' their environments through schools-based cleaning campaigns, mobilisation of the communities for planting of trees to prevent soil erosion and storm water from carrying pollutants into the LHWP dams were not undertaken due to COVID-19 restrictions.

LHDA Maseru based staff during a cleaning campaign

PART D: SOCIAL DEVELOPMENT AND ENVIRONMENT

COMMUNITY DEVELOPMENT PROJECTS

In line with its Treaty obligations to the affected communities, the LHDA continues to assist communities implement various development projects through use of communal compensation due to the communities, which is held in trust by the LHDA. During 2020/2021 the nine (9) communities covering 1,789 households from Phase IA (Katse Area) and Phase IB (Mohale Area) were assisted to implement household electrification projects in collaboration with the Lesotho Electricity Company (LEC). The total cost of the projects was M49,119,720.69 as shown in the Table below. Four (4) of these projects are in Katse while the other five (5) are in Mohale. These projects were initiated in the 2019/2020 financial year and were completed in the 2020/2021 financial year. There were delays due to contractual issues with the implementation of projects at Ha Mpeli and Ha Koporale and these projects are expected to be completed in the second quarter of 2021/2022.

Serial Number	Community Name	Cost of Project in Maloti	Number of beneficiary households
1	Ha Montši	3 767 979.60	60
2	Ha Nyakane	3 057 982.02	43
3	Ha Koporala	3 714 979.88	189
4	Ha Tšiu	5 414 742.69	233
5	Ha Mokhathi	3 055 573.51	63
6	Ha Konstabole	8 214 245.43	317
7	Ha Mallane	9 442 463.47	380
8	Ha Rafanyane	4 099 957.43	134
9	Ha Ntšeli	8 351 796.66	327
10	Ha Mosalla	1 649 458.07	43
	TOTAL	**50,769,178.76**	**1,789**

Koporale electrification Project in the Phase 1B

LHDA further assisted the Makhapung community members in the Thaba–Tseka district (downstream of Katse Dam) with the facilitation of installation of home solar energy systems for 31 households. The project amounted to M99,200.00 and was fully financed by communities with their communal compensation funds disbursed under the Instream Flow Requirements (IFR) Policy of 2003.

Makhapung home solar electrification project beneficiaries

RESIDUAL RESETTLEMENT

The Phase I of the project was completed in 2003 together with the resettlement of all displaced households. While in most instances resettlement or relocation was completed successfully, there are some residual resettlement cases that were raised as complaints which were attended to. In the reporting period, the Resettlement Branch worked on the resettlement of Molikaliko Primary School and Church belonging to the Lesotho Evangelical Church in Southern Africa (LECSA) that was affected by the impoundment of Mohale Dam and had been outstanding since 1996. The construction of two (2) classrooms commenced during the 2019-2020 financial year and it was scheduled to be completed in the same year. However, the project was delayed due to the outbreak of the COVID-19 pandemic and it is expected that it will be completed during the second quarter of the 2021/2022.

The overall budget for construction of the two classrooms is **M 732, 127.55.** The pictures below show the two (2) classrooms being constructed at Likalaneng Primary School.

The two classrooms being constructed at Montsi Primary School

SOCIAL SERVICES & COMPLIANCE MONITORING

The Social Service & Compliance Monitoring (SSCM) Branch is mandated to implement the LHDA Compensation Policy and to monitor and evaluate implementation of the social and environmental programs of LHDA.

Annual cash (ACP) and Grain payments

The 2020/21 Annual Cash Payments (ACP) to the total value of M10.091 Million were committed to pay a total of 1961 eligible households (hhs) within the five (5) LHWP areas – 'Muela, Mohale, Katse, Lejone and Polihali. The average percentage (%) ACP distribution for all the five (5) areas was 98% against the annual target of 95%.

A total of 461 out of 487 households were paid with grain. Only seven (7) households who were affected by construction of Polihali Dam under Phase II opted to be paid in kind (grain) compensation. Both ACP and grain distribution are as shown in Table 5 below.

Table 5: Annual Distribution Report – Cash and Grain

Annual Cash Payment (ACP)				Annual Grain Distribution		
Area	Eligible hhs	HHs Paid	% Paid	Eligible hhs	HHs Paid	% Paid
'Muela	231	218	94%	28	27	96%
Mohale	406	404	99%	47	44	94%
Katse	461	457	99%	161	148	92%
Lejone	567	551	97%	244	236	97%
Polihali	296	286	97%	7	6	86%
TOTAL	**1961**	**1916**	**98%**	**487**	**461**	**95%**

Households collecting compensation commodities

Backlog Payments

During ACP and/or grain distribution, some beneficiaries were found to have died or were absent. This leads to backlog or arrears on compensation which cannot be avoided. In 2020/21, a total of 133 households were unblocked and paid arrears amounting to M1.5 million, a decline was experienced from the previous year due to COVID-19 where a total of M2.57 million was disbursed to 191 households who were unblocked.

Lump Sum Payments

The affected households have options to request either annual cash, grain payments or lump sum payments. Those who opt for lump sum payments indicate their requests to invest their money in various business ventures. In 2020/21, a total of M6.16 million was paid as lump sum to seventy-five (75) households for eighty-seven (87) assets. The total number of assets has slightly reduced when compared to one hundred and six (106) that was paid in 2019/20 to the value of M7.4 million.

Communal Compensation Payments

As with lump sum to individual households, communal compensation payments have declined for communal resources, with only M1.06 million being paid for Molengoane communities for rural water supply developments.

Phase II Compensation

A total of 1,778 assets, had been registered into the system, while 10,004 had been surveyed since inception of Phase II:

Table 6: Number of assets registered

Component	Contract	Surveyed Assets	Approved Assets	Assets Registered in FlowCentric
Geo-Tech	4016	44	44	44
PNEAR	4012	318	311	285
33kV Line	4005B	70	63	63
Accelerated Land Access (Site Establishment Area)	4018A 4022	294	294	258
PWAC, incl. C4017A Pha-koeng Camp, NAR, Ma-salla graves and transfer tunnel	4005A 4005C 4017A 4017B 4026 4021	1,276	1,250	1,110
Livelihoods	6030C	2	2	2
Advance Infrastructure		2,004	1,964	1,762
Reservoir (approx.)		2,004	1,964	1,762
Total		**10,004**	**5,272**	**1,778**

Asset acquisition in 2020/21:

For the year 2020/21 only 120 assets for 66 households were acquired and registered for LHDA's liability.

The chart below provides a breakdown of assets with households per contract component.

Chart 1: Asset acquisition status in 2020/21

The above assets were paid compensation along with other assets acquired in the previous years. Below is a table that demonstrate payment status per contract component and related cost:

Table 7: No. of assets paid per contract

Contract Name:	No. of Assets Approved:	No. of Households:	Amount Committed:
33 KV – Power lines	36	27	31,663.22
ALAP	124	54	1,165,017.10
Explosive Magazine	3	3	16,790.50
Geo-Tech	51	14	10,890.08
Livelihoods Restoration programme	2	1	2,007.90
Masalla graves relocation	10	10	132,149.10
Operations Centre	1	1	3,625.11
Phakoeng Labour Camp	1	1	3,308.47
PNEAR	74	32	843,031.35
PWAC	570	300	4,297,896.53
Reservoir	8	1	1,020,256.05
Total	**880**	**444**	**7,526,635.41**

The above table shows a total of M7.5 million maloti paid for (880) assets belonging to (444) households under Phase II project in 2020/21 financial year.

Environmental Action Plan (EAP) Monitoring

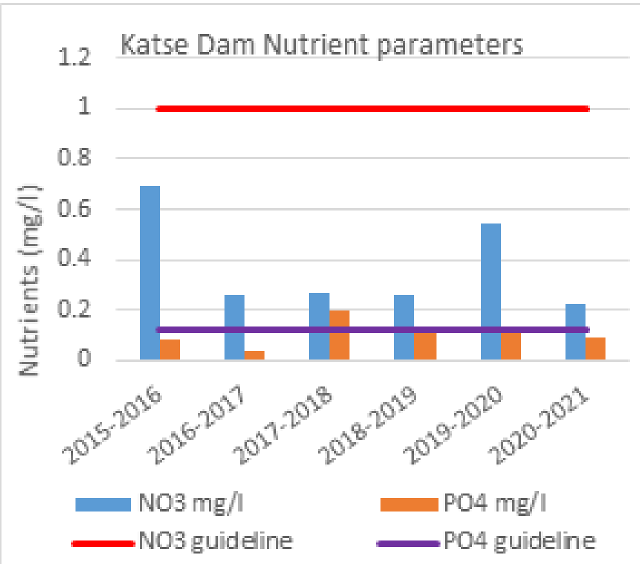
LHDA implements the Environmental Action Plan (EAP) - which is a set of strategic programs meant to reduce the negative impacts of the Project (LHWP) on the natural environment and the households and communities directly affected by the Project activities. The Key programmes/ projects include Compensation, Integrated Catchment Management (ICM), Instream Flow Requirements (IFR), Development programmes, Community Complaints Management to name but a few. The overall EAP performance in 2020/21 is assessed as successful with the score above three (3) out of the total score of five (5). This performance is consistent with the overall LHDA performance on the 2020/21 Corporate Plan. However, there are some challenges that were encountered which include among others delayed absenteeism of households to collect their compensation due to COVID -19 border lockdowns, procurement processes for consultants (which at times take more than six (6) months) of the key environmental and social contracts/ projects.

