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THE ANNUAL FINANCIAL STATEMENTS OF THE LESOTHO HIGHLANDS DEVELOPMENT AUTHORITY FOR THE YEAR ENDED 31 MARCH 2024

GENERAL INFORMATION

DIRECTORS	**:**	Mr. S. Phakisi (Chairperson) Ms. K. Rattay (Deputy Chairperson) Mrs. N. Phakoana-Foulo Mr. R. Mbwana. Pr Eng Mr. P. Molapo Dr. T. Lets'ela Mr. M. Malishe Mr. L. Makibinyane Mr. T Tente. Pr Eng (Chief Executive)
NATURE OF BUSINESS	**:**	Implementation, operation and maintenance of the Lesotho Highlands Water Project
AUDITORS	**:**	Moores Rowland Lesotho and Forvis Mazars
REGISTERED OFFICE	**:**	Lesotho Highlands Development Authority LHDA Tower Kingsway Rd **MASERU 100** Lesotho
PHYSICAL ADDRESS	**:**	Lesotho Highlands Development Authority LHDA Tower Kingsway Rd **MASERU 100** Lesotho
BANKERS	**:**	Standard Lesotho Bank Limited
ATTORNEYS	**:**	In-house Webber Newdigate
CORPORATE SECRETARY	**:**	Adv. T. Matshikiza
COUNTRY OF INCORPORATION	**:**	Kingdom of Lesotho (Lesotho)
LEGAL FORM	**:**	An Authority in Lesotho operating in the form of a body corporate with perpetual succession. The Authority was established in terms of Lesotho Highlands Development Authority Order No 23 of 1986 (The Order) as amended by LHDA Amendment Act of 2000
PRESENTATION & FUNCTIONAL CURRENCY	**:**	Lesotho Loti (LSL) (plural: Maloti)

BOARDS' STATEMENT OF RESPONSIBILITY FOR THE CONTENT AND INTERGRITY OF THIS REPORT

At 31 March 2024

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 (IFRS® Accounting 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 12 months after date of authorisation 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.

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 4 and 5.

THE ANNUAL FINANCIAL STATEMENTS OF THE LESOTHO HIGHLANDS DEVELOPMENT AUTHORITY FOR THE YEAR ENDED 31 MARCH 2024

APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

The Annual Financial Statements, set out on pages **8 to 75,** were approved by the Board and signed on behalf of the Board by:

Mr S. Phakisi	**Mr T. Tente, Pr Eng**
CHAIRPERSON	**CHIEF EXECUTIVE**
27 September, 2024	27 SEPTEMBER 2024
DATE	**DATE**

Moores Rowland

Chartered Accountants (Lesotho)

Office address:
Sentinel Park
United Nations Road
Maseru

Telephone (266) 22 313929
Email mrl@mooresrowland.co.ls
Web Mooresrowlandlesotho.com
Int.web Praxity.com

Mail
P O Box 1252
Maseru 100
Lesotho

Independent auditor's report

To the members of the Lesotho Highlands Development Authority

Opinion

We have audited the financial statements of Lesotho Highlands Development Authority ("the Authority") as set out on pages 8 to 73, which comprise the statement of financial position as at 31 March 2024, the statement of comprehensive income, statement of changes in funds and reserves and statements 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 the Lesotho Highlands Development Authority as at 31 March 2024 and of 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 Authority 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 document titled "Lesotho Highlands Development Authority Annual Financial Statements at 31 March 2024", which includes the Boards' Statement of Responsibility set out on page 2 as well as the Detailed Statement of Comprehensive Income set out on pages 74 to 75. 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 intends to liquidate the organisation or to cease operations, or has no realistic alternative but to do so.

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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, significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

Moores Rowland

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Moores Rowland (Lesotho)
Per: A S McAlpine
Registered Auditor (LIA)
Sentinel Park
15 United Nations Road
Maseru

Lesotho

30 September 2024

STATEMENT OF ACTIVITIES

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

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

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

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

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

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

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

- **WATER TRANSFER COMPONENT**

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

- **HYDROPOWER COMPONENT**

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

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

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

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

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2024

	NOTE	2024 M'000	2023 M'000
Grant Income	24	689 349	640 877
Grant Income Lesotho Biodiversity	17	3 887	-
Foreign Exchange Gain	31	142 063	5 024
Tax Income	35	91 101	10 565
Other Income	26	24 539	20 710
Total Revenue		**950 939**	**677 175**
Foreign Exchange Losses	31	(24 344)	(32 824)
Depreciation and Amortisation	5, 6, 7 & 8	(327 585)	(342 705)
Resettlement and Compensation Costs	28	(49 238)	(101 512)
Salaries and Wages	21	(223 487)	(210 916)
Other Administrative and Operating Expenditure	33	(64 866)	39 960
Expected Credit Loss Provision	10 & 11	(285 946)	(40 395)
Profit before financing activities		**(24 526)**	**(11 218)**
Finance Income	30	24 607	12 481
Finance Cost and Borrowing Costs	8 & 13	(82)	(124)
Net Profit for the year		**-**	**1 139**
Other Comprehensive Income		**-**	**-**
Total Comprehensive Income		**-**	**1 139**

STATEMENT OF FINANCIAL POSITION AS OF 31 MARCH 2024

	NOTE	2024 M'000	2023 M'000
ASSETS			
Non-Current Assets		**20 243 393**	**15 072 874**
Property, Plant and Equipment	5	20 234 690	15 064 064
Right of Use Asset	8	901	595
Investment Property	6	4 718	5 019
Intangible Assets	7	3 084	3 197
Current Assets		**4 147 825**	**3 410 761**
Contract Advance Payments	9	2 584 449	2 150 823
Related Party receivable	22	225 345	607 572
Financial and Other Receivables	10	3 592	3 460
Prepayments	11	27 180	28 621
Tax Receivable	11	710 131	232 918
Cash and Cash Equivalents	12	597 129	387 367
Total Assets		**24 391 218**	**18 483 636**
FUNDS AND LIABILITIES			
Funds and Reserves		**(341 668)**	**(341 668)**
Funds and Reserves		(341 668)	(341 668)
Non-Current Liabilities		**20 972 692**	**16 723 085**
Lease Liability	8	517	342
Deferred Income	17	20 972 175	16 722 743
Current Liabilities		**3 760 193**	**2 102 220**
Contract Payables and Accruals	15	2 029 710	732 969
Contract Retentions	15	219 211	23 362
Provisions	14	554 855	516 639
Financial and Other Payables	16	212 851	138 104
Current Portion of Lease Liability	8	448	281
Current Portion of Deferred Income	17	743 118	690 865
Total Funds and Liabilities		**24 391 218**	**18 483 636**

STATEMENT OF CHANGES IN FUNDS AND RESERVES
AS AT 31 MARCH 2024

TOTAL FUNDS AND RESERVES	AMOUNT M'000
Balance at 31 March 2022	**(342 807)**
Profit for the year	1 139
Other Comprehensive Income	-
Balance at 31 March 2023	**(341 668)**
Profit for the year	-
Other Comprehensive Income	-
Balance at 31 March 2024	**(341 668)**

STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31 MARCH 2024

		2024 M'000	2023 M'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Profit for the year		-	1 139
Adjustment for non-cash items:			
Depreciation and Amortisation	5,6,7 & 8	327 585	342 705
Finance Costs and Borrowing Costs	8 & 13	82	124
Finance Income Received	30	(24 607)	(12 481)
Foreign Exchange Gain	31	(142 063)	(5 024)
Foreign Exchange (Loss)	31	24 344	32 824
Movement in expected credit loss provision	10 & 11	285 946	40 395
		471 286	**399 683**
(Increase) in Contract Advance Payments	9	(433 627)	(2 096 602)
(Increase) in Financial and Other Receivables and Prepayments	10,11 & 22	(379 622)	(754 300)
Rental Payments on Lease Liability	8	(695)	(981)
Increase in Provisions	14	38 216	36 419
Increase in Contract Payables and Accruals	15	1 296 741	497 781
Increase in Other Payables and Accruals	16	270 597	13 784
Increase in Deferred Income	17	4 301 686	4 204 170
Net Cash Inflow from Operating Activities		**5 564 581**	**2 299 954**
Finance Income Received	30	24 607	12 481
Net Cash Inflow from Operating Activities		**5 589 189**	**2 312 435**
CASH FLOWS FROM INVESTING ACTIVITIES			
Net Cash (Outflow) from Investing Activities		**(5 497 406)**	**(2 157 570)**
Additions to Property, Plant and Equipment	5	(5 500 205)	(2 157 098)
Additions to Intangible Assets	7	(151)	(472)
Disposal of Property, Plant and Equipment	5	2 950	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Net Cash (Outflow) from Financing Activities		**260**	**(640)**
Loans and Borrowings Repaid	13	-	(1 139)
Finance Charges Paid	8 & 13	(82)	(124)
Increase in Lease Liability	8	342	623
Foreign Exchange Gain	31	142 063	5 024
Foreign Exchange (Loss)	31	(24 344)	(32 824)
Net Increase in Cash and Cash Equivalents		**209 762**	**126 425**
Cash and Cash Equivalents at the beginning of the period		387 367	260 942
Cash and Cash Equivalents at the end of the period	12	**597 129**	**387 367**

NOTES SUPPORTING AMOUNTS PRESENTED IN THE ANNUAL FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

1.1 ACCOUNTING POLICIES: BASIS OF PREPARATION

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

A STATEMENT OF COMPLIANCE

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

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

B BASIS OF PRESENTATION

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

C BASIS OF MEASUREMENT

The financial statements have been prepared on historical cost basis, except for the disclosure of the fair value of investment property. Investment property is measured at cost less depreciation, the fair value is only disclosed in the note supporting the depreciated cost amount presented on the face of the primary financial statements.

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

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

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

1.2.1 ADOPTING THE AMENDED STANDARDS IAS 1: PRESENTATION OF FINANCIAL STATEMENTS AND PRACTICE STATEMENT 2: MAKING MATERIALITY JUDGEMENTS

The amendment addresses disclosure of accounting policies and replacement of the term 'significant' with 'material'.

Issued

12 February 2021

Introduction

The IASB®'s amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures.

The amendments make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'.

The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS1. In addition, the IASB® amended other standards and the Conceptual Framework that contain a definition of 'material' or refer to the term ‘material’ to ensure consistency.

Amendments

In February 2021, the International Accounting Standards Board (IASB® or the Board) issued amendments to IAS 1 Presentation of Financial Statements in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The Board also issued amendments to IFRS Accounting Standards Practice Statement 2 Making Materiality Judgements (the PS) to support the amendments in IAS 1 by explaining and demonstrating the application of the ‘four-step materiality process’ to accounting policy disclosures.

The amendments help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies; and
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

Detailed description of amendments

In the absence of a definition of the term ‘significant’ in IFRS Accounting Standards, the Board decided to replace it with ‘material’ in the context of disclosing accounting policy information. ‘Material’ is a defined term in IFRS Accounting Standards and is widely understood by the users of financial statements, according to the Board. Material accounting policy information is defined as follows in paragraph 117 of IAS 1 “Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements.”

Impact on the LHDA

The application of the newly clarified concept of materiality impacts how management applies judgement when determining how to select accounting policies, how to account for changes in accounting policies and other matters that requires consideration of materiality.

In particular, management used the amended materiality guidance and definitions, when forming a rational for applying the prospective method, rather than the default retrospective method, when accounting for changes and adjustments, due to changes in accounting policies or the correction of prior period errors.

Retrospective adjustments are corrections made by restating prior period amounts and qualitative disclosure of details of the adjustment made, to the extent such adjustments are practicable. Retrospective adjustment is required when either of the following situations occur:

- A voluntary accounting policy change is made, that results in material adjustments of previously reported amounts, or
- An accounting policy change was made, with the intention to achieve a particular presentation of an entity's financial position, financial performance, or cash flows, irrespective of the materiality of the adjustment.

Retrospective adjustments should be corrected through prior period adjustments, to the extent practicable, together with disclosure of the details of the adjustments made.

31 March 2024 annual financial statements

Management incorporated the amended definition of materiality, as well as the guidance provided in the Practice Note 2, in determining the accounting treatment of inventory and Lesotho Biodiversity Trust in the 31 March 2024 annual financial statements.

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

31 March 2023 annual financial statements

Management incorporated the amended definition of materiality, as well as the guidance provided in the Practice Note 2, in determining the accounting treatment of inventory and leases where the LHDA is the lessee in the 31 March 2023 annual financial statements.

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

1.2.2 ADOPTING THE AMENDED IAS 8: DEFINITION OF ACCOUNTING ESTIMATES

The amendment intends to help entities to distinguish between accounting policies and accounting estimates.

Issued

12 February 2021

Introduction

The International Accounting Standards Board (IASB®) has published 'Definition of Accounting Estimates (Amendments to IAS 8)' to help entities to distinguish between accounting policies and accounting estimates.

The requirements in IFRS Accounting Standards, in particular in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, make a distinction between how an entity should present and disclose different types of accounting changes in its financial statements. Changes in accounting policies must be applied retrospectively while changes in accounting estimates are accounted for prospectively.

Companies sometimes struggle to distinguish between accounting policies and accounting estimates and enforcers have identified divergent practices and the Interpretations Committee received a request to clarify the distinction.

The amendments are effective for annual periods beginning on or after 1 January 2023.

Details of amendments

The changes to IAS 8 focus entirely on accounting estimates and clarify the following:

- The definition of a change in accounting estimates is replaced with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".
- Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty.
- The Board clarifies that a change in accounting estimate that results from new information or new developments is not the correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.
- A change in an accounting estimate may affect only the current period's comprehensive income, or the comprehensive income of both the current period and future periods. The effect of the change relating to the current period is recognised as income or expense in the current period. The effect, if any, on future periods is recognised as income or expense in those future periods.

Impact on the LHDA

Management applied the amended IAS 8, in determining how to account for Lesotho Biodiversity Trust in 2024. There is a change in the accounting for Lesotho Biodiversity Trust during the current reporting period, and this change has been treated as a change in estimate in accordance with the amended IAS 8.

Refer to note 1.3: Change in accounting estimates or judgements, which provides details of the impact of the amendment.

1.2 ACCOUNTING POLICIES: CHANGE IN ACCOUNTING ESTIMATES OR JUDGEMENTS MADE BY MANAGEMENT

In exercising their judgement, management reclassified Lesotho Biodiversity Trust from Financial and Other Payables to Deferred Income under Non-Current Liabilities.

Management exercised their judgement in accordance with IAS 20 Accounting for Government Grants, in order to determine whether to account for Lesotho Biodiversity Trust as Government Grants. As a result, Lesotho Biodiversity Trust which were previously treated as Financial and Other Payables, have now been reassessed by Management, as Deferred Income; and the accounting and classification have accordingly been changed and updated, respectively.

The IAS 20 Accounting for Government Grants, Deferred Income for Lesotho Biodiversity is initially recognised as a change in estimate, therefore, the amounts initially recognised relating to the Lesotho Biodiversity Trust shall be recognised as grant income to reduce the Trust's balance.

1.3 ACCOUNTING POLICIES NEW AND AMENDED STANDARDS (AND INTERPRETATIONS) ISSUED BEFORE 31 MARCH 2024, BUT NOT YET EFFECTIVE

This summary includes all new standards and amendments issued before 31 March 2024 with an effective date for accounting periods beginning after 1 April 2023.

Paragraph 30 of IAS 8 requires an entity to disclose if there are new accounting standards that are issued but not yet effective, and information relevant to assessing the possible impact that the application of the new accounting standards will have on the entity's financial statements. This summary includes all new accounting standards and amendments with an effective date for accounting periods beginning on, or after, 1 April 2023.

1.3.1 AMENDMENT TO IFRS 16: LEASES ON SALE AND LEASEBACK

Effective date

The amendment is effective for annual periods beginning on or after 1 January 2024

Details of the amendment

This amendment includes requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.

Impact on the LHDA

The Authority considered the amendment and determined there were no sale-and-leaseback transactions entered into during the reporting period, nor are any planned by management in the foreseeable future.

Therefore, the Authority does not expect any impact on its reported financial position or performance, when the amendment becomes effective.

1.3.2 AMENDMENT TO IAS 21: LACK OF EXCHANGEABILITY

Issued

August 2023

Effective date

The amendment is effective for annual periods beginning on or after 1 January 2025.

Details of the amendment

An entity is impacted by the amendment when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations.

Impact on the LHDA

The Authority considered the amendment and determined there were no transactions or operations in a foreign currency that are not exchangeable into another currency, nor are any planned by management for the foreseeable future.

Therefore, the Authority does not expect any impact on its reported financial position or performance, when the amendment becomes effective.

1.3.2 AMENDMENTS TO IAS 7 AND IFRS 7: SUPPLIER FINANCE

Issued

May 2023

Effective date

This amendment is effective for annual periods beginning on or after 1 January 2024 (with transitional reliefs in the first year).

Details of the amendments

These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on an entity's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.

Impact on the LHDA

The Authority neither provided any supplier finance during the reporting period, nor are any planned by management in the foreseeable future.

Therefore, the Authority does not expect any impact on its reported financial position or performance, when the amendments become effective.

1.3.3 IFRS 9 FINANCIAL INSTRUMENTS- AMENDMENT TO THE CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS

Issued

May 2024

Effective date

1 January 2026

Details of the amendments

Derecognition of financial instruments when an electronic payment system is used

New guidance has been added to IFRS 9 to specifically address when a financial liability should be derecognised when it is settled by electronic payment. Previously, an entity was required to wait until the settlement date of the transaction to discharge the liability, but the new guidance allows for the liability to be discharged before the settlement date if:

- the payment cannot be withdrawn, stopped or cancelled
- the entity no longer has the practical ability to access the cash, and
- settlement risk associated with the electronic payment system is insignificant.

Classification of financial assets

Contractual cash flows that are solely payments of principal and interest on the principal amount outstanding

IFRS 9 also describes certain situations where financial assets may have contractual cash flows that are described as principal and interest, but the payments made do not actually represent a basic lending arrangement. This may be the case if a financial asset has non-recourse features. The amendments to IFRS 9 provide a clearer definition of a non-recourse feature, which is now outlined as a financial asset where the entity's ultimate right to receive cash flows is contractually limited to the cash flows generated by specified assets.

Impact on the LHDA

Therefore, the Authority does not expect any impact on its reported financial position or performance, when the amendments become effective.

1.3.4 IFRS 18 PRESENTATION AND DISCLOSURE IN FINANCIAL STATEMENTS

Issued

April 2024

Effective date

1 January 2027

Details of the amendments

The new requirements introduced in IFRS 18 will help to achieve comparability of the financial performance of similar entities, especially related to how 'operating profit or loss' is defined. The new disclosures required for some management-defined performance measures will also enhance transparency. IFRS 18 introduces a defined structure for the statement of profit or loss. The goal of the defined structure is to reduce diversity in the reporting of the statement of profit and loss, helping users of financial statements to understand the information and to make better comparisons between organisations.

Impact on the LHDA

Statement of comprehensive income will have categories as detailed in IFRS 18. LHDA will present specified totals and subtotals as required by the standard. This will enable improved comparability, enhance transparency of management defined performance measures and guidance on aggregation and disaggregation of information to enhance the grouping of information.