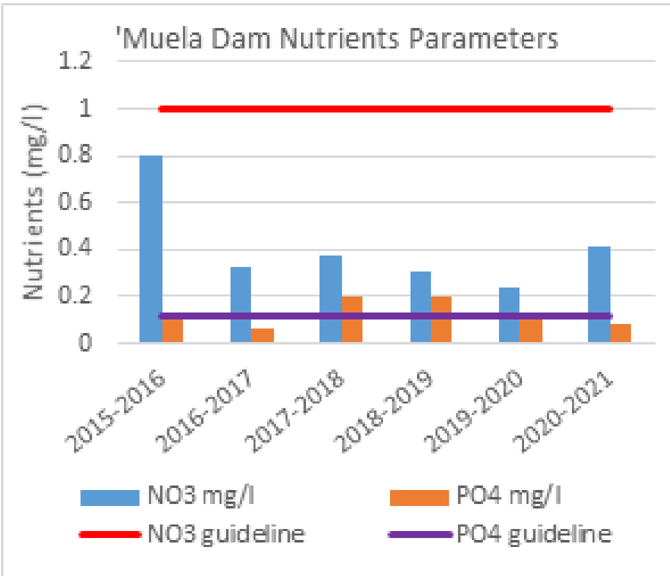
GIS and Survey Units

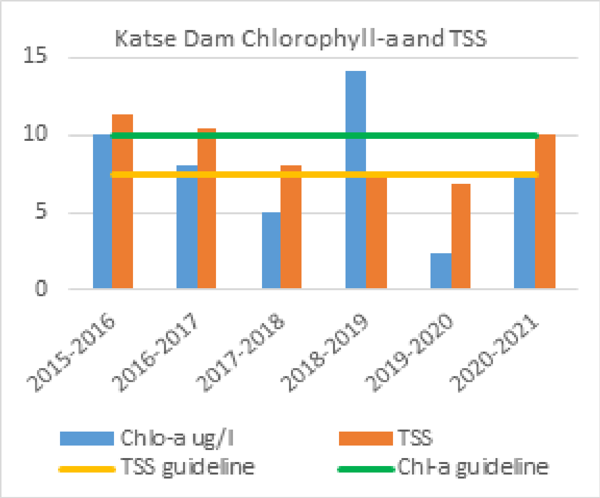
The GIS Unit is responsible for provision of spatial data and information to other LHDA Branches as and when required. The Survey Unit is responsible for provision of topographic and cadastral surveys to internal LHDA stakeholders. A total of 125 maps for Phase II affected properties were produced and 90 topographic surveys were undertaken during the reporting period.

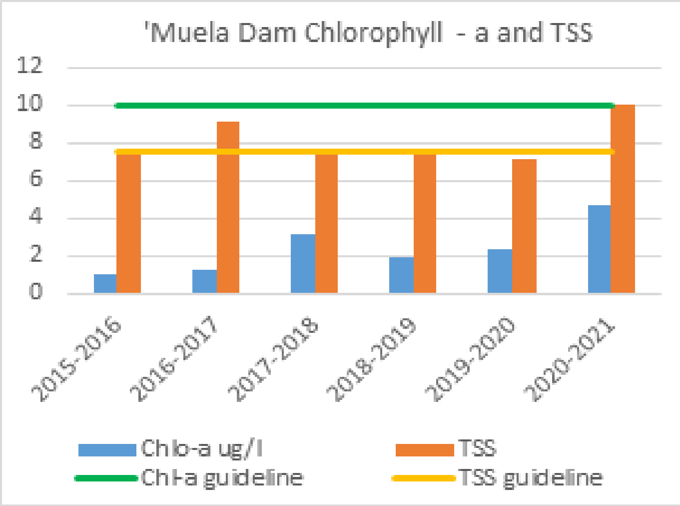
Water Quality

The key indicator parameters for eutrophication status being nitrate, phosphate, chlorophyll-a and TSS concentrations of LHWP dams were within the LHWP water quality guidelines. These are indicative of low levels of biomass as well as good quality of water as per figures below.









Integrated Catchment Management (ICM)

Environmental Conservation and Rehabilitation Programme

The LHWP ICM is implemented through conservation and sustainable use of rangeland resources in order to improve pasture productivity for the communities within LHWP catchment areas. The rehabilitation activities in the form of physical structures and biological activities are implemented to improve marginal lands, to increase productivity of rangelands, to restore wetlands and to improve soil infiltration capacity and reduce soil erosion in the LHWP catchments. The activities implemented include brush control, deferment, rangeland assessments and construction of physical structures in gullies and wetlands as well as biological interventions (Trees and grass planting). Rehabilitated areas usually recover on their own when deferred for a period of 1 year or more (Figures 1&2).

Rehabilitated rangelands at Likhameng August 2020 and March 2021


Rangelands at Motšeremeli January 2020 and April 2021

Participation of stakeholders

All catchment management activities within the LHWP catchments are undertaken in collaboration with relevant GOL departments, local authorities and the communities. The program is designed to benefit the local communities through improvement in rangeland condition and quality. In addition, LHWP through the ICM program engages casual labourers on a rotational basis to ensure wide distribution of benefits to the community. During 2020/21, a total of M5, 371,571.00 was paid to local communities as wages for participation in catchment rehabilitation activities (Table 8).

Table 8: Summary of casual labourers and wages paid during 2020/2021 financial year

Location	No. of labourers	Total Paid (M)
Phase I		
Mohale	223	301,181.00
Katse	274	552,792.00
'Muela	205	411,482.00
Sub–Total	702	**1,265,455,00**
Phase II		
Polihali	1,695	4,106,116.00
Sub–Total	1,695	4,106,116.00
GRAND TOTAL	**2,397**	**5,371,571.00**

Biodiversity Management

Bearded Vulture Monitoring

The entire range of the bearded vulture birds in the Southern hemisphere falls within the Maloti-Drakensberg Mountains of South Africa and Lesotho, therefore the conservation responsibility of the species in the region lies with the two countries. The Polihali catchment area currently hosts about 14 nesting locations for bearded vulture, three of which, located at Molumong, Motsitseng and Thabang, are directly above the impoundment area. It is presumed that water directly below the nesting areas will pose a risk to fledglings that are likely to fall in the dam.

A bilateral bearded vulture task force has been established with the objective to collect information about the bird's distribution, territory occupation, reproductive success and population densities. Bearded vultures' surveys are done annually during their breeding season in winter (June/July) to determine whether eggs are laid and birds are incubating. Birds' excreta/white-wash on rugged basaltic cliffs indicates presence of nests.

Bearded Vultures were observed at nine of the 11 nesting locations monitored in 2020, and breeding was observed through last year's chicks at Ha Palama and upper Mokhotlong and an incubating pair at Molumong nesting sites. Availability of food has been shown to be a limiting factor in the breeding success of Bearded Vultures.

Rugged basalt cliffs with whitewash indicating presence of birds at Thabang Ha Phookoana

Winter 2020 Polihali Gillnet Fish Monitoring Survey

The first fish monitoring survey was undertaken in the Polihali catchment in June 2019 following the 2014 Phase II baseline fish studies conducted under LHDA CONTRACT 6002. Generally, there was a low abundance of fish across all sites, and only 24 fish of two species (Smallmouth Yellowfish Labeobarbus aeneus n=22 and Rainbow Trout Oncorhynchus mykiss n=2) were sampled from six of the eleven sampling stations located in the Senqu, Khubelu, Moremoholo, Mokhotlong and Sehonghong inflow rivers of the Polihali Dam. The other three native species (Rock Catfish Austroglanis sclateri, Orange River Mudfish Labeo capensis and Orange River Largemouth Yellowfish Labeobarbus kimberleyensis) and one alien (Brown Trout Salmo trutta) known to occur in the catchment were not sampled during this survey.

The average catch per unit effort was ≈3fish/hour and the catch largely constituted juvenile L. aeneus with fork-length range of 30-120mm. Furthermore, fish habitat/cover assessment of sampled sites indicated that fish habitats are degrading with favourable cover and substrates such as undercut banks, boulders, stones and cobbles being filled up with sediment from progressively eroding catchment. Overhanging vegetation as a cover was also limited due to prevalence of mostly eroded river banks. Loss of habitat poses a threat for fish species. Water quality in all monitored sites was suitable for fish.

Mature Rainbow Trout fish caught at Lower Khubelu River

PART E: OPERATIONS AND MAINTENANCE OF THE PHYSICAL STRUCTURES

Operations and Maintenance of the Physical structures

The major physical structures constructed in the implementation of Lesotho Highlands Water Project include the water conveyance system and the hydropower generation plant and appurtenances. These structures and facilities are routinely maintained to ensure that they continue working to design standards.

All LHWP infrastructures behaved and performed as expected during the reporting period.

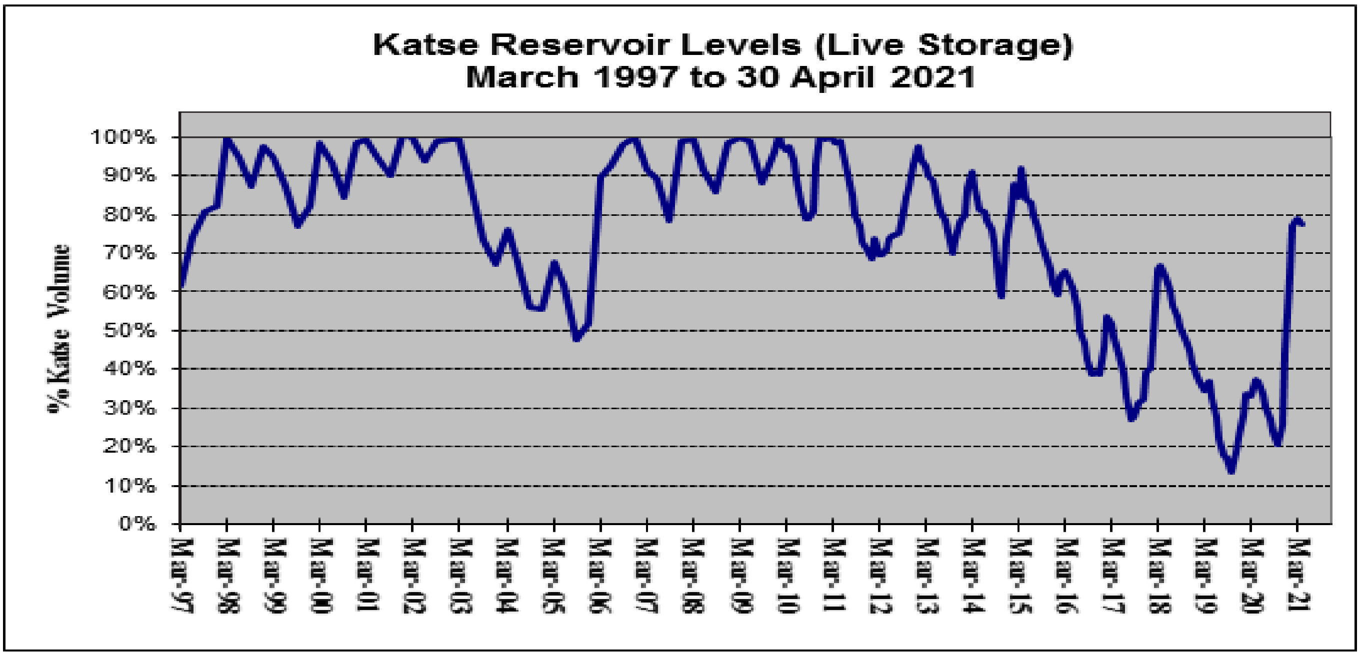
Water Levels in the Reservoirs

Katse and Mohale Reservoirs

Katse Dam Splling

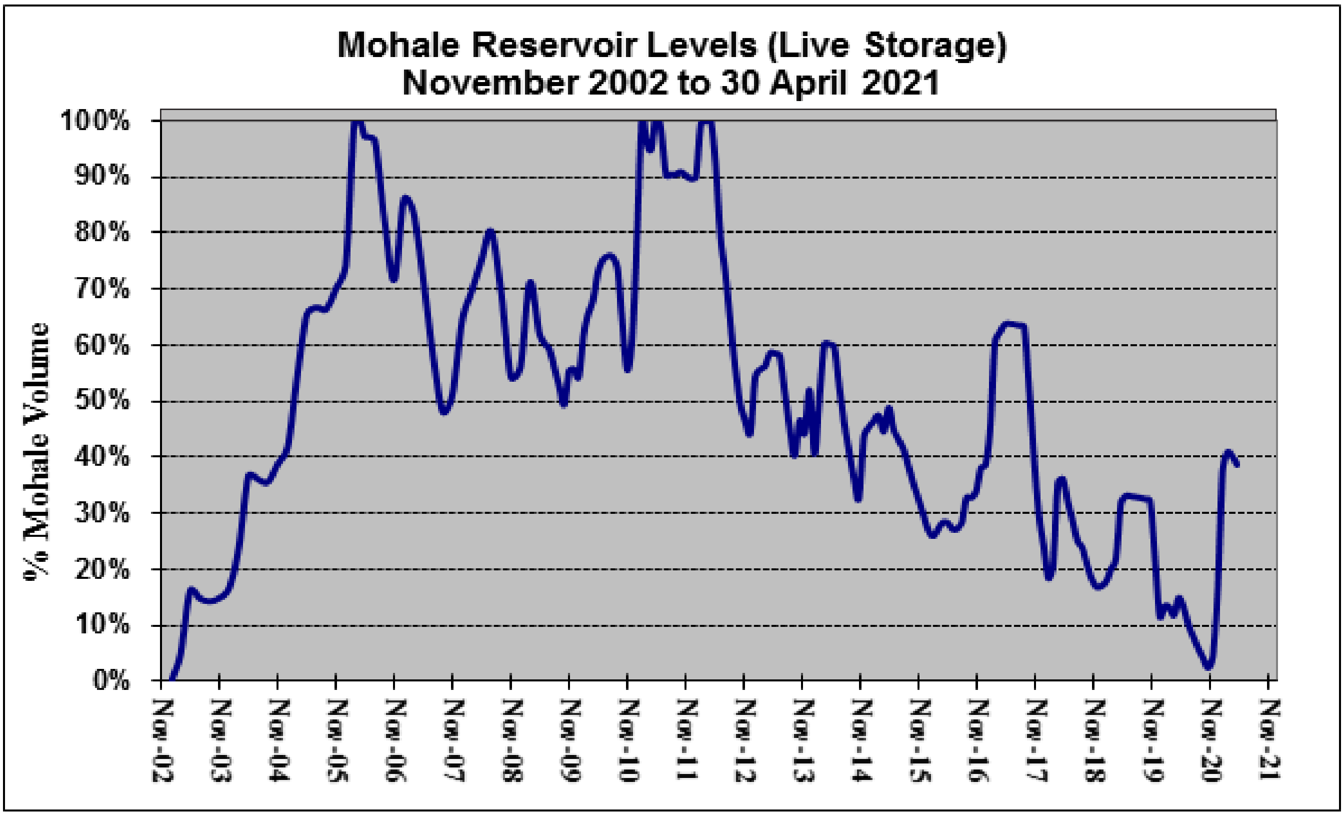
For most of the reporting, i.e. April to December, there was low rainfall and this affected the level of water in our reservoirs. However, more than normal rainfall in January 2021 recharged level of water in the Katse Reservoir and Mohale Reservoirs.

The trend indicates that the system may be recovering from the drought of the past years.



Mohale Reservoir

View of Mohale Dam upstream



Water Deliveries

The actual annual water delivered during the reporting period is 779.11 million cubic metres against the agreed delivery of 779.72 million cubic metres, presenting the water delivery variance of 0.9 % below the planned target for the year.

The table shows the water deliveries and royalty revenue to the Lesotho government during the last five years.

Table 9: **Water Deliveries**

Year	Planned Deliveries (million m3)	Actual Deliveries (million m3)	% Variance in Deliveries	Actual Royalties (M million)
2015/2016	780	779.9	-0.01	736.9
2016/2017	780	794.0	1.8	861.8
2017/2018	780	810.0	3.8	942.5
2018/2019	780	777.7	-0.3	937.5
2019/2020	639	640.6	0.25	839.5
2020/2021	799.7	799.1	-0.9	1,073.8

Electricity Generation

Electricity generation of 445 GWh was achieved against the planned target of 495 GWh, presenting a variance of 1.2% below the planned target for the year.

Table 10: **Electricity Generation**

Year	Planned Generation (GWh)	Actual Generation (GWh)	% Variance in Generation	Actual Value (M million)
2015/2016	502	530.7	+5.0	60.60
2016/2017	500	508.0	+1.6	57.29
2017/2018	500	520.1	+4.0	60.04
2018/2019	500	496.5	-0.7	56.30
2019/2020	397	392.4	-1.2	43.68
2020/2021	495	445.4	-1.2	50.85

A total of M50.85 million was recorded as revenue payable by LEC to the Lesotho Government in relation to the 'Muela electricity supplied to LEC.

Export electricity sales are incidental and are not planned as the national energy demand is above the possible maximum supply from 'Muela.

PART F: PHASE II OF THE LESOTHO HIGHLANDS WATER PROJECT

Background

The Lesotho Highlands Water Project is a successful trans-boundary water resources management scheme which benefits the Kingdom of Lesotho and the Republic of South Africa. Phase II, like Phase I, includes investment in water transfer infrastructure that will supplement water delivery to South Africa by 2027, and a hydropower component that is a further step towards securing an independent supply for Lesotho.

The Polihali Dam in the Mokhotlong District and the Polihali Transfer Tunnel, along with their appurtenant works, form the main water transfer components. Ancillary developments include advance infrastructure such as roads, bridges, housing, power and telecommunications networks and social and environmental programmes which will mitigate the impact of Phase II on communities in the Project area. Advance infrastructure construction, the planning and implementation of the social and environmental programmes and procurement were the main focus of the period under review.

Advance infrastructure

Polihali Camp

Advance infrastructure construction continued under stringent COVID-19 safety and health protocols, following the lifting of the national curfew by the Government of Lesotho in May 2020.

Progress highlights within the reporting period include the completion of the 33kV line, the temporary power supply line to the Polihali village. OPGW (optical ground wire) and insulator upgrades on the power line from Maputsoe to Ha Lejone, the erection of towers on the 132kV line from Matsoku to Polihali and work on the substations commenced during this period.

Excavation at the intake and the outlet portals of the two Polihali diversion tunnels was completed in August. Excavation of the tunnels advanced to 840m representing approximately 46% completion.

Housing civil works which comprise water and sewer reticulation were completed during the period while treatment facilities were nearing completion. Works on the Polihali Western Access Road (PWAR) and Northern access roads progressed but were generally behind schedule at the end of the reporting period. Major earthworks and culverts were completed on the Polihali North East Access Road (PNEAR). Completed works on the PWAR and Northern Access Road included site establishment camps and establishment of batch plants. Earthworks and the construction of piers and bridge foundations on the PWAR were underway.

Procurement

Procurement continued during the reporting period. The consultancy contract for the Phase II social development master planning was awarded in October 2020.

Advance infrastructure construction procurement included the tenders for the Polihali Village, the Polihali Operations Centre and the upgrading of the Katse Lodge. The Senqu River Bridge construction tender, the largest of the major bridges was launched in March 2021. Preparations for the construction procurement for the two smaller bridges were underway. Construction procurement on the water transfer main works was behind schedule. In July 2020 the decision was taken to take the Polihali Dam and Polihali Transfer Tunnel to open tender. At the end of March 2021, the tenders were yet to be launched.

By the end of March 2021, 48 Phase II contracts had been awarded since the start of procurement in 2015.

Environmental management

Environmental impacts continued to be managed in line with environmental management plans (EMPs) during the reporting period.

The Integrated Catchment Management programme intended to holistically manage land and water resources and to concurrently improve the livelihoods of the communities through adoption of sustainable natural resource management approaches within the LHWP II catchments was successfully implemented in the Seate and Menoaneng community councils, in partnership with communities and grazing associations. The rangeland rehabilitation in the form of brush control had covered an area of approximately 600 hectares. The programme also entails a biodiversity initiative which is a proactive programme that protects the Maloti minnow and bearded vulture in the Project area.

Work on the cultural heritage preservation entailed mitigation of 19 of the 27 Stone Age sites.

Socio-economic programmes

The registration and verification of affected assets was completed for most project components while verification activities were still in progress in the Polihali reservoir area at the end of March 2021. Compensation payments were accelerated and this significantly reduced compensation related issues.

Resettlement planning progressed well with communities located in the site establishment areas. Consultations on replacement housing designs and on the layouts of the three resettlement sites (Masakong, Tloha re Bue and Ha Ramonakalali) were completed.
Resettlement activities included the careful exhumation and relocation of approximately 140 graves at Masalla in the Mokhotlong District, to make way for the construction of the PWAR.

Financial literacy education and livelihoods options awareness workshops were suspended for most of the year due to COVID-19 restrictions on gatherings. A number of concept livelihood restoration plans were workshopped with LHDA management in preparation for submission to the LHWC and consultation with communities and other stakeholders.

Public health education consultations with Project communities continued in compliance with the national COVID-19 health and safety protocols.

Social Development Master Planning consultations with affected communities were ongoing.

Hydropower

The further feasibility studies on the hydropower component completed in 2019, identified three potential conventional hydropower sites: two on the Senqu River and a third site at Oxbow on the Malibamats'o River. The Government of Lesotho was still to decide on the preferred option at the end of the reporting period.

Preference attainment

The tables below illustrate performance against preference targets pertaining to all project costs on contracts awarded at end March 2021.

They should be viewed in the context that they present final target values for contracts that are ongoing and therefore are yet to meet all preference targets. More advance infrastructure consultancy and construction contracts are still to be awarded.

Ultimately, the Project aims to comply with the mandate that South African and Lesotho companies share equally the monetary value of the Phase II advance infrastructure works, as articulated in the Phase II Agreement.