2. ACCOUNTING POLICIES: SUMMARY OF MATERIAL ACCOUNTING POLICIES

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

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

A PPE: MEASUREMENT

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

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

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

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

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

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

Classes of property, plant and equipment	Estimated useful lives in years
Hydropower civil works	50
Hydropower plant	25
Water transfer civil works	50
Office furniture and equipment	6
Motor vehicles	4
Computer equipment	3
Land and buildings	30

B PROPERTY PLANT AND EQUIPMENT:

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

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

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

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

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

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

C PROPERTY PLANT AND EQUIPMENT:

APPORTIONMENT OF CAPITAL COSTS

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

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

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

2.2 ACCOUNTING POLICIES: INVESTMENT PROPERTY

A INVESTMENT PROPERTY: CLASIFICATION AND MEASUREMENT

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

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

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

B INVESTMENT PROPERTY: DEPRECIATION

Depreciation is provided over the following periods;

- Buildings - 30 years
- Improvements - Remaining lease term

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

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

C INVESTMENT PROPERTY: FAIR VALUE

The fair value of investment property is disclosed in the notes to the financial statements. The fair value estimates are based on periodic valuations by a professionally qualified valuer. These valuations are made with sufficient regularity to ensure that the disclosed amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Changes in fair value are not recognised in other comprehensive income, except to the extent that any decrease in value would reduce the carrying amount, or reversal of such a transaction, which would then be recognised in comprehensive income.

2.3 ACCOUNTING POLICIES: INTANGIBLE ASSETS

A EXTERNALLY ACQUIRED INTANGIBLE ASSETS

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

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

3 ACCOUNTING POLICIES: FINANCIAL INSTRUMENTS

3.1 FINANCIAL INSTRUMENTS: FINANCIAL ASSETS

The Authority holds financial and other receivables and cash and cash equivalents, as financial assets at amortised cost. A financial asset can only be measured at amortised cost if both of the following are satisfied:

- Business model: the objective of the business model is to hold the financial asset for the collection of the contractual cash flows and.
- Contractual cash flows: the contractual cash flows under the instrument relate solely to payments of principal and interest.

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 except for financial and other receivables. All transaction costs directly attributable to the acquisition are also included in the cost of the contract advance payments and cash and cash equivalents. Subsequent to initial recognition, these financial assets are carried at amortized cost, using the effective interest rate method. Gains and losses are recognised in comprehensive income when de-recognized or impaired.

A FINANCIAL ASSETS: FINANCIAL AND OTHER AMOUNTS RECEIVABLES

Financial and other amounts receivable are disaggregated into amounts financial and other receivables which stem from contractual rights (for example rentals receivable), amounts receivable from related parties (for example from LLE’s for, prepayments and other amounts.

Financial and other receivables that do not contain a significant financing component are recognised when due and measured on initial recognition at the transaction price determined under IFRS 15. Subsequent receivables are measured at amortized cost, using the effective interest rate method.

B FINANCIAL ASSETS: CONTRACT ADVANCE PAYMENT

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

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

C FINANCIAL ASSETS: CASH AND CASH EQUIVALENTS

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

3.2 IMPAIRMENT OF FINANCIAL ASSETS

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

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

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

i For credit exposures for which there has not been a significant increase in credit risk since initial recognition, expected credit losses are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL).

ii For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL)

iii For those credit exposures for which credit impairment provision has been recognized. For such credit impaired assets, interest income is recognized on the net basis (i.e. the gross amount receivable, less the expected credit loss impairment provision).

For financial asset receivable with terms of less than 60 days, the Authority applies the simplified approach in calculating expected credit losses, as permitted by IFRS 9. Therefore, the Authority recognizes a loss allowance based on the financial asset's lifetime expected credit loss on recognition and at each reporting date.

The Authority considers a financial asset in default when contractual payments are 90 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 amortized cost are credit impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

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

3.3 FINANCIAL INSTRUMENTS: FINANCIAL LIABILITIES

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

A FINANCIAL LIABLITIES: 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 comprehensive income when the liabilities are de-recognised as well as through the amortisation process.

B FINANCIAL LIABLITIES: CONTRACT PAYABLES ANS ACCRUALS

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

C FINANCIAL LIABLITIES: FINANCIAL AND OTHER PAYABLES

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

D FINANCIAL LIABLITIES: ACCRUALS FOR COMPENSATION

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

E FINANCIAL LIABLITIES: 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.

3.4 DERECOGNITION OF FINANCIAL LIABILITIES AND FINANCIAL ASSETS

A DERECOGNITION OF FINANCIAL LIABILITIES

A financial liability is de-recognised 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 de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in comprehensive income.

B DERECOGNITION OF FINANCIAL ASSETS

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

3.5 FINANCIAL INSTRUMENTS – FINANCIAL INCOME AND FINANCE COSTS

A FINANCE INCOME

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

B FINANCE COSTS

Finance costs is recognised as interest accrues (using the initial interest rate method that is the rate comprise interest due on loans with commercial bank (DBSA) calculated using the effective interest method. The contractual interest rate of all loans and borrowings are market related, and therefore approximates the effective interest rate for finance costs.

3.5 ACCOUNTING POLICIES: PROVISIONS

Provisions are recognised when the Authority has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the effect of discounting to present value is material, provisions are adjusted to reflect the time value of money. For the compensation provision, a contractual charge of 4.5% is applied to the cash flows to bring the provision to the amount the Authority would need to pay on demand. The expense relating to the provision is presented in the statement of comprehensive income. Refer to note 3.16.2 on Critical accounting judgements and estimates.

3.6 ACCOUNTING POLICIES: FOREIGN CURRENCY TRANSLATION

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

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.

3.7 ACCOUNTING POLICIES: IMPAIRMENT OF NON-FINANCIAL ASSETS

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

3.8 ACCOUNTING POLICIES: PREPAYMENTS AND NON-FINANCIAL INSTRUMENT RECEIVABLES

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

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

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

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

3.9 ACCOUNTING POLICIES: CAPITAL FUNDS

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

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

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

3.10 ACCOUNTING POLICIES: TAXATION

3.10.1 TAXATION: WITHHOLDING TAX

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

3.10.2 TAXATION: VALUE ADDED TAX (VAT)

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

3.10.3 TAXATION: DUES AND CHARGES

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

3.10.4 TAXATION: INCOME TAX

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

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

3.11 ACCOUNTING POLICIES: LEASES

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

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

3.11.1 LEASES: LHDA AS LESSOR

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

3.11.2 LEASES: LHDA AS LESSEE

A LHDA AS LESSEE: RECOGNITION AND MEASUREMENT

For leases where the Authority is the lessee, all leases are classified as lease liabilities, except for short-term leases of 12 months or less, or leases of low value assets of M50,000. When the Authority applies the simplified approach for short-term leases, or leases of low value assets, the Authority recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

B LHDA AS LESSEE: CHANGE IN ESTIMATE

Right-to-use lease assets and lease obligation liabilities are recognised as of 1 April 2022, which is the deemed commencement of the lease liabilities. Prior to this date, the leases were treated as operating leases.

As this change is treated as a change in estimate in accordance with the requirements of IAS 8, the lease treatment remains unchanged for prior periods.

C LHDA AS LESSEE: LEASE LIABILITY

The lease liability is initially measured at the present value of the lease payments payable over the lease term. The lease term is the period for which the Authority has the right to use an underlying asset, plus:

- periods covered by an extension option if exercise of that option by the lessee is reasonably certain; and
- periods covered by a termination option if the lessee is reasonably certain not to exercise that option.

Lease payments are discounted at the rate implicit in the lease, if such implicit rate can be readily determined. If that rate cannot be readily determined, the Authority uses their incremental borrowing rate. The incremental borrowing rate is the rate of interest that the Authority would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

The incremental borrowings rate was estimated to be 11.25% per year. This estimate is based on the interest rate that the LHDA's bankers confirmed would be the most likely interest rate the LHDA would be quoted, should they decide to obtain additional funding at in July 2024.

The lease liability is subsequently remeasured to reflect changes in:

- the lease term (using a revised discount rate).
- the assessment of a purchase option (using a revised discount rate).
- the amounts expected to be payable under residual value guarantees (using an unchanged discount rate); or
- future lease payments resulting from a change in an index, or a rate used to determine those payments (using an unchanged discount rate).

The remeasurements are treated as adjustments to the right-of-use asset. Lease modifications may also prompt remeasurement of the lease liability unless they are to be treated as separate leases.

Variable lease payments that depend on an index or a rate are included in the initial measurement of the lease liability and are initially measured using the index or rate as at the commencement date. Amounts expected to be payable by the lessee under residual value guarantees are also included.

D LHDA AS LESSEE: RIGHT-OF-USE ASSET

The lease liability and corresponding right-of-use asset are recognised at the lease commencement date or deemed commencement date. The right-to-use asset is recognised at the value of the lease liability on the commencement date. Subsequently, the right-of-use lease asset is depreciated over the shorter of the lease term, or the useful life of the asset., while the finance costs are recognised on the lease liability using the effective interest rate method.

3.12 ACCOUNTING POLICIES: 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 periodic costs for the year in which they are due and as such are included in staff costs.

Contributions to defined contribution pension plans are recognised as employee costs in the statement of comprehensive income **(Refer to Note 21).**

3.13 ACCOUNTING POLICIES: REVENUE RECOGNITION

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

3.13.1 REVENUE RECOGNITION: GOVERNMENT GRANTS

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

When the Authority receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to comprehensive income 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 comprehensive income on a systematic and rational basis over the useful life of the asset.

The Authority receives a government grant in a form of a Loan that is directly serviced by the Government of South Africa to the relevant financier on behalf of the Authority when they become due. The related government grant is recognised in the Authority's books when the loan has been serviced.