Table 11: **Preference performance**

	Advance Infrastructure					
	Contracted Targets			Actual Performance to Date		
	Percentage assigned to Lesotho Nationals	Percentage assigned to RSA Nationals	Percentage assigned to others	Percentage assigned to Lesotho Nationals	Percentage assigned to RSA Nationals	Percentage assigned to others
Consultancy Contracts	34.1%	65.5%	0.4%	39.9%	60.1%	0.0%
Construction Contracts	42.0%	58.0%	0.0%	43.8%	56.0%	0.2%
All Advance Infrastructure	40.9%	59.1%	0.0%	43.1%	56.7%	0.2%
	Main Works					
	Contracted Targets			Actual Performance to Date		
	Percentage assigned to Lesotho Nationals	Percentage assigned to RSA Nationals	Percentage assigned to others	Percentage assigned to Lesotho Nationals	Percentage assigned to RSA Nationals	Percentage assigned to others
Consultancy Contracts	24.2%	69.1%	6.7%	25.0%	54.7%	20.3%
Construction Contracts	20.0%	80.0%	0.0%	32.6%	67.4%	0.0%
All Main Works	23.3%	71.6%	5.1%	28.6%	60.7%	10.6%

Phase II indicative programme

The table below provides the indicative programme for the water transfer component as at end March 2021.

Table 12 : **Indicative water transfer component programme**

	Planned	Forecast	Actual
Ratification	June 2013		May 2013
Impoundment	Nov 2023	Nov 2024	_
Dam completed	Dec 2024	Mar 2027	_
Tunnel completed	Sept 2025	Sept 2027	_
Water delivery commences	Sept 2025	Sept 2027	_
Project closeout	July 2027	Jan 2029	_

LESOTHO HIGHLANDS DEVELOPMENT AUTHORITY

ANNUAL FINANCIAL STATEMENTS 2020/2021

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LESOTHO HIGHLANDS DEVELOPMENT AUTHORITY
ANNUAL FINANCIAL STATEMENTS
AT 31 MARCH 2021

GENERAL INFORMATION

DIRECTORS	:	Mr. R. Mbwana. Pr Eng (Chairperson) Mrs. N. Phakoana-Foulo (Deputy Chairperson) Mr. S. Phakisi Mr. P. Molapo Dr. T. Lets'ela Ms. K. Rattay Mr. M. Malishe Mr. T Tente. Pr Eng (CE)
NATURE OF BUSINESS	:	Implementation, operation and maintenance the Lesotho Highlands Water Project
AUDITORS	:	New Dawn Chartered Accountants
REGISTERED OFFICE	:	Lesotho Highlands Development Authority Lesotho Bank Tower Kingsway Rd **MASERU 100** Lesotho
PHYSICAL ADDRESS	:	Lesotho Highlands Development Authority Lesotho Bank Tower Kingsway Rd **MASERU 100** Lesotho
BANKERS	:	Standard Lesotho Bank
ATTORNEYS	:	In-house Attorneys Webber Newdigate Attorneys
COMPANY SECRETARY	:	Ms. T. Matshikiza
COUNTRY OF INCORPORATION	:	Lesotho
LEGAL FORM	:	Authority
PRESENTATION CURRENCY	:	Maloti

LESOTHO HIGHLANDS DEVELOPMENT AUTHORITY
ANNUAL FINANCIAL STATEMENTS
AT 31 MARCH 2021

BOARDS' STATEMENT OF RESPONSIBILITY
At 31 March 2021

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 flow for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The Board acknowledge 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 31 March 2022 and, in the light of this review and the current financial position, they are satisfied that the Authority has or has access to adequate resources to continue in operational existence in the foreseeable future. It is presumed that LHDA will continue to receive funding as per Treaty from the Parties to settle the financial obligations as they fall due for the next period of 12 months, and that the realisation of assets and settlement of liabilities will occur in the ordinary course of business.

The external auditors are responsible for independently reviewing and reporting on the Authority's annual financial statements. The annual financial statements have been examined by the Authority's external auditors and their report is presented on page 5 and 6

LESOTHO HIGHLANDS DEVELOPMENT AUTHORITY
ANNUAL FINANCIAL STATEMENTS
AT 31 MARCH 2021

APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

The Annual Financial Statements, set out on pages **44 to 85** were approved by the Board and signed on behalf of the Board by:

Mr R. Mbwana, Pr Eng	**Mr T. Tente, Pr Eng**
CHAIRPERSON	**CHIEF EXECUTIVE**
30 September 2021	30 September 2021
DATE	**DATE**

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NEW DAWN
CHARTERED ACCOUNTANTS

Independent Auditor's Report to the Members of Lesotho Highlands Development Authority

Opinion

We have audited the financial statements of Lesotho Highlands Development Authority ("the authority") set out on pages 8 to 48, which comprise the statement of financial position as at 31 March 2021, and the statement of comprehensive income, statement of changes in funds and reserves and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Lesotho Highlands Development Authority as at 31 March 2021, and its financial performance and 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 (ISAs). 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 organisation in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and other independence requirements applicable to performing the audit of Lesotho Highlands Development Authority. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code, and in accordance with other ethical requirements applicable to performing the audit of Lesotho Highlands Development Authority. 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 50 page document titled "Lesotho Highlands Development Authority Annual Financial Statements at 31 March 2021", which includes the Board's Statement of Responsibility, Statement of Activities as well as the Detailed Statement of 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 organisation'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 directors either intend to liquidate the organisation 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 ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, 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 organisation'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 organisation'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 organisation 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.

Thuso Pitso
New Dawn Chartered Accountants
Partner
Registered Auditor

30 September 2021

1. 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 on 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 resettlement action planning.

The principal physical features of Phase 1A, now complete, 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 is made up of two sections: The Delivery Tunnel South (15km), from the 'Muela power station to the Lesotho- South Africa border, and the Delivery Tunnel North (22 km), from the border to the Ash River Outfall in 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.

The principal physical 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.

Phase II of LHWP:

The scope of the LHWP Phase II can be summarised as follows:

Water Transfer component
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.
An estimated 38-km-long with nominal bore 5-m-diameter water transfer tunnel from Polihali to existing Katse dam reservoir will also be built. 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 October 2019 and has been submitted to the Government of Lesotho to make a final decision on the assessed hydropower option. Once a decision is made, implementation of the Phase II hydropower will commence in earnest and the Government of Lesotho will raise funding for construction.

Both components also include environmental and social impacts assessment (ESIA), associated mitigation measure and implementation of associated Resettlement Action Plans (RAPs).

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2021

	NOTE	2021 M'000	2020 M'000
Revenue	18	544 263	604 036
Other Income	21	17 113	26 724
Total Income		**561 376**	**630 760**
Foreign Exchange Losses		(320)	(517)
Depreciation	3 & 4	(344 201)	(341 155)
Resettlement and Compensation Costs		(30 372)	(38 140)
Salaries and Wages		(165 748)	(150 237)
Other Administrative and Operating Expenditure		(19 263)	(93 642)
Profit/(Loss)	2.1	**1 471**	**7 069**
Finance Income		7 267	7 502
Finance Cost		(1 277)	(2 175)
Net profit/(Loss) for the year		**7 461**	**12 396**

LESOTHO HIGHLANDS DEVELOPMENT AUTHORITY
ANNUAL FINANCIAL STATEMENTS
AT 31 MARCH 2021

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2021

	NOTE	2021 M'000	2020 M'000
ASSETS			
Non-Current Assets		**11 833 584**	**9 732 469**
Completed Works and Capital Work in Progress	3	11 828 162	10 703 320
Investment Property	4	5 422	5 727
Current Assets		**430 650**	**720 076**
Contract Advance Payments	5	79 842	205 861
Trade and Other Receivables and Prepayments	6	185 562	273 352
Cash and Cash Equivalents	7	165 247	240 863
Total Assets		**12 264 235**	**11 429 123**
FUNDS AND LIABILITIES			
Funds and Reserves		**(350 071)**	**(357 532)**
Funds and Reserves		(350 071)	(357 532)
Non-Current Liabilities		**11 674 213**	**10 870 488**
Loans and Borrowings	8	1 166	8 739
Deferred Income	12	11 673 048	10 861 749
Current Liabilities		**940 092**	**916 167**
Contract Payables and Accruals	10	340 873	323 680
Contract Retentions	10	16 210	21 066
Accruals for Compensation	11	84 114	79 045
Provisions	9	446 657	437 692
Trade and Other Payables	11	45 001	47 559
Current Portion of Loans and Borrowings	8	7 237	7 125
Total Funds and Liabilities		**12 264 235**	**11 429 123**

STATEMENT OF CHANGES IN FUNDS AND RESERVES
AS AT 31 MARCH 2021

	Total funds and Reserves M'000
Balance at 31 March 2019	**(369 928)**
Profit/(Loss) for the year	12 396
Balance at 31 March 2020	**(357 532)**
Profit/(Loss) for the year	7 461
Balance at 31 March 2021	**(350 071)**

LESOTHO HIGHLANDS DEVELOPMENT AUTHORITY
ANNUAL FINANCIAL STATEMENTS
AT 31 MARCH 2021

STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31 MARCH 2021

		2021 M'000	2020 M'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Cash Inflow/(Outflow) from Operating Activities		**1 065 712**	**1 078 505**
Net Profit/ (Loss) for the year		7 461	12 396
Adjusted for:			
Depreciation	3 & 4	344 201	341 155
Finance Cost		1 277	2 175
(Profit)/Loss on sale of assets		(131)	(160)
Provision for doubtful debts		1 568	(8 400)
		354 376	**347 166**
(Increase)/Decrease in Advance Payments		126 019	(129 885)
(Increase)/Decrease in Other Receivables and Prepayments		86 222	(94 177)
Increase / (Decrease) in Provisions		8 965	16 693
Increase / (Decrease) in Contract payables and Accruals		(323 680)	(205 551)
Increase/(Decrease) in Other Payables and Accruals		2 511	14 979
Increase/(Decrease) in Deferred Income		811 299	1 129 280
CASH FLOWS FROM INVESTING ACTIVITIES			
Net Cash Inflow/(Outflow) from Investing Activities Activities		**(1 132 589**	**(980 395)**
Additions to Assets		(1 134 243)	(980 555)
Proceeds on disposal of Assets		1 654	160
CASH FLOWS FROM FINANCING ACTIVITIES			
Net Cash Inflow/(Outflow) from Financing Activities		**(8 737)**	**(14 571)**
Loans and Borrowings Repaid		(7 460)	(12 396)
Finance charges paid		(1 277)	(2 175)
Net (Decrease)/Increase in Cash and Cash Equivalents		**(75 614)**	**83 539**
Cash and Cash Equivalents at the beginning of the period		240 863	157 342
Cash and Cash Equivalents at the end of the period	7	165 247	240 863

1. ACCOUNTING POLICIES

1.1 Basis of Preparation

The financial statements have been prepared on the historical cost basis except for those financial instruments that have been measured at fair value. The financial statements are presented in Maloti (M) and all values are rounded to the nearest thousand (M'000) except where otherwise indicated. The Authority presents its statement of financial position based on expectations regarding recovery or settlement within twelve months after the reporting date (current) and more than twelve months (non-current).

Statement of Compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

1.2 Standards and interpretations effective and adopted in the current year

In the current year, the Authority has considered all new International Financial Reporting Standsrds (IFRS) pronouncements that are effective for the current financial year.

Covid-19-Related Rent Concessions – Amendment to IFRS 16

The amendment to IFRS 16 will provide relief to lessees for accounting for rent concessions from lessors specifically arising from the covid-19 pandemic. While lessees that elect to apply the practical expedient do not need to assess whether a concession constitutes a modification, lessees still need to evaluate the appropriate accounting for each concession as the terms of the concession granted may vary.

No rental concessions were granted, hence the LHDA does not deem this new pronouncement applicable to their operations.

1.3 Significant Accounting Judgments and Estimates

Estimation uncertainty

The preparation of the financial statements necessitates the use of estimates, assumptions and judgements. These estimates and assumptions affect the reporting amounts of the assets, liabilities and contingent liabilities at the reporting date as well as affecting the reported income and expenses for the year. Although estimates are based on management's best knowledge and judgement of current facts as at the reporting date, the actual outcome may differ from these estimates significantly.

.3 Significant Accounting Judgments and Estimates (Continued)

Estimation uncertainty (Continued)

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Capitalisation of Work in progress

The capitalisation of work in progress to completed works takes place once an asset has been assessed and certified to be complete and ready for use. Deprecation only commences once such assets are deemed ready for use.

Useful lives of property plant and equipment

Management assesses the appropriateness of the useful lives of property plant and equipment at the end of each reporting period. The useful lives of assets are based on the age of the asset as well as the physical condition of the asset for any technical obsolescence.

Provision for Future Compensation

The provision represents the Authorities obligation for the restitution of losses sustained on account of the Phase I and Phase II Lesotho Highlands Water Project. There are three types of compensation entitlements which beneficiaries can choose from; a once off Lump Sum Payment, Annual Cash Payment or compensation in kind, such as grain.

In the process of measuring the provision management makes the following judgement: In assessing which compensation entitlement will be elected by beneficiaries management have elected a 100% weighting to be assigned to beneficiaries electing the once off Lump Sum Payment. The rationale behind this judgement assumes that beneficiaries have the ability to request immediate cash settlement and management has judged that a conservative estimation of the provision is their best estimate of the expenditure required to settle the present obligation at the end of the reporting period. It is also expected the beneficiaries may elect the compensation method that would entitle them to the maximum economic benefit. Lump Sum Payments invested with financial institutions over the long term are likely to earn a higher return than the annual Lesotho Consumer Price Index applied as an annual growth rate to the cash flows and the contractual 4.5% charge applied to cash flows when early settlement is requested. Management applies this conservative approach as beneficiaries have the contractual right to demand Lump Sum Payments during the compensation period. Consequently, cash flows for the provision are modelled on that basis that only Lump Sum Payments will be elected by beneficiaries.

The Lump Sum Payment due is reliant on the loss size, remaining payments due to the beneficiary, the Lesotho Consumer Price Index, 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. It is assumed that Lump Sum Payments are made at the beginning of the year, therefore the provision is presented as a current liability as the Authority does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting period. The Provision is also dependant on the additional number of local legal entities formed during the year.

1.3 Significant Accounting Judgments and Estimates (Continued)

compensation required will be included in the Provision for Compensation as identified. The carrying amount of compensation at 31 March 2021 amounts to M 418 591 000 (2020: M 415 113 015).

If a 100% probability weighting had not been applied to the election of the Lump Sum Payment, and other compensation entitlements were factored into the measurement of the provision. The cash flows relating to the other compensation entitlements would have been discounted with reference to a risk-free rate adjusted for other risks specific to the nature of the liability. This would have resulted in an overall lower provision being recognised due to the discounting effect applied to the cash flows. Please refer to Note 9 for more information.

Classification between Property, Plant and Equipment and Investment Property

Management classifies property which is held for either capital appreciation or to earn rentals as Investment Property. All other property and non-current assets are classified as Property, Plant and Equipment.

1.4 Summary of Significant Accounting Policies

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

Other Income

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

Rental income from investment property
Rental Income from investment property is recognised on a straight-line basis over the term of the lease.

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 performance obligations are met over time as services are rendered.
The income derived from food and beverage sales are recognised at a point in time, when the goods are provided to the customer.

Property, Plant and Equipment - Completed Works

Property, Plant and Equipment - completed works is stated at cost as transferred from capital work-in-progress upon completion, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Such cost includes the cost of replacing part of such plant and equipment when that cost is incurred if the recognition criteria are met. Depreciation is calculated on a straight-line basis over the useful life of the assets. The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

1.4 Summary of Significant Accounting Policies
Property, Plant and Equipment - Completed Works (Continued)

An item of property, plant and equipment is derecognised 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 assets' residual values, useful lives and methods are reviewed, and adjusted if appropriate, at each financial year-end. When each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied.

The LHDA accounts for depreciation of competed works based on the following periods:

Hydropower civil works	50 years
Hydropower plant	25 years
Water transfer civil works	50 years
Office Furniture & Equipment	6 years
Motor Vehicles	4 years
Computer Equipment and Software	3 years

Property, Plant and Equipment - Work-in-Progress

Costs incurred on the implementation and construction of the Lesotho Highlands Water Project, 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 fixed assets work-in-progress. Hydropower and water transfer components are transferred to completed works when the work is completed.

These costs comprise all attributable costs of bringing the asset or group of assets to working condition for their intended use, and include 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 net administration costs of the Authority, other than those assigned to operations; and

(c) 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 the cost of providing compensation, and a provision for estimated future compensation

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

(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").

1.4 Summary of Significant Accounting Policies
Property, Plant and Equipment - Work-in-Progress (Continued)

Such apportionment of capital costs is subject to ratification by the Parties to the Treaty. The ratification of costs between Hydropower, Ancillary Development and Water Transfer is subject to agreement 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.

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

The costs of operating and maintaining the completed works 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. Such allocation of operating costs and revenues between the parties is subject to ratification by the Parties to the Treaty.

Financial Assets

The Authority holds the following financial assets at amortised cost:

Trade Receivables and Cash and Cash Equivalents

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are initially recognised at fair value. All transaction costs directly attributable to the acquisition are also included in the cost of the trade receivables and cash and cash equivalents. Subsequent to initial recognition, these financial assets are carried at amortised cost, using the effective interest rate method. Gains and losses are recognised in the statement of comprehensive income when the financial assets are derecognised or impaired, as well as through the amortisation process.

Trade and Other Receivables are recognised when due and measured on initial recognition at the fair value of the receivable plus incremental cost. Subsequently receivables are measured at amortised cost, using the effective interest rate method.

A financial asset can only be measured at amortised cost if both of the following are satisfied:
a) Business model: the objective of the business model is to hold the financial asset for the collection of the contractual cash flows and.
b) Contractual cash flows: the contractual cash flows under the instrument relate solely to payments of principal and interest

Financial Liabilities

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and trade payables, net of directly attributable transaction costs.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

**1.4 Summary of Significant Accounting Policies
Financial Liabilities (Continued)**

Loans and Borrowings

After initial recognition, interest-bearing loans and borrowings are measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

Contract Payables and Accruals

Contract payables relates to all contracts that the Authority enters an agreement with and is accounted for separately from other trade payables and accruals. Contract payables are accounted for at the invoice amounts inclusive 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.

Trade and Other Payables and accruals for compensation

Trade and other payables include those transactions not included as part of Contract Payables and Accruals. Trade and other payables are initially recognised at the invoice amount, which is considered to reflect the fair value of the Trade and Other Payables. Subsequent to initial recognition, trade and other payables and accruals are measured at amortised cost. Accruals consist of accruals for compensation relating to annuity payments that have not yet been collected by beneficiaries as well as compensation obligations due to Local Legal Entities (LLE's) awaiting implementation of appropriate LLE governance structures.

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.

Impairment of Financial Assets

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

The Authority recognises an allowance for expected credit losses for financial assets held at amortised 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 recognised in two stages. 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). 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)

For trade receivables due in less than 12 months, the Authority applies the simplified approach in calculating expected credit losses, as permitted by IFRS 9. Therefore, the Authority does not track

1.4 Summary of Significant Accounting Policies
Financial Assets (Continued)

Impairment of Financial Assets (Continued)

changes in credit risk, but instead, recognises a loss allowance based on the financial asset's lifetime expected credit loss at each reporting date.

The Authority considers a financial asset in default when contractual payments are 120 days past due. 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 amortised 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 recognises a loss allowance for expected credit losses on trade and other receivables, excluding VAT and prepayments. The amount of expected credit losses is updated at each reporting date.

Derecognition of Financial Assets and Liabilities

Financial Liabilities
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Financial Assets
A financial asset is derecognised when the contractual rights to receive cash flows from the asset have expired

1.4 Summary of Significant Accounting Policies
Derecognition of Financial Assets and Liabilities (continued)

Trade and Other Receivables

Bad debts are written off when identified and approved by the Lesotho Highlands Development Authority Board of Directors.

Offsetting of Financial Instruments

Financial assets and liabilities are offset, and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis. Income and expenses will not be offset in the statement of comprehensive income unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Authority.

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, net of outstanding bank overdrafts.

Contract Advance Payments

Payment advances are made to contractors the Authority have 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 of 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.

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 comprehensive income. Refer to section 1.3 on Significant Accounting Judgements and Estimates.

1.4 Summary of Significant Accounting Policies (continued)

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

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Under the terms of the Treaty covering the project and the Ancillary Agreements to the Treaty of 31st August 1992 and 30th December 1999, the Government of the Republic of South Africa is obligated to effect debt service payments on all loans guaranteed by it.

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.

Capital Funds

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

The Government of the Kingdom of Lesotho is, by way of Cost Related Payments, responsible for the costs of the Hydropower and Ancillary Development Activities.
The Government of the Republic of South Africa is, by way of Cost Related Payments, responsible for the costs of the Water Transfer Activities.

The costs of operating and maintaining the completed works 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. Such allocation of operating costs and revenues between the parties is subject to ratification by the Parties to the Treaty.

1.4 Summary of Significant Accounting Policies (Continued)

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.
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.

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.

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

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.

Authority 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. Rental income arising is accounted for on a straight-line basis over the lease term and is included within other income in the statement of comprehensive income.

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 company is a lessee, except for short-term leases of 12 months or less, or leases of low value assets. For these leases, the company recognises the lease payments as an operating expense (note 17) 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 the leased asset are consumed.