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

3.14 ACCOUNTING POLICES: OTHER INCOME

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

3.14.1 OTHER INCOME: RENTAL INCOME FROM INVESTMENT PROPERTIES

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

3.14.2 OTHER INCOME: LODGE INCOME

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

3.15 ACCOUNTING POLICIES: INVENTORIES

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

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

3.16 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.

3.17 CRITICAL JUDGEMENTS, ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

3.17.1 JUDGMENTS, ESTIMATES AND ASSUMPTIONS: CRITICAL JUDGEMENTS

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

A CRITICAL JUDGEMENT: PROVISION FOR FUTURE COMPENSATION

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

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

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

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

B CRITICAL JUDGEMENT: SEPARATION LAND AND BUILDINGS

Decision to separate the land and buildings portions of investment properties

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

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

- Decision to cease depreciation of the land component of investment property.

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

Management also applied their judgement, when determining whether the impact of depreciating the buildings separately, from the non-depreciable land portion, should be deemed clearly immaterial to the statement of financial position, financial performance and cash flows. Because the adjustments to prior periods were deemed clearly immaterial, the accounting change was accounted for prospectively.

This treatment of land and buildings aligns with IFRS 16: Leases, which specifically requires land and buildings to be accounted for separately and is therefore applied by analogy. The useful life of land is inherently indefinite. Moreover, the rebuttable presumption exists that the value of land is not consumed or devalued through use, but rather appreciates over time in substantially all cases.

C CRITICAL JUDGEMENT: SEPARATION OF LAND AND BUILDINGS

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

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

3.17.2 JUDGEMENTS, ESTIMATES AND ASSUMPTIONS: ESTIMATION UNCERTAINTY AND ASSUMPTIONS

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

A ESTIMATION UNCERTAINTY AND ASSUMPTIONS: PROVISION FOR FUTURE COMPENSATION

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

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

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

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

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

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

B ESTIMATION UNCERTAINTY AND ASSUMPTIONS: LEGAL PROCEEDINGS

Litigation and claims

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

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

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

For estimates of claims and legal processes see note 14.

C ESTIMATION UNCERTAINTY: VALUATION OF INVESTMENT PROPERTY

Disclosure of the fair value of investment property

The Authority obtains valuations performed by an independent external valuer, who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued, in order to determine the fair value of its investment properties. These valuations are based upon assumptions, including future rental income, occupancy rates, lease escalation clauses, anticipated maintenance costs, future development costs and the appropriate discount rate. The valuers also make reference to market evidence of transaction prices for similar properties.

Further information in relation to the valuation of investment property is disclosed in note 6 and 20.

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

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

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

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

E ESTIMATION UNCERTAINTY AND ASSUMPTIONS: DEFERRED INCOME

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

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

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

4 COMPREHENSIVE INCOME: PROFIT IS STATED AFTER THE FOLLOWING EXPENSES

	2024	2023
	M'000	M'000
4.1 Profit/(Loss) is stated after:		
Expenses		
Auditor's Remuneration	1 844	1 994
Depreciation and Amortisation	327 585	342 705
Foreign Exchange Loss	24 344	32 824
Resettlement and Compensation Costs	49 238	101 512
Staff Costs – Salaries and Wages	223 487	210 916
Rental Expenses	206	298
Construction and contractor costs	5 300 482	1 924 958

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

5. PROPERTY, PLANT AND EQUIPMENT

5.1 PROPERTY PLANT AND EQUIPMENT: COMPLETED WORKS - BY TYPE

	Civils – Bridges & Roads	Civils – Buildings and other structures	Land	Civils – Dams/Galleries	Civils – Tunnels	Civils - Other	Plant & Sundry Other	Total
	M'000	M'000	M'000	M'000	M'000	M'000	M'000	M'000
Carrying Value at 31 March 2022	**1 063 368**	**594 899**	**1 068**	**2 518 539**	**2 813 802**	**314 778**	**103 240**	**7 409 694**
Cost	2 058 555	1 147 925	1 068	4 777 136	5 151 589	1 237 300	366 565	14 740 138
Accumulated Depreciation	(995 187)	(553 026)	-	(2 258 597)	(2 337 787)	(922 522)	(263 325)	(7 330 444)
Additions	-	500	-	17 661	-	-	18 980	37 141
Depreciation	(53 918)	(27 349)	-	(92 936)	(99 500)	(50 675)	(15 893)	(340 271)
Carrying Value at 31 March 2023	**1 009 450**	**568 051**	**1 068**	**2 443 265**	**2 714 303**	**264 102**	**106 326**	**7 106 564**
Cost	2 058 555	1 148 425	1 068	4 794 797	5 151 589	1 237 300	385 544	14 777 279
Accumulated Depreciation	(1 049 105)	(580 375)	-	(2 351 533)	(2 437 286)	(973 198)	(279 218)	(7 670 714)
Additions	-	13 501	-	-	-	-	27 075	40 576
Depreciation	(52 720)	(27 427)	-	(93 474)	(99 772)	(35 793)	(17 445)	(326 631)
Disposal/donation of assets	-	-	-	-	-	(23 941)	(8 330)	(32 270)
Accumulated Depreciation on disposed assets	-	-	-	-	-	23 923	5 397	29 320
Carrying Value at 31 March 2024	**956 730**	**554 125**	**1 068**	**2 349 790**	**2 614 530**	**228 292**	**113 024**	**6 817 559**
Cost	2 058 555	1 161 927	1 068	4 794 797	5 151 589	1 213 359	404 290	14 785 585
Accumulated Depreciation	(1 101 825)	(607 801)	-	(2 445 007)	(2 537 059)	(985 067)	(291 266)	(7 968 025)

5.2 PROPERTY PLANT AND EQUIPMENT: - COMPLETED WORKS BY CLASSIFICATION

	Hydropower Civil Works	Hydropower Plant	Water Transfer Civil Works	Office Furniture & Equipment	Motor Vehicles	Computer Equipment	Land and Buildings	Total
	M'000	M'000	M'000	M'000	M'000	M'000	M'000	M'000
Carrying Value at 31 March 2022	**455 647**	**82 065**	**6 809 258**	**17 261**	**20 745**	**6 643**	**18 074**	**7 409 694**
Cost	1 260 370	214 654	13 085 491	65 545	38 821	28 100	26 980	14 719 960
Accumulated Depreciation	(804 722)	(132 588)	(6 276 232)	(48 284)	(18 076)	(21 457)	(8 906)	(7 310 266)
Additions	-	-	18 161	8 597	6 414	3 970	-	37 141
Depreciation	(39 272)	(7 389)	(284 246)	(4 054)	(2 216)	(2 234)	(860)	(340 271)
Carrying Value at 31 March 2023	**416 376**	**74 676**	**6 543 174**	**21 804**	**24 943**	**8 379**	**17 214**	**7 106 564**
Cost	1 260 370	214 654	13 103 652	74 141	45 235	32 070	26 980	14 757 101
Accumulated Depreciation	(843 994)	(139 977)	(6 560 478)	(52 338)	(20 292)	(23 691)	(9 766)	(7 650 536)
Additions	-	-	114	13 945	9 401	3 728	13 387	40 576
Depreciation	(34 625)	(7 717)	(273 699)	(4 778)	(2 262)	(2 688)	(863)	(326 631)
Disposal/donation of assets	(1 044)	(2 030)	(22 897)	-	(6 299)	-	-	(32 270)
Accumulated Depreciation on disposed assets	1 044	1 940	22 880	-	3 456	-	-	29 320
Carrying Value at 31 March 2024	**381 751**	**66 869**	**6 269 572**	**30 970**	**29 240**	**9 419**	**29 738**	**6 817 559**
Cost	1 259 326	212 623	13 080 869	88 086	48 337	35 798	40 367	14 765 406
Accumulated Depreciation	(877 575)	(145 754)	(6 811 297)	(57 116)	(19 097)	(26 379)	(10 629)	(7 947 847)

5.3 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Hydropower		Ancillary Development		Water Transfer			Operations & Maintenance	Total
PROPERTY, PLANT AND EQUIPMENT									
WORK-IN-PROGRES	M'000		M'000		M'000			M'000	M'000
	Phase 1A	**Phase 2**	**Phase 1A**	**Phase 1B**	**Phase 1A**	**Phase 1B**	**Phase 2**		
Carrying Value at 31 March 2022	**4 025**	**106 660**	**14**	**-**	**3 009**	**6 301**	**5 711 128**	**6 404**	**5 837 543**
Cost allocation	-	1 470	-	-	-	-	2 102 923	-	2 104 393
Work-in-progress during the year	20	-	-	-	232	1 105	-	14 207	15 563
Carrying Value at 31 March 2023	**4 045**	**108 131**	**14**	**-**	**3 241**	**7 406**	**7 814 052**	**20 612**	**7 957 499**
Cost allocation	-	5 661	-	-	-	-	5 460 534	(13 388)	5 452 807
Work-in-progress during the year	-	-	-	-	3 203	642	-	2 987	6 822
Carrying Value at 31 March 2024	**4 045**	**113 792**	**14**	**-**	**6 444**	**8 049**	**13 274 585**	**10 201**	**13 417 130**

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

5.4 PROPERTY, PLANT AND EQUIPMENT: SUMMARY

	2024 M'000	2023 M'000
Completed Works	6 817 559	7 106 564
Capital Work in progress	13 417 130	7 957 499
Total completed works and capital work in progress	**20 234 690**	**15 064 064**

6. INVESTMENT PROPERTY

Investment property	Land M'000	Buildings M'000	Total M'000
Carrying Value 31 March 2022	**265**	**5 053**	**5 319**
Cost	800	22 085	22 885
Accumulated depreciation	(535)	(17 032)	(17 567)
Prior year movements:	**-**	**(300)**	**(300)**
Depreciation	-	(300)	(300)
Carrying Value 31 March 2023	**265**	**4 753**	**5 019**
Cost	800	22 085	22 885
Accumulated depreciation	(535)	(17 332)	(17 867)
Current year movements:	**-**	**(300)**	**(300)**
Reclassification of Cost	(535)	535	-
Reclassification of Accumulated Depreciation	535	(535)	-
Depreciation	-	(300)	(300)
Carrying Value 31 March 2024	**265**	**4 453**	**4 718**
Cost	265	22 620	22 885
Accumulated depreciation	-	(18 167)	(18 167)

6.1 PROPERTY DETAILS

The Standard (Lesotho) Bank Building owned by the Authority meets the definition of and accordingly classified, treated and presented as, investment property in the annual financial statements. Management elected the option to report the financial position and results of all investment property using the cost less accumulated depreciation and impairment method of accounting.