The various lease and non-lease components of contracts containing leases are accounted for separately, with consideration being allocated to each lease component on the basis of the relative stand-alone prices of the lease components and the aggregate stand-alone price of the non-lease components (where non-lease components exist).

1.4 Summary of Significant Accounting Policies (Continued)

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:

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 non-monetary assets, the asset and the grant are recorded at nominal amounts 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.

Investment Income
Revenue 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).

Investment Property

The land and buildings that are held for earning rentals and capital appreciation are classified as investment property. Investment property is carried at cost less accumulated depreciation on the straight-line method and impairment losses. Investment property income is included as part of other income on the Statement of Comprehensive Income.

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. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the Statement of comprehensive income in the period of derecognition.
Investment Property consists out of Standard (Lesotho) Bank Building and is depreciated over 30 years. Improvements are depreciated over the lease term. Please refer to note 17 for the lease term indicated.

1.4 Summary of Significant Accounting Policies (Continued)

Pension 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 net 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 recognized in the statement of comprehensive income.

Events after the Reporting Date

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.

1.5 Standards and interpretations not yet effective

New and revised International Financial Reporting Standards and Interpretations issued but not yet effective.

The LHDA has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the Authority's accounting periods beginning on or after 1 April 2021 or later periods:

Covid-19-Related Rent Concessions beyond 30 June 2021 – Amendment to IFRS 16
The amendment to IFRS 16 will provide relief to lessees for accounting for rent concessions from lessors specifically arising from the covid-19 pandemic. While lessees that elect to apply the practical expedient does not need to assess whether a concession constitutes a modification, lessees still need to evaluate the appropriate accounting for each concession as the terms of the concession granted may vary. IFRS 16 was amended to extend the availability of the practical expedient by one year (2021 amendment). The practical expedient in the 2021 amendment applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met.

The impact on the above amendment is unlikely to have a material impact in future as the LHDA has no rental concessions, however, the LHDA will evaluate this in the next financial year.

1.5 Standards and interpretations not yet effective (continued)

Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

With publication of the phase two amendments, the IASB has completed its work in response to IBOR reform. The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR).

Effective for annual periods beginning on or after 1 January 2021. The LHDA is currently still in the processes of assessing the full impact.

2. PROFIT/LOSS)

2.1 Profit/(Loss) is stated after:

	2021 M'000	2020 M'000
Expenses		
Auditor's Remuneration	1 472	1 713
Depreciation	344 201	341 155
Foreign Exchange Loss	320	517
Resettlement and Compensation Costs	30 372	38 140
Staff Costs – Short Term Benefits	165 748	150 237
Rental Expenses	384	348

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

3. PROPERTY, PLANT AND EQUIPMENT

COMPLETED WORKS – By type	**Civils – Bridges & Roads**	**Civils – Buildings and other structures**	**Civils – Dams/Galleries**	**Civils – Tunnels**	**Civils - Other**	**Plant & Sundry Other**	**Total**
	M'000	**M'000**	**M'000**	**M'000**	**M'000**	**M'000**	**M'000**
Carrying Value at 31 March 2019	**1 225 307**	**660 557**	**2 797 542**	**3 112 644**	**427 114**	**133 158**	**8 356 322**
Cost	2 058 555	1 135 724	4 777 136	5 151 589	1 203 928	342 508	14 669 440
Accumulated Depreciation	(833 248)	(475 167)	(1 979 594)	(2 038 945)	(776 814)	(209 350)	(6 313 118)
Additions	-	13 792	-	-	6 342	16 367	36 501
Transfer from Work in Progress	-	207	-	-	19 515	4 263	23 985
Depreciation	(54 103)	(25 711)	(93 200)	(99 842)	(47 325)	(20 640)	(340 821)
Disposal/donation of assets	-	(2 046)	-	-	(3 368)	(1)	(5 4 16)
Accumulated Depreciation on disposed assets	-	2 046	-	-	3 368	1	5 4 16
Carrying Value at 31 March 2020	**1 171 204**	**648 845**	**2 704 342**	**3 012 802**	**405 646**	**133 148**	**8 075 987**
Cost	2 058 555	1 147 676	4 777 136	5 151 589	1 226 417	363 137	14 724 510
Accumulated Depreciation	(887 351)	(498 831)	(2 072 792)	(2 138 787)	(820 770)	(229 989)	(6 648 523)
Additions		201	-	-	802	5 283	6 286
Transfer from Work in Progress	-	33	-	-	9 858	-	9 891
Depreciation	(53 918)	(27 342)	(92 901)	(99 500)	(50 752)	(19 482)	(343 895)
Disposal/donation of assets	-	-	-	-	-	(3 095)	(3 095)
Accumulated Depreciation on disposed assets	-	-	-	-	-	1 572	1 572
Carrying Value at 31 March 2021	**1 117 286**	**621 737**	**2 611 443**	**2 913 302**	**365 555**	**117 426**	**7 746 746**
Cost	2 058 555	1 147 910	4 777 136	5 151 589	1 237 077	365 325	14 737 592
Accumulated Depreciation	(941 269)	(526 173)	(2 165 693)	(2 238 287)	(871 522)	(247 899)	(6 990 846)

The cost amount of all fully depreciated property, plant and equipment that is still in use is M 929 034.

3. PROPERTY, PLANT AND EQUIPMENT	**Hydropower**		**Ancillary Development**		**Water Transfer**			**Operations & Maintenance**	**Total**
WORK-IN-PROGRESS	**M'000**		**M'000**		**M'000**			**M'000**	**M'000**
	Phase 1A	**Phase 2**	**Phase 1A**	**Phase 1B**	**Phase 1A**	**Phase 1B**	**Phase 2**		
Carrying Value at 31 March 2019	**1 359**	**87 625**	**14**	**-**	**22 688**	**4 213**	**1 245 651**	**8 536**	**1 370 086**
Prior Year reallocations	-	-	-	-	-	-	-	-	-
Cost allocation	-	17 699	-	-	-	-	1 251 989	-	1 269 688
Work-in-progress during the year	10 336	-	-	-	53	-	-	1 155	11 544
Transfer to completed works	-	-	-	-	(19 515)	-	(207)	(4 263)	(23 985)
Carrying Value at 31 March 2020	**11 695**	**105 324**	**14**	**-**	**3 226**	**4 213**	**2 497 433**	**5 428**	**2 627 333**
Prior Year reallocations	-	(699)	-	-	-	-	699	-	-
Cost allocation	-	1 136	-	-	-	-	1 462 165	-	1 463 301
Work-in-progress during the year	109	-	-	-	173	6	-	385	673
Transfer to completed works	(9 858)	-	-	-	-	-	-	(33)	(9 891)
Carrying Value at 31 March 2021	**1 946**	**105 761**	**14**	**-**	**3 399**	**4 219**	**3 960 297**	**5 780**	**4 081 416**

- The above allocation of costs between Hydropower, Ancillary Development and Water Transfer is subject to agreement by the parties to the Treaty. Such agreements are reflected as prior year reallocations. Prior year adjustments up to and including 2018 have been included.

PROPERTY, PLANT AND EQUIPMENT	**2021**	**2020**
	M'000	**M'000**
Completed works	**7 746 746**	8 075 987
Capital Work in progress	4 081 416	2 627 333
Total completed works and capital work in progress	**11 828 162**	**10 703 320**

4. INVESTMENT PROPERTY	**Total M'000**
Net Book Value 31 March 2019	**6 061**
Asset at cost	22 885
Accumulated depreciation	(16 824)
Prior year Movements:	
Additions/Improvements	-
Disposals	-
Depreciation	(334)
Net Book Value 31 March 2020	**5 727**
Asset at cost	22 885
Accumulated depreciation	(17 158)
Additions/Improvements	-
Disposals	-
Depreciation	(307)
Net Book Value 31 March 2021	**5 422**
Asset at cost	22 885
Accumulated depreciation	(17 463)

Investment Property consists out of Standard (Lesotho) Bank Building and is depreciated over 30 years. Improvements are depreciated over the lease term. The Income capitalization approach was used in determining the market value of the property. The market value was determined as M40 600 000. No indicators of impairment were identified.

	2021 M'000	**2020 M'000**
Investment property income recognised in statement of Comprehensive income	7 813	7 166
Direct operating expenses related to investment property	624	593

5. CONTRACT ADVANCE PAYMENTS

	2021 M'000	2020 M'000
Contract Advance Payments	79 842	205 861
	79 842	**205 861**

Activities for the implementation of Phase II continued however advance payments to contractors reduced during the current year in comparison to the prior year.

6. TRADE AND OTHER RECEIVABLES

	2021 M'000	2020 M'000
Trade Receivables	8 481	55 959
Staff Receivables	69	40
Lesotho Revenue Authority	130 389	160 068
Other Receivables and Prepayments	52 985	62 080
Provision for Doubtful Debts	(6 363)	(4 795)
	185 561	**273 352**

For terms and conditions relating to related party receivables, refer to Note 16.
Trade receivables are non-interest bearing and are generally short term, hence 90 days or less. Expected credit losses are deemed to have a limited and non-material impact on the financial statements.

The Authority considers its trade and other receivables carrying value to be equivalent to their fair value.

Exposure to credit risk

Trade receivables inherently expose the LHDA to credit risk, being the risk that the LHDA will incur financial loss if debtors fail to make payments as they fall due.

Credit risk disclosures

The following sections provide credit risk information for trade and other receivables.

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 31 March 2021, M 2 523 000 were past due but not impaired.

The ageing analysis of trade receivables are as follows:

			Past due but not impaired			
	Total	< 30 days	30 – 60 days	60 – 90 days	90 – 120 days	> 120 days
	M'000	M'000	M'000	M'000	M'000	M'000
2020	55 959	54 347	440	162	65	945
2021	8 481	4 545	1 364	26	23	2 523

Trade and other receivables impaired

As of 31 March 2021, trade and other receivables of M6 363 000 (2020: M4 795 000) were impaired and provided for, the nature of the amounts impaired relates to outstanding rentals and refunds of overpayments deemed doubtful. The movement in the provision of doubtful debts amounts to movement of M1 568 000 (2020: M8 400 000) through the statement of comprehensive income.

7. CASH AND CASH EQUIVALENTS

	2021 M'000	2020 M'000
Cash at Bank	165 125	240 725
Cash on Hand	122	137
	165 247	**240 863**
Current Assets	**165 247**	**240 863**
Currency Analysis		
Maloti	165 247	240 863
	165 247	**240 863**

Cash at the bank and in hand 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.

The Authority considers the carry value to be equivalent to the fair value of cash and cash equivalents M 165 247 000 (2020: M 240 863 000).

8. LOANS AND BORROWINGS

	2021 M'000	2020 M'000
Non - Current Portion	1 166	8 739
Current Portion	7 237	7 125
	8 403	**15 864**
Currency Analysis		
Rands	8 403	15 864
	8 403	**15 864**
Interest Bearing Status		
Interest-bearing	8 403	15 864
Non-interest bearing	-	-
	8 403	**15 864**
Maturity Profile		
Within One Year	7 237	7 125
Between Two and Five Years	1 166	8 739
More than Five Years	-	-
	8 403	**15 864**
Maturity Profile – Undiscounted		
Within One Year	7 785	8 436
Between Two and Five Years	1 192	9 390
More than Five Years	-	-
	8 977	**17 826**

		Effective Interest Rate%	2021 M'000	2020 M'000
	Trans Caledon Tunnel Authority Debt Service Loans			
	Common Monetary Area Loans			
DBSA	Repayable in semi-annual instalments ending September 2021	12.23%	62	175
DBSA	Repayable in semi-annual instalments ending September 2021	10.92%	220	627
DBSA	Repayable in semi-annual instalments ending March 2022	10.68%	2 779	5 559
DBSA	Repayable in semi-annual instalments ending March 2022	12.12%	1 590	3 180
DBSA	Repayable in semi-annual instalments ending March 2022	12.96%	330	622
DBSA	Repayable in semi-annual instalments ending September 2022	Jibar + 0.4%	3 422	5 701
	Total		**8 403**	**15 864**

8. LOANS AND BORROWINGS (Continued)

Additional disclosure in terms of the Statement of Cash Flow required by IAS 7

The following disclosure is required by IAS 7 and the additional disclosure is intended to assist the stakeholders of the Authority to better understand the changes in the Authority's debt structure.

	2021 Opening Balance M'000	**Finance cost Accrued**	**Finance cost Paid**	**Capital redemption**	**Non-Cash Changes** Foreign Exchange Movement	**2021 Closing Balance M'000**
Long-Term Borrowings	15 864	1 277	(1 277)	(7 461)	-	8 403

	2020 Opening Balance M'000	**Finance cost Accrued**	**Finance cost Paid**	**Capital redemption**	**Non-Cash Changes** Foreign Exchange Movement	**2020 Closing Balance M'000**
Long-Term Borrowings	28 260	2 175	(2 175)	(12 396)	-	15 864

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NOTES TO THE FINANCIAL STATEMENTS

9. 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 2019	**401 299**	**1 045**	**14 120**	**4 535**	**420 999**
Additional Provision made during the year	20 975		16 753	4 817	42 545
Amount reversed	-	-	(14 120)	(4 572)	(18 692)
Amounts utilized	(7 160)	-	-	-	(7 160)
Carrying Value: 31 March 2020	**415 114**	**1 045**	**16 753**	**4 780**	**437 692**
Additional Provisions made during the year	9 679	-	20 719	6 303	36 702
Amount reversed		-	(16 753)	(4 780)	(21 533)
Amounts utilized	(6 203)	-	-	-	(6 203)
Carrying Value: 31 March 2021	**418 591**	**1 045**	**20 719**	**6 303**	**446 657**

9. PROVISIONS (Continued)	**2021 M'000**	**2020 M'000**
Current	446 657	437 692
	446 657	**437 692**

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 the 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: 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.

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
Expected undiscounted cash flow	24 208	275 837	868 912	80 996

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 2021 the Lesotho risk-free rate for a government treasury bills of 365 days is 3,62%, the South African risk-free rate for a government bond of 10 years and longer is 9,95% and remained relatively consistent at an average rate of 9,35% subsequent to year end.

Provision for Legal Claims

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

Provision for Severance Pay

The provision is created in line with current legislation i.e. two weeks remuneration for each completed year of service. There is uncertainty as to the timing of the severance pay outflow.

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 18 days.

10. CONTRACT PAYABLES AND ACCRUALS

Contract Payables	112 141	210 932
Contract Accruals	228 732	112 748
	340 873	**323 680**
Contract Retentions	16 210	21 066
	357 083	**344 746**

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

11. TRADE AND OTHER PAYABLES AND ACCRUALS

	2021 M'000	2020 M'000
Trade payables	4 684	8 501
Other payables	40 317	39 058
Accruals for compensation	84 114	79 045
	129 115	**126 604**
Current Accruals for compensation	84 114	79 045
Current trade and other payables	45 001	47 559
	129 115	**126 604**
Maturity Profile		
Within One Year	129 115	126 604
Between Two and Five Years	-	-
More than Five Years	-	-
	129 115	**126 604**

12. DEFERRED INCOME

	2021	2020
	M'000	M'000
Opening Balance	10 861 749	9 732 469
Grants Received	1 355 562	1 733 316
Income Recognised	(544 263)	(604 036)
Closing Balance	**11 673 048**	**10 861 749**

The authority receives cost-related payments in the form of funding from the Government of the Kingdom of Lesotho and the Government of the Republic of South Africa. These funds are recorded as grants received under IAS 20 Government Grants.

The funding related to assets have been recorded as assets with the corresponding impact on deferred income. The deferred income is realized and released to the Statement of Other Comprehensive Income as the assets are depreciated.

13. 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 Claims. The claims which are disputed, subject to ongoing litigation and which do not appear to be probable amount to M 269 924 007 (2020: M 27 588 817). 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 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 2, new contracts have been approved and some entered into. The following commitments have been approved and not yet contracted for by year end: M 17 024 295 (2020: M 348 860 975). The following contracts have been approved and contracted: M 2 988 206 359 (2020: M 4 044 068 559).

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Authority's principal financial instruments comprise of loans and cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Authority's operations. The Authority has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations.

General Risk Management Principles

Risk management is of critical importance to the Authority as it understands that changing market conditions make risk unavoidable. Over the years the Authority has sought and implemented a comprehensive risk management process to consistently identify, understand and properly manage risk at all times. Risk policies, limits and control procedures are continuously monitored.

Fair Value Estimation

The different levels have been identified as follows:

a) Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
b) Inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
c) Techniques which use inputs for the asset or liability that are not based on observable market data (that is unobservable inputs) (level 3).

The following table presents the Authority's assets/liabilities for which fair value is disclosed at 31 March 2021 in M'000**:**

	Level 1	Level 2	Level 3	Total Balance
Assets				
Investment Property	-	-	40 600	40 600
Liabilities	-	-	-	-
Loans and borrowing	-	8 403	-	8 403

There have been no transfers between levels for recurring fair value measurements during the year.

Items and valuation approach	Key unobservable inputs	Relationship between unobservable inputs to fair value
Investment Property		
The valuation was performed using the income capitalisation methodology. The methodology used is based on the capitalisation of potential net income generated by the property.	Expected vacancy rate. Rental growth rate. Capitalisation rate.	The higher the capitalisation rate and expected vacancy rate, the lower the fair value. The higher the rental growth rate, the higher the fair value. The highest and best use of the asset does not differ from its current use as the building best use is for office rentals.

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

Items and valuation approach	**Key unobservable inputs**	**Relationship between unobservable inputs to fair value**
Loans and Borrowings		
The valuation was performed using the discounted cash flow basis.	Interest rate for the loans. Remaining loan period.	The higher the interest rate, the lower the fair value.

Foreign Exchange Rate Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Authority's exposure to the risk of changes in foreign exchange rates relates primarily to contract creditors that are not currently being hedged.

Sensitivity Analysis effect on the Statement of Comprehensive Income as well as corresponding contract creditor:

	+5%	**+10%**	**-5%**	**-10%**
US Dollar	(992 733)	(1 985 467)	992 733	1 985 467
Euro	(67 246)	(134 492)	67 246	134 492
	(1 059 979)	***(2 119 959)***	***1 059 979***	***2 119 959***

Interest Rate Risk

The Authority's exposure to market risk for changes in interest rates relates primarily to the Authority's long-term debt obligations.

Interest Rate Risk is the risk of interest rate fluctuations adversely affecting the Authority's debt exposures. It arises from the repricing of the Authority's floating rate debt, as well as from incremental funding or new borrowings, and from the refinancing of existing borrowings.

It is the Authority's policy to manage interest costs through the utilisation of a mix of fixed and variable rate debts as well as through the evaluation of foreign versus local funding. For further details on long term loans refer to Note 8 of the Annual Financial Statements.

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

Interest rate sensitivity

The following table demonstrates the sensitivity to a possible change in interest rates, with all other variables held constant, of the Authority's profit (through the impact on the floating rate borrowings). There is a material impact on the Authority's equity.

	Increase/decrease in basis points	Effect on Surplus Dr / (Cr) M'000
2020		
Trans Caledon Tunnel Authority Debt Service Loans		
Common Monetary Area Loans	+200	114
Trans Caledon Tunnel Authority Debt Service Loans		
Common Monetary Area Loans	-200	(114)
2021		
Trans Caledon Tunnel Authority Debt Service Loans		
Common Monetary Area Loans	+200	68
Trans Caledon Tunnel Authority Debt Service Loans		
Common Monetary Area Loans	-200	(68)

Market Risk

Market risk is the risk that the value of a financial instrument will fluctuate with changing market prices whether caused by factors specific to the instrument or to general external market changes. The Authority has no financial instruments which are affected by changing market prices.

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge its obligations thereby causing the other party to suffer financial loss. The Authority's cash equivalents are kept at well-established financial institutions which limits its counter party exposure. The Authority has no significant concentration of credit risk in respect of cash and cash equivalents. The entity is exposed to significant credit risk exposure in terms of receivables due to the extensive period it takes to recover accounts receivable.

For trade receivables which do not contain a significant financing component, the loss allowance is determined as the lifetime expected credit losses of the instruments. For all other trade receivables, IFRS 9 permits the determination of the credit loss allowance by either determining whether there was a

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

significant increase in credit risk since initial recognition or by always making use of lifetime expected credit losses. Management have chosen as an accounting policy, to make use of lifetime expected credit losses. Management does therefore not make the annual assessment of whether the credit risk has increased significantly since initial recognition.

Maximum credit exposure:

	2021 M'000	2020 M'000
Trade Receivables	8 481	55 959
Cash and Cash Equivalents	165 247	240 863

Staff receivables are monitored on an ongoing basis. In addition, any amounts owing by staff, at their termination date, will be recovered from their last remuneration payment.

Liquidity Risk

Liquidity risk is the risk of the Authority defaulting on its financial obligations as a result of insufficient funding capacity in relation to such obligations. The Authority manages this risk firstly through seeking guarantees from the Governments of Lesotho and South Africa, and secondly through planning and continuing re-planning of long-term project costs and funding requirements.

The Authority ensures that facilities are in place to meet its immediate obligations at all times. Please refer to Note 8 for the maturity analysis performed.