The values of the land and buildings portion of investment property are separately estimated for both fair value disclosure purposes and determining the carrying values. Land and buildings classified as investment property are separately depreciated over 30 years while improvement cost that qualify for capitalisation is depreciated over the lease term.

As of the authorisation date the financial statements are authorised, no indicators have been identified since the 2021 valuation.

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

6.2 INVESTMENT PROPERTY – FAIR VALUE

The fair value of investment properties is a level 3 recurring fair value measurement. The valuation techniques and significant unobservable inputs used in determining the fair value measurement of land and buildings, as well as the inter-relationship between key unobservable inputs and fair value, are set out in note 6 to 20.

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

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

6.3 INVESTMENT PROPERTY – INCOME AND EXPENSE

During the year M9 086 000 (2023: 8 206 000) was recognised in the comprehensive income in relation to rental income from the investment properties. Direct operating expenses, including repairs and maintenance, arising from investment property that generated rental income amounted to M3 250 000 (2023: M2 693 000). Direct operating expenses, including repairs and maintenance, arising from investment property that did not generate rental income during the year amounted to M14 584 000 (2023: M7 742 000).

6.4 INVESTMENT PROPERTY – RESTRICTIONS AND OBLIGATIONS

At 31 March 2024, there were no restrictions on the realisability of investment property or the remittance of income and proceeds of disposal (2023: none).

There are currently no obligations to construct or develop the existing investment properties. At 31 March 2024, contractual obligations to purchase investment property amounted to Nil (2023: Nil).

7. INTANGIBLE ASSETS

	2024	2023
COMPUTER SOFTWARE	**M'000**	**M'000**
Cost	27 722	27 571
Accumulated amortisation	(24 638)	(24 374)
Carrying value at 31 March	**3 084**	**3 197**

Carrying value at beginning of the year	**3 197**	**4 474**
Additions	151	472
Amortisation for the year	(264)	(1 749)
Carrying value at 31 March	**3 084**	**3 197**

8 LEASES LIABILITIES AND RIGHT OF USE ASSET

8.1 LEASE LIABILITIES

Reconciliation of lease liabilities' opening and closing balance:

	2024	2023
	M`000	**M'000**
Total lease liability at 31 March	**623**	**-**
Lease liability commenced during the year	695	981
Capital repayments on lease liability	(353)	(359)
Finance costs incurred on lease liability during the year	82	91
Lease liability payments made during the year	(435)	(450)
Total lease liability at 31 March	**965**	**623**

The statement of comprehensive income shows lease liability payments made, finance costs incurred, and capital repayments made, on lease liabilities for the year of M 435 (M '000) (2023: 450), M 82 (M '000) (2023: 91) and M 353 (M'000) (2023: 359), respectively.

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

	2024 M`000	2023 M'000
Current lease Liabilities	448	281
Non-Current lease liabilities	517	342
Total lease liabilities	**965**	**623**

Lease liability payments, with the Authority as the lessee, for the year is M 435 (2023: 450).

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

Maturity Analysis-Contractual Undiscounted Cashflows

	2024 M'000	2023 M'000
Less than 1 Year	448	281
1 to 2 Years	319	243
2 to 3 Years	198	83
3 to 4 Years	-	16

8.2 RIGHT-OF-USE ASSETS

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

	2024 M`000	2023 M'000
Net carrying amount at 31 March	**595**	**-**
Cost at 31 March	904	-
Accumulated depreciation at 31 March	(309)	-
Additions	695	981
Depreciation	(389)	(386)
Cost of cancelled lease	(16)	(77)
Accumulated depreciation of cancelled lease	16	77

	2024	2023
	M`000	M'000
Net carrying amount at 31 March	**901**	**595**
Cost at 31 March	1 599	904
Accumulated depreciation at 31 March	(698)	(309)

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

The weighted average remaining lease term at the reporting date was 25 months (2023:26). The weighted average discount rate used to calculate the present value of future rental payments was based on the Authority's incremental borrowings rate, which was estimated to be 11.25% per year.

The statement of comprehensive income shows depreciation charges to leased assets for the year of M 389 (M '000).

Right of Use Assets: Reclassification

Consistent with the classification of property, plant and equipment, the right of use asset should generally be classified as non-current for the entire lease term effective from 3rd June 2023. To achieve fair presentation and comparability, right of use assets amounting to M'000 454 (2023:303) was reclassified from current lease assets to right of use assets in the current year's annual financial statements for consistency with the current year presentation. This reclassification had no effect on the reported results of the Authority, its financial position, nor did it affect previously reported cash flows in the Statements of Cash Flows. The change was effected retrospectively and consequently resulted in a reclassification of current assets to non-current assets for previously reported balances as of 31 March 2023.

9. CONTRACT ADVANCE PAYMENTS

	2024	2023
	M'000	M'000
Contract Advance Payments	2 584 449	2 150 823
	2 584 449	**2 150 823**

Contract Advance Payments are made to contractors the Authority have contractual agreements with. Based on evaluation by the Authority's management, each advance payment is subject to their own set of terms and conditions. Based on negotiations between the authority and the contractors, these advance payments could be netted 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.

10. FINANCIAL AND OTHER RECEIVABLES

	2024	2023
	M'000	M'000
Financial and Other Receivables	12 155	10 961
Expected Credit (Loss)	(10 211)	(9 273)
Staff Advances	(151)	(68)
Expected Credit (Loss)	-	(3)
Other Amounts Receivable	1 795	1 755
Contract Advance Receivable	4	89

Financial and Other Receivables	**3 592**	**3 460**

Financial and other 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. For terms and conditions relating to amounts receivable from related parties, refer to Note 22. The fair value approximates to the carrying value.

10.1 FINANCIAL AND OTHER RECEIVABLE - CREDIT RISK AND EXPECTED CREDIT

Financial and other receivables 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. Refer to note 32 for more detail on the exposure to, and management of, credit risk by the Authority.

The Authority assess at each reporting date whether financial receivables or group of financial receivables is impaired.

The Authority recognises an allowance for expected credit losses. 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.

The Authority recognises a loss allowance for expected credit losses on financial receivables. The amount of expected credit losses is updated at each reporting date. Refer to note 32 for details on the ageing and other calculations regarding the provision for expected credit losses.

11. PREPAYMENTS, TAXATION AND OTHER AMOUNTS RECEIVABLE

PREPAYMENTS	**2024**	**2023**
	M'000	**M'000**
Prepayments	14 789	11 915
LLE's Prepaid Compensation	12 390	16 705
Total Prepayments	**27 180**	**28 621**

TAX RECEIVABLES	**2024**	**2023**
	M'000	**M'000**
Revenue Services Lesotho – VAT, WHT, PAYE etc	1 064 421	302 196
Expected Credit (Loss)	(354 291)	(69 279)
	710 131	**232 918**

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

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

Other amounts receivable includes amounts receivable from employees. For terms and conditions relating to amounts receivable from related parties, refer to note 22.

Prepayments, taxation and other amounts receivable - Credit risk and expected credit losses.

Prepayments, taxation and other amounts receivable inherently expose the LHDA to credit risk, being the risk that the LHDA will incur financial loss if amounts receivable fail to materialise as expected on or before the date they are due. Management treats prepayments, taxation and other amounts receivable in the same manner as financial and other

receivables when assessing and managing credit risk. Refer to note 32 for more detail on the management of credit risk by the Authority.

The Authority assess at each reporting date whether a prepayment or amount receivable, or group of prepayments or amounts receivable, is impaired.

The Authority recognises an allowance for expected credit losses. Expected credit losses are based on the difference between the statutory cash flows due in accordance with tax legislation or the contractual terms of the underlying transaction, for taxation and other amounts receivable respectively, and all the cash flows that the Authority actually expects to receive, discounted at an approximation of the original effective interest rate.

The Authority recognises a loss allowance for expected credit losses on prepayments, taxation and other amounts receivable. The amount of expected credit losses is updated at each reporting date. Refer to note 32 for details on the ageing and other calculations regarding the allowance for expected credit losses.

12. CASH AND CASH EQUIVALENTS

	2024	2023
	M'000	M'000
Cash at Bank	596 972	387 220
Cash on Hand	157	147
Total Cash and Cash Equivalents	**597 129**	**387 367**

	2024	2023
Currency analysis	**M'000**	**M'000**
Maloti	597 129	387 367

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

The Authority considers the carry value to be equivalent to the fair value of cash and cash equivalents M 597 129 000 (2023: M 387 367 000).

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

13. LOANS AND BORROWINGS

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.