Capital Management

The primary objective of the Authority's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise stakeholder value. The capital or monies managed by the LHDA mainly relates to the funding received by the Government of Lesotho and the Republic of South Africa.

Maturity Profile of Financial Assets and Liabilities

Apart from the long-term liabilities, all the Authority's financial assets and liabilities are expected to mature within a twelve-month period. The maturities of the long-term liabilities are reflected, under Note 8.

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

Fair Value of Financial Instruments

Set out below is a comparison by category of carrying amounts and fair values of all of the Authority's financial instruments.

	Carrying Amount		*Fair value*	
	2021 M'000	2020 M'000	2021 M'000	2020 M'000
Financial Liabilities				
Loans and borrowings	8 403	15 864	8 403	15 864

Valuation methods and assumptions

The Authority assessed that trade and other receivables, contract payables and accruals, current trade and other payables, prepayments and cash approximate their carrying amounts largely due to the short-term maturities of these instruments. Credit risk has been taken into account in the determination of the carrying amounts of these instruments.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair value of loans from banks and other financial liabilities, as well as other non-current financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

Fair Value estimation

The different levels have been identified as follows:

a) Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
b) Inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
c) Techniques which use inputs for the asset or liability that are not based on observable market data (that is unobservable inputs) (level 3)

The fair value of loans from banks and other financial liabilities, as well as other non-current financial liabilities are level 2 valuations.

15. NUMBER OF EMPLOYEES

According to the payroll system the Authority had the following average number of employees during the year ending 31 March 2021: 388 (2020: 370)

16. 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 Lesotho Revenue Authority is also deemed a related party as they are subjected to common control by the government of the Kingdom of Lesotho.

	2021 M'000	2020 M'000
Amounts credited to the Statement of Comprehensive Income or deferred income account		
Cost related payments GOL	64 612	116 58
Cost related payments RSA	1 290 950	1 616 735
IDA Grant through GOL	-	-
Related parties receivable/(payable)		
Receivable from Lesotho Revenue Authority	130 389	160 068
Government of South Africa	-	49 052
Compensation to Key Management Personnel		
Short Term Employee Benefits	28 813	28 691
Total Compensation Paid to Key Management personnel	28 813	28 691

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

17. 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:

	2021 M'000	2020 M'000
The following year	8 412	7 737
Year 2	4 504	8 411
Year 3	-	4 504
More than 4 years	-	-
	12 916	**20 652**

17. OPERATING LEASE DISCLOSURE (Continued)

Terms of the contract					
Specifications					
	Contract 1	**Contract 2**	**Contract 3**	**Contract 4**	**Contract 5**
Commencement date:	01-Apr-17	01-Dec-16	30-Nov-19	01-Jul-18	30-Jun-20
Contract expiry date:	29-Feb-20	30-Nov-19	31-Oct-22	30-Jun-20	30-Jun-22
Contract expiry date:	28-Feb-23			30-Jun-22	30-Jun-22
Period of lease:	35 months	36 months	34 months	24	24
Escalation rate per annum:	10% p.a.	9% p.a.	9% p.a.	10% p.a.	10% p.a.
Basic Rental					
Initial monthly rental per contract: premises	7 829	474 245	614 162	6 600	7 986

18. Government Grants

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.

Funding Breakdown:	2021 M'000	2020 M'000
Government of the Kingdom of Lesotho	64 612	116 581
Government of the Republic of South Africa	1 290 950	1 616 735
	1 355 562	**1 733 316**

Revenue Recognised for the period:	2021 M'000	2020 M'000
Funding received relating to loans	7 461	12 396
Funding received relating to operational activities	192 600	250 485
Release of Depreciation	344 201	341 155
	544 262	**604 036**

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

19. EVENTS AFTER THE REPORTING PERIOD AND GOING CONCERN

The effects of COVID-19 since started to hit Lesotho at the end of March 2020, which was the end of last LHDA financial year. That being the case for the current financial year 2020/2021 LHDA had to adapt and operate with the existence of COVID -19 for the whole financial year.

The restrictions imposed in order to curb the spread of the virus had an impact on part of the Authorities' operations and its supply chain, which include all services and goods. Some of the goods and services which were procured for financial year 2019/2020 could not be delivered/performed in that financial year but only in the current financial year, there by utilising the current financial year's budget. Currently, the full extent of its impact is unknown, as facts and circumstances are constantly changing. Lesotho was placed on lockdown from midnight 29 March through to 21 April 2020. For the period of the lock down, only essential maintenance took place.

On the operational level, LHDA had to introduce working from home and coming to work on rotational basis. This move resulted in LHDA having to invest more on Information Technology so that staff can be able to work form home and come to work on rotational basis.

LHDA is financed by way of Subvention from the Government of Lesotho and Government of the Republic of South Africa by way of cost related payments. With the impacts of COVID -19, LHDA has experienced challenges in obtaining subvention from the Government of Lesotho, resulting in LHWC not approving the 2021/2022 budget as was recommended by LHDA Board. LHWC issued partial approval of the budget to LHDA in March 2021. There has been written communication from GOL that additional funding will be provided to LHDA but as at reporting date, the LHDA still does not have a final approval of the 2021/22 budget from the LHWC.

Since the LHDA is funded by both RSA and GoL, and confirmation of funding for 2021/22 has been obtained from both Parties, the issue of delayed approval of the budget by the LHWC cannot be said to affect the operations of the LHDA as a going concern". Hence the annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that LHDA will continue to receive funding funds to settle the financial obligations as they fall due for the next period of 12 months, and therefore management believes that there is no going concern issue for the entity and that the realisation of assets and settlement of liabilities will occur in the ordinary course of business

20. COST ALLOCATION

	2021	2020
Net loss for the year subject to cost allocation	**M'000**	**M'000**
Total other income for the year	(24 380)	(34 226)
Total expenses for the year	2 024 482	1 895 554
	2 000 102	**1 861 328**
Allocation of loss as per cost allocation report		
1A Water Transfer	37 782	40 029
1A Ancillary Development	13 075	28 935
1B Water Transfer	31 946	38 930
1B Ancillary Development	2 102	1 307
Hydropower	104 568	114 084
Government of South Africa Capital Fund	347 328	368 355
	536 801	**591 640**
Costs allocation per government		
Government of Lesotho	15 177	30 242
Government of South Africa	417 056	447 314
Hydropower Accumulated Loss	104 568	114 084
	536 801	**591 640**
Costs transferred to work in progress	**1 463 301**	**1 269 688**
Capital work-in-progress – 2 Water transfer	1 462 165	1 251 989
Capital work-in-progress – 2 Hydro Power	1 136	17 699
Total as per Cost Allocation Report	**2 000 102**	**1 861 328**

Note: 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. The last year that has been agreed to between the parties is 2018.

20.1. Cost allocation and funds per Government

	Note	Capital Fund - Government of Lesotho	Capital Fund - Government of South Africa	Total Capital funds	Hydropower	Total funds and Reserves
		M'000	M'000	M'000	M'000	M'000
Balance at 31 March 2019		**1 155 688**	**9 186 519**	**10 342 207**	**(979 663)**	**9 362 544**
Cost allocation for the year	20	(30 242)	(447 314)	(477 556)	(114 084)	(591 640)
Prior year cost allocation ratification		-	-	-	-	-
Cost related payments – funding		116 581	1616 735	1 733 316	-	1 733 316
Balance at 31 March 2020		**1 242 027**	**10 355 940**	**11 597 967**	**(1 093 747)**	**10 504 220**
Cost allocation for the year	20	(15 177)	(417 056)	(432 233)	(104 568)	(536 801)
Prior year cost allocation ratification		-	-	-	-	-
Cost related payments – funding		64 612	1 290 950	1 355 562	-	1 355 562
Balance at 31 March 2021		**1 291 462**	**11 229 834**	**12 521 296**	**(1 198 315)**	**11 322 981**

Note: 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.

LESOTHO HIGHLANDS DEVELOPMENT AUTHORITY
ANNUAL FINANCIAL STATEMENTS
AT 31 MARCH 2021
NOTES TO THE FINANCIAL STATEMENTS

21. OTHER INCOME

	2021	2020
	M'000	M'000
Profit on sale of assets	131	160
Rental Income	3 917	4 000
Other income	1 844	3 007
Investment property income	7 813	7 166
Revenue from contracts with customers		
Lodge income - over time recognition	3 409	12 391
	17 113	**26 724**

DETAILED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2021

	Notes	2021 M'000	2020 M'000
Revenue & Other Income			
Grant revenue	3	544 263	604 036
Investment Income		7 267	7 502
Profit on sale of assets		131	160
Miscellaneous income	22	9 170	19 398
Investment property income		7 813	7 166
Total Revenue		**568 642**	**638 261**
Expenditure			
Audit and accounting fees		1 472	1 713
Bank charges		125	206
Board and committee fees including reimbursements		4 879	5 961
Construction and contractor costs		1 364 151	1 222 957
Depreciation		344 201	341 155
Foreign exchange loss/(gain)		320	517
Increase/(Decrease) in future compensation provision		16 520	27 386
Insurance		4 221	4 170
Interest and finance expenses		1 277	2 175
Inventory and consumable stores		984	1 904
Leave pay		2 176	1 169
Legal and arbitration fees		2 491	1 687
Miscellaneous expenses	22	36 003	37 489
Motor vehicle expenses		3 548	4 695
Plant spares		1 174	1 985
Professional services		7 376	14 364
Provision for bad debt		1 554	(8 400)
Public relation costs		2 529	6 195
Rates, electricity and water		7 528	8 127
Ground rent provision		371	39
Recruitment		371	372
Rental expenses		384	348
Repairs and maintenance		3 365	3 053
Resettlement and compensation costs		30 372	38 140
Safety awareness		28	45
Salaries, wages and allowances		165 748	150 237
Security expense		13 884	15 984
Stationery		1 120	1 255
Telephone and communication		3 525	2 594
Training		392	2 535
Travel and transportation		2 393	5 494
Total Expenses		**2 024 482**	**1 895 553**
Loss for the year		**(1 455 839)**	**(1 257 292)**
WIP/ Cost allocation		1 463 301	1 269 688
Profit for the year		**7 461**	**12 396**

22. MISCELLANEOUS INCOME AND EXPENSES

	2021 M'000	2020 M'000
Miscellaneous income		
Rental Income	3 917	4 000
Lodge Income	3 409	11 391
Other Income	1 844	3 007
Total Revenue	**9 170**	**19 398**

	2021 M'000	2020 M'000
Miscellaneous expense		
LRA Costs	6 374	10 043
LHWC Rental	4 822	4 057
Lodge Expenses	6 151	14 241
Software Licencing	4 766	5 821
Other expense	13 890	3 327
Total Expense	**36 003**	**37 489**

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