	2024 Opening Balance M'000	**Finance cost Accrued**	**Finance cost Paid**	**Capital redemption**	**Non-Cash Changes** Foreign Exchange Movement	**2024 M'000**
Long-Term Borrowings	-	-	-	-	-	-

	2023 Opening Balance M'000	**Finance cost Accrued**	**Finance cost Paid**	**Capital redemption**	**Non-Cash Changes** Foreign Exchange Movement	**2023 M'000**
Long-Term Borrowings	1 139	33	(33)	(1 139)	-	-

14. PROVISIONS	**Provision for Future Compensation**	**Provision for Legal Claims**	**Provision for Severance Pay**	**Provision for Leave Pay**	**Total**
	M'000	**M'000**	**M'000**	**M'000**	**M'000**
Carrying Value: 31 March 2022	**449 094**	**-**	**25 539**	**5 587**	**480 220**
Amount provided during the year	37 489	-	34 612	5 516	77 617
Amount of the provision reversed during the year	-	-	(25 539)	(5 587)	(31 126)
Amounts utilized/paid during the year	(10 072)	-	-	-	(10 072)
Carrying Value: 31 March 2023	**476 511**	**-**	**34 612**	**5 516**	**516 639**
Additions during the year	36 123	2 495	40 607	6 646	85 871
Amount of the provision reversed during the year	-	-	(34 612)	(5 516)	(40 128)
Amounts utilized/paid during the year	(7 527)	-	-	-	(7 527)
Carrying Value: 31 March 2024	**505 106**	**2 495**	**40 607**	**6 646**	**554 855**

14.1 PROVISION FOR FUTURE COMPENSATION

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

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

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

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

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

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 flows as of 31 March 2024	27 814	321 764	911 523	151 330

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 2024 the Lesotho risk-free rate for a government treasury bill of 365 days is 6.76%, the South African risk-free rate for a government bond of 10 years and longer is 8.69% and remained relatively consistent at an average rate of 9.09% subsequent to year end.

14.2 PROVISION FOR LEGAL CLAIMS

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

14.3 PROVISION FOR SEVERANCE PAY

The provision is created in line with current legislation (Section 69 of the Labour Code) i.e., two weeks remuneration for each completed year of service. There is uncertainty as to the timing of the severance pay outflow.

14.4 PROVISION FOR LEAVE PAY

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

15. CONTRACT PAYABLES AND ACCRUALS

	2024 M`000	2023 M`000
Contract Payables	504 268	251 685
Contract Accruals	1 525 441	481 283
Sub-Total	**2 029 710**	**732 969**
Contract Retentions	219 211	23 362
Total Contract Payable, Accruals and Retentions	**2 248 921**	**756 331**

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

16. FINANCIAL AND OTHER PAYABLES	2024 M'000	2023 M'000
Financial Payables	30 744	17 600
Other Payables	81 543	39 812
Accruals for Compensation	100 564	80 692
	212 851	**138 104**

MATURITY PROFILE

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

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

Lesotho Biodiversity Trust: Reclassification

To achieve fair presentation and comparability, Lesotho Biodiversity Trust amounting to M'000 6 249 (2023:10 136) was reclassified from other payables under financial and other payables to Lesotho biodiversity deferred income under deferred income in the current year's annual financial statements for consistency with the current year presentation. This reclassification had no effect on the reported results of the Authority, its financial position, nor did it affect previously reported cash flows in the Statements of Cash Flows. The change was effected retrospectively and consequently resulted in a reclassification of current liabilities to non-current liabilities for previously reported balances as of 31 March 2023.

17. DEFERRED INCOME

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

	2024 M'000	2023 M'000
Non-Current Portion of Deferred Income		
Grants Deferred Income	20 965 926	16 712 607
Lesotho Biodiversity Deferred Income	6 249	10 136
	20 972 175	**16 722 743**
Current Portion of Deferred Income		
Grants Deferred Income	743 118	690 865
Lesotho Biodiversity Deferred Income	-	-
	743 118	**690 865**

17.1 GRANTS DEFERRED INCOME

	2024 M'000	2023 M'000
Opening Balance	**17 403 472**	**13 199 302**
Grants Received	4 994 922	4 845 046
Income Recognised	(689 349)	(640 877)
Closing Balance	**21 709 045**	**17 403 472**

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

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

17.2 LESOTHO BIODIVERSITY DEFERRED INCOME

	2024 M'000	2023 M'000
Opening Balance	**10 136**	**10 136**
Income Recognised	(3 887)	-
Closing Balance	**6 249**	**10 136**

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

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

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

Lesotho Biodiversity Trust: Reclassification

To achieve fair presentation and comparability, Lesotho Biodiversity Trust amounting to M'000 6 249 (2023:10 136) was reclassified from other payables under financial and other payables to Lesotho biodiversity deferred income under deferred income in the current year's annual financial statements for consistency with the current year presentation. This reclassification had no effect on the reported results of the Authority, its financial position, nor did it affect previously reported cash flows in the Statements of Cash Flows. The change was effected retrospectively and consequently resulted in a reclassification of current liabilities to non-current liabilities for previously reported balances as of 31 March 2023.

18. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

The Authority has been notified of the intention by various contractors, others and employees to submit claims. The claims that are probable have been provided for in the Provision for Legal Claims. The claims which are disputed, subject to ongoing litigation and which do not appear to be probable amount to M 2 642 934 891 (2023: M 240 265 097). 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 I and Phase II, new contracts have been approved and some entered into. The following commitments have been approved and not yet contracted for by year end: M2 774 549 253 (2023: NIL). The following contracts have been approved and contracted: M21 462 052 764 (2023: M 25 004 803 789).

Only registered Legal Local Entities (LLEs) are entitled to receive compensation payments per the Community Infrastructure Development Policy Phase IB, and the contingent amounts due to unregistered LLEs as at 31 March 2024 amounted to M5 812 906 (2023:M11 007 318)

19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

19.1 GENERAL RISK MANAGEMENT PRINCIPLES

The Authority is exposed, through its operations, to the following financial risks due to its financial instruments:

- Credit risk
- Liquidity risk
- Market risks:
  - Interest rate cash flow risk
  - Foreign currency exchange risk

This note describes the Authority's objectives, policies and processes for managing these risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Authority's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

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 financial debtors and financial creditors, which arise directly from its operations.

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.

19.2 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.

19.3 MARKET RISKS

Market risk is the risk that the Authority's earnings and capital will be adversely affected by movements in the level or volatility of market rates or prices such as interest rates and foreign exchange rates. The overarching objective of market risk management by management is to protect the Authority's capital against adverse market movements through containing the innate interest rate and foreign currency exchange risk within acceptable parameters.

The Authority has exposure to interest rate and foreign exchange rate sensitive financial instruments.

19.3.1 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.

Foreign exchange rate sensitivity analysis:

	+5%	+10%	-5%	-10%
US Dollar	(607 948)	(1 215 895)	607 948	1 215 895
Euro	(44 114)	(88 229)	44 114	88 229
	(652 062)	**(1 304 124)**	**652 062**	**1 304 124**

Above amounts are the annual effects on the comprehensive income, as well as corresponding contract creditors.

19.3.2 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 13 of the Annual Financial Statements.

INTEREST RATE SENSITIVITY ANALYSIS

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 M1'000**
2024		
Trans Caledon Tunnel Authority debt service loans		
Common Monetary Area Loans	+200	1
Trans Caledon Tunnel Authority Debt Service loans		
Common Monetary Area Loans	-200	(1)

19.3.3 MARKET PRICE 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.

19.4 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, contract advance payments, prepayments, tax amounts receivable, amounts receivable from employees or other amounts receivable. The entity is exposed to significant credit risk exposure in terms of receivables due to the extensive period it takes to recover accounts receivable.

Financial and other 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 amounts receivables, IFRS 9 permits the determination of the credit loss allowance by either determining whether there was a 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. Therefore, Management does not make the annual assessment of whether there has been a significant increase in credit risk attached to other amounts receivable since its initial recognition.

MAXIMUM CREDIT EXPOSURE

Financial and Other Receivables	**2024** **M'000**	**2023** **M'000**
Related Party Receivable	3 592	3 460
Cash and Cash Equivalents	225 345	607 572
	597 129	387 367
Total	**826 066**	**998 399**

19.5 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. All the Authority's financial assets and liabilities are expected to mature within a twelve-month period.

20. FAIR VALUE ESTIMATION

20.1 FAIR VALUE MEASUREMENT LEVELS

The different levels have been identified as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- 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
- Techniques which use inputs for the asset or liability that are not based on observable market data (that is unobservable inputs) (level 3)

LEVELS OF FAIR VALUE MEASUREMENT

2024	Level 1	Level 2	Level 3	Total Balance
	M'000	M'000	M'000	M'000
Assets' fair value disclosed	-	-	**119 000**	**119 000**
Investment property	-	-	119 000	119 000

2023	Level 1	Level 2	Level 3	Total Balance
	M'000	M'000	M'000	M'000
Assets' fair value disclosed	-	-	**119 000**	**119 000**
Investment property	-	-	119 000	119 000

Investment property`s fair value is disclosed, but for presentation purposes it is measured at depreciated cost.

20.2 FAIR VALUE ESTIMATION: INVESTMENT PROPERTY

A VALUATION APPROACH

The fair value amount disclosed for investment property, is estimated as follows:

- 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.
- 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.

B KEY UNOBSERVABLE INPUTS

- Expected vacancy rate.
- Rental growth rate.
- Capitalisation rate.

C RELATIONSHIP BETWEEN UNOBSERVABLE INPUTS TO FAIR VALUE

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.

Estimated annual escalation	**Changed to 6%**	394 074 059	39 350 918
	Changed to 4%	320 681 677	(34 041 464)
Discount rates	**Increased by 25%**	280 554 461	(74 168 680)
	Decreased by 25%	465 750 473	111 027 332

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

21.1 SHORT TERM EMPLOYEE COSTS CONSIST OF THE FOLLOWING EXPENSES

	2024 M'000	2023 M'000
Salaries and wages	192 906	179 787
Terminal benefits	9 805	10 479
Allowances	8 150	7 804
Medical aid	4 168	4 131
Group life assurance	4 964	4 842
Other salaries costs	3 493	3 874
Total short term employee costs	**223 487**	**210 916**

21.2 NUMBER OF EMPLOYESS

According to the payroll system the Authority had the following average number of employees during the year ending 31 March 2024: 391 (2023: 376).

21.3 POST EMPLOYMENT BENEFITS

	2024 M'000	2023 M'000
Provident Fund	10 961	9 373
Superannuation Fund	-	-
Terminal Benefits	9 805	10 479
Group Life Assurance	4 964	4 842
Total employee costs	**25 731**	**24 693**

Post-employment benefits have been included in employee costs on note 21 above. These relate to provident fund, superannuation fund, terminal benefits and group life assurance. Provident fund was only introduced from April 2021 while some employees previously opted for superannuation fund before this.

22. RELATED PARTY TRANSACTIONS

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

22.1 AMOUNTS CREDITED TO DEFERRED INCOME ACCOUNT

	2024 M'000	2023 M'000
Cost related payments GOL	5 661	1 470
Cost related payments RSA	5 460 534	2 102 923
Total amount credited to deferred income account	**5 466 195**	**2 104 393**

22.2 RELATED PARTIES' INCOME/FUNDING FROM GOVERNMENT GRANTS

Government of the Kingdom of Lesotho	162 307	98 102
Government of the Republic of South Africa	4 832 615	4 746 943
Total related parties` income from Government Grants	**4 994 922**	**4 845 045**

22.3 RELATED PARTIES' RECEIVABLES

Taxation Receivable from Revenue Services Lesotho (RSL)	710 131	232 918
Government grant receivable from Government of South Africa	225 345	607 572
Total amounts receivable from related parties	**935 475**	**840 490**

22.4 COMPENSATION TO KEY MANAGEMENT PERSONNEL

Short term employee benefits	38 045	34 798
Total compensation paid to key management personnel	**38 045**	**34 798**

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

22.5 RELATED PARTY RECEIVABLE

Related party receivable relates to the following:

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

Subvention receivable from the Government of South Africa.

23. 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:

	2024 M'000	2023 M'000
The following year	9 452	8 958
Year 2	6 548	9 143
Year 3	-	-
More than 4 years	-	-
	16 000	**18 101**

Terms of the contract:				
Commencement date	**Contract expiry date**	**Period of lease:**	**Escalation rate per annum:**	**Basic Rental- Initial monthly rental per contract: premises**
29 November 2022	28 November 2025	36 months	6%	M772 206.00

24. REVENUE

24.1 GOVERNMENT GRANT

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

A FUNDING BREAKDOWN

	2024 M'000	2023 M'000
Government of the Kingdom of Lesotho	162 307	98 102
Government of the Republic of South Africa	4 832 615	4 746 944
Total funding received	**4 994 922**	**4 845 046**

B GRANT REVENUE RECOGNISED

	2024 M'000	2023 M'000
Funding received relating to loans	-	1 139
Funding received relating to operational activities	361 764	297 032
Deferred income amortisation	327 585	342 705
Total grant revenue	**689 349**	**640 877**

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

25. COST ALLOCATION

25.1 AMOUNTS ALLOCATED

	2024 M'000	2023 M'000
Total other income for the year	(286 197)	(33 191)
Total expenses for the year	6 441 741	2 777 322
Net loss for the year subject to cost allocation	**6 155 544**	**2 744 131**

25.2 ALLOCATION OF LOSS AS PER COST ALLOCATION REPORT

1A Water Transfer	48 021	37 217
1A Ancillary Development	35 559	20 416
1B Water Transfer	68 276	70 984
1B Ancillary Development	2 977	5 229
Hydropower	172 656	120 381
Government of South Africa Capital Fund	361 860	385 511
Total loss allocated	**689 349**	**639 738**

Amounts above are as per cost allocation report

25.3 COST ALLOCATION PER GOVERNMENT

Government of Lesotho	38 536	25 645
Government of South Africa	478 157	493 712
Hydropower Accumulated Loss	172 656	120 381
	689 349	**639 738**
Costs transferred to work in progress	**5 466 195**	**2 104 393**
Capital work-in-progress – 2 Water transfer	5 460 534	2 102 923
Capital work-in-progress – 2 Hydro Power	5 661	1 470
Total as per Cost Allocation Report	**6 155 544**	**2 744 131**

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.

25.4 COST ALLOCATION AND FUNDS PER GOVERNMENT

		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 2022	**Note**	**1 404 603**	**12 751 974**	**14 156 578**	**(1 300 079)**	**12 856 499**
Cost allocation for the year	25	(25 645)	(493 712)	(519 357)	(120 381)	(639 738)
Prior year cost allocation ratification		-	-	-	-	-
Cost related payments – funding	24	98 102	4 746 944	4 845 046	-	4 845 046
Balance at 31 March 2023		**1 477 061**	**17 005 206**	**18 482 268**	**(1 420 460)**	**17 061 808**
Cost allocation for the year	25	(38 536)	(478 157)	(516 693)	(172 656)	(689 349)
Prior year cost allocation ratification		-	-	-	-	-
Cost related payments – funding	24	162 307	4 832 615	4 994 922	-	4 994 922
Balance at 31 March 2024		**1 600 833**	**21 359 662**	**22 960 495**	**(1 593 116)**	**21 367 380**

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.

26. OTHER INCOME

	2024	2023
	M'000	M'000
Rental Income	2 752	3 572
Other Income	3 175	2 808
Investment Property Income	9 086	8 206
Lodge Income	9 527	6 124
Total other income earned during the year	**24 539**	**20 710**

27. INVENTORIES

Inventories expensed	2024	2023
	M'000	M'000
Fuel (Included in: travel and transportation costs)	5 852	5 979
Catering Supplies and Stationery	3 014	3 795
Plant Spare and Consumable Stores	2 268	2 205
Total inventory expensed and impaired during the period	**11 134**	**11 979**

Inventory is recognized as an expense in comprehensive income in the reporting period of purchase.

28. RESETTLEMENT AND COMPENSATION COSTS

Resettlement and Compensation Costs	2024	2023
	M'000	M'000
Annual Grain Payment – Grain	2 694	3 184
Annual Cash Payments – ACP	32 875	55 311
Lump Sum/Once Off	13 669	43 017
Total Resettlement and Compensation Costs	**49 238**	**101 512**

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

29. EVENTS AFTER THE REPORTING PERIOD

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

LHDA is financed by way of subvention from the Government of Lesotho (GOL) and the Government of the Republic of South Africa (RSA) through cost-related payments. On the 2nd May 2024 LHDA received approval of 2024/2025 Budget from LHWC, it worth noting that this was after LHWC had granted LHDA Chief Executive approval to incur expenditure for the financial year 2024/2025 while approval of LHDA budget was being finalised by LHWC. LHDA experienced some challenges obtaining subvention from the Government of Lesotho in the recent past financial years. There is a promise from Government of Lesotho that its component of budget for 2024/2025 will be fully funded. The annual financial statements have been prepared based on accounting policies on a going concern basis. This basis presumes that LHDA will continue receiving funding to settle the financial obligations as they fall due for the next 12 months. Therefore, management believes that there is no going concern issue for the entity and that the realization of assets and settlement of liabilities will occur in the ordinary course of business. No event that occurred between the reporting date and the date when financial statements are authorised for issue, that give evidence of condition that existed at the reporting date, were identified.

30. FINANCE INCOME

	2024 M'000	2023 M'000
Finance income	24 607	12 481
Total finance income	**24 607**	**12 481**

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

31. FOREIGN EXCHANGE GAIN AND LOSS

	2024 M'000	2023 M'000
Foreign Exchange Gain	142 063	5 024
Total Foreign Gain	**142 063**	**5 024**

	2024 M'000	2023 M'000
Foreign Exchange Loss	24 344	32 824
Total Foreign Loss	**24 344**	**32 824**

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

Foreign Exchange Gain: Reclassification

To achieve fair presentation and comparability, foreign exchange gain amounting to M'000 142 063(2023:5 024) was reclassified from foreign exchange loss under expenditure to foreign exchange gain under income in the current year's annual financial statements for consistency with the current year presentation. This reclassification had no effect on the reported results of the Authority, its financial position, nor did it affect previously reported cash flows in the Statements of Cash Flows. In 2023, foreign exchange gain and loss were netted together resulting in a foreign exchange loss. A decision was made to reclassify the two reflecting each under income and expenses. The change was effected retrospectively for previous reported balances on 31 March 2023.

32. CREDIT LOSSES

The Authority applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for financial and other receivables. To measure expected credit losses on a collective basis, financial and other receivables are grouped based on similar credit risk characteristics, specifically ageing.

The contract assets have similar risk characteristics to the financial receivables for similar types of contracts. The expected loss rates are based on the Authority's historical credit losses experienced over the three-year period prior to the period end. The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the Authority's debtors.

The Authority has identified key macroeconomic factors that might indicate a significant increase in credit risk, based on the gross domestic product (GDP), unemployment rate and inflation rate. For receivables, where there are indicators of significant adverse changes in business, financial and/or economic conditions in which the borrower operates, it is assumed that there has been a possible significant increase in credit risk. The presumption that a debt that is 30 days past due results in a significant increase in credit risk has therefore been rebutted.

The assessment of a significant increase in credit risk incorporates forward-looking information and is performed at the debtor class and on a periodic basis. The criteria used to identify a significant increase in credit risk are monitored and reviewed periodically for appropriateness by the LHDA management.

For the purposes of calculating credit losses the Authority disaggregates financial and other receivables by their credit risk characteristics. The following schedules shows the different groups of receivables that were impaired during the year.

Rentals receivable from properties owned by the Authority, including investment properties, which stem from contractual rights. These amounts are classified as financial receivables, see note 10.

Amounts receivable from employees, such as unauthorized travel claims, see note 10. Amounts receivable from related parties.

Amounts recognised as tax assets, which is determined with reference to the tax legislation in Lesotho and receivable from the local Tax Authority, Revenue Service Lesotho (the RSL), see note 11.

Prepayments and/or overpayments which are refundable, and the Authority intends to claim back, see note 11.

32.1 EXPECTED CREDIT LOSS ALLOWANCE

Expected payment date	2024 Gross	2024 ECL	2024 Net carrying	2023 Gross	2023 ECL	2023 Net carrying
Financial receivable	**12 155**	**10 211**	**1 944**	**10 961**	**9 273**	**1 688**
Rentals receivable (excluding investment property)	8 487	6 425	2 062	4 688	4 110	578
Over-paid LLEs-Community Infrastructure	3 786	3 786	-	3 786	3 786	-
Standard bank rental receivable (investment property)	(118)	-	(118)	2 487	1 377	1 110
Tax						
RSL receivable	1 064 421	354 291	710 131	302 196	69 279	232 918
Related parties						
Staff travel receivable	(151)	-	(151)	(68)	3	(71)

Significant increase in ECL from the financial year 2023 to 2024 was due to the following:

Financial receivable ECL as at 31 March 2024 amounting to M10 211 (2023: M9 273) was provided for mainly due to outstanding rentals from Government Departments/Ministries.

Tax receivable ECL as at 31 March 2024 amounting to M354 291 (2023: M69 279) was provided for mainly due to taxes RSL is disputing to refund, while LHDA continue to invoice pending resolution of disputes by LHWC.

32.2 AMOUNTS RECEIVABLES: DAYS PAST DUE

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

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

2024	Notes	Current	<30 days	30-60 days	61-90 days	>91 days	Total
RECEIVABLES:		**M`000**	**M`000**	**M`000**	**M`000**	**M`000**	**M`000**
i. Rental receivable:	**7**						
Expected credit risk loss rate		0%	0%	0%	101%	100%	76%
Gross amount owed		1 447	377	261	2 172	4 230	8 487
Expected credit loss		-	-	-	2 195	4 230	6 425
Carrying amount		1 447	377	261	(23)	-	2 062
ii. Staff travel receivable:	**7**						
Expected credit risk loss rate		0%	0%	0%	0%	100%	(5%)
Gross amount owed		(165)	10	3	-	-	(151)
Expected credit loss		-	-	-	-	-	-
Carrying amount		(165)	10	3	-	-	(151)
iii. Over-paid LLEs - Community infrastructure:	**7**						
Expected credit risk loss rate		0%	0%	0%	0%	100%	100%
Gross amount owed		-	-	-	-	3 786	3 786
Expected credit loss		-	-	-	-	3 786	3 786
Carrying amount		-	-	-	-	-	-
iv. RSL receivable:	**9**						
Expected credit risk loss rate		0%	0%	0%	100%	100%	33%
Gross amount owed		556 684	153 446	-	132 245	222 045	1 064 421
Expected credit loss		-	-	-	132 245	222 045	354 291
Carrying amount		556 684	153 446	-	-	-	710 131

2024	Notes	Current	<30 days	30-60 days	61-90 days	>91 days	Total
RECEIVABLES:		**M`000**	**M`000**	**M`000**	**M`000**	**M`000**	**M`000**
v. Standard bank rental lease:	**7**						
Expected credit risk loss rate		0%	0%	0%	0%	0%	0%
Gross amount owed		(118)	-	-	-	-	(118)
Expected credit loss		-	-	-	-	-	-
Carrying amount		(118)	-	-	-	-	(118)

31 March 2023

Receivables that have impairment losses

Days past due

2023	Notes	Current	<30 days	30-60 days	61-90 days	>91 days	Total
RECEIVABLES:		**M`000**	**M`000**	**M`000**	**M`000**	**M`000**	**M`000**
i. Rental receivable:	**7**						
Expected credit risk loss rate		0%	0%	0%	100%	104%	88%
Gross amount owed		(226)	541	290	3 840	243	4 688
Expected credit loss		-	-	-	3 856	254	4 110
Carrying amount		(226)	541	290	(16)	(11)	578
ii. Staff travel receivable:	**7**						
Expected credit risk loss rate		0%	0%	0%	0%	100%	(5%)
Gross amount owed		(72)	-	-	-	3	(69)
Expected credit loss		-	-	-	-	3	3
Carrying amount		(72)	-	-	-	-	(71)
iii. Over-paid LLEs - Community infrastructure:	**7**						
Expected credit risk loss rate		0%	0%	0%	0%	100%	100%
Gross amount owed		-	-	-	-	3 786	3 786
Expected credit loss		-	-	-	-	3 786	3 786
Carrying amount		-	-	-	-	-	-
iv. RSL receivable:	**9**						
Expected credit risk loss rate		0%	0%	0%	100%	0%	23%
Gross amount owed		180 843	15 120	36 955	69 279	32 785	302 196
Expected credit loss		-	-	-	69 279	32 767	69 279
Carrying amount		180 843	15 120	36 955	-	18	232 918

2023	Notes	Current	<30 days	30-60 days	61-90 days	>91 days	Total
RECEIVABLES: **v. Standard bank rental lease:**	**7**	**M`000**	**M`000**	**M`000**	**M`000**	**M`000**	**M`000**
Expected credit risk loss rate		0%	0%	0%	100%	0%	55%
Gross amount owed		169	861	80	1 377	1.5	2 487
Expected credit loss		-	-	-	1 377	1.5	1 377
Carrying amount		169	861	80	-	-	1 110

The total amount of impairment recognised on amount receivable during the period is M’000 364 502 (2023: 78 555). The increase in Expected Credit loss from 2023 to 2024 is a result of RSL Tax Receivable balance that was not impaired in 2023, but impaired in 2024.

33. OTHER ADMINISTRATIVE OPERATING EXPENDITURE

	Notes	2024 M'000	2023 M'000
OTHER ADMINISTRATIVE AND OPERATING EXPENDITURE			
Audit and Accounting Fee		1 844	1 994
Bank Charges		236	228
Board and Committee Fees		8 324	8 482
Construction and Contractors Costs	34	5 300 482	1 924 958
Increase in Future Compensation Provision		52 783	10 357
Insurance		5 326	4 893
Consumable and Plant Spares		6 053	4 523
Ground Rent Provision		438	85
Leave Pay		2 016	300
Legal and Arbitration Fees		5 140	1 378
Miscellaneous Expenses		73 066	32 841
Motor Vehicle Expenses and Travel and Transportation		11 754	12 752
Professional Services		9 685	13 542
Public Relation Costs		5 307	3 876
Rates, Electricity and Water		9 383	9 622
Rental Expenses		206	298
Repairs and Maintenance		14 584	7 742
Safety Awareness		158	64
Security Expense		16 559	16 076
Stationery		1 196	1 424
Telephone and Communication		4 383	4 880
Training		2 137	4 119
WIP Cost Allocation		(5 466 195)	(2 104 393)
Other Administrative and Operating Expenditure		**(64 866)**	**39 960**

Miscellaneous expenses: Reclassification

To achieve fair presentation and comparability, tax income amounting to M'000 91 101 (2023:10 565) was reclassified from other administrative and operating expenditure to tax income under income in the current year's annual financial statements for consistency with the current year presentation. This reclassification had no effect on the reported results of the Authority, its financial position, nor did it affect previously reported cash flows in the Statements of Cash Flows.

34. CONSTRUCTION AND CONTRACTORS COSTS

	2024 M'000	2023 M'000
Individual Service Contract	429	287
Technical Advisory Contract	5 300 053	1 924 670
Total Construction and Contractors Expense	**5 300 482**	**1 924 958**

35. TAX INCOME

	2024 M'000	2023 M'000
Tax Income	91 101	10 565
Total Tax Income	**91 101**	**10 565**

Tax Income: Reclassification

To achieve fair presentation and comparability, tax income amounting to M'000 91 101(2023:10 565) was reclassified from other administrative and operating expenditure to tax income under income in the current year's annual financial statements for consistency with the current year presentation. This reclassification had no effect on the reported results of the Authority, its financial position, nor did it affect previously reported cash flows in the Statements of Cash Flows.

The change was effected retrospectively for previous reported balances on 31 March 2023.

36. DETAILED STATEMENT OF INCOME AND EXPENSES FOR THE YEAR ENDED 31 MARCH 2024

	Notes	2024 M'000	2023 M'000
REVENUE AND OTHER INCOME			
Grant Income	24	689 349	640 877
Grant Income Lesotho Biodiversity	17	3 887	-
Finance Income	30	24 607	12 481
Miscellaneous income	37	15 454	12 505
Foreign Exchange Gain	31	142 063	5 024
Tax Income	35	91 101	10 565
Investment property income	26	9 086	8 206
TOTAL REVENUE		**975 546**	**689 656**
EXPENDITURE			
Audit and accounting fees		1 844	1 994
Bank charges		236	228
Board and committee fees including reimbursements		8 324	8 482
Construction and contractor costs	34	5 300 482	1 924 958
Depreciation and Amortisation	5,6,7 & 8	327 585	342 705
Expected Credit Loss Provision	10 & 11	285 946	40 395
Foreign exchange loss		24 344	32 824
Increase in future compensation provision		52 783	10 357
Insurance		5 326	4 893
Interest and finance expenses		82	124
Consumable Spares		4 219	2 304
Leave Pay		2 016	300
Legal and arbitration fees		5 140	1 378
Miscellaneous expenses	37	73 066	32 841
Motor vehicle expenses		7 627	7 495
Plant spares		1 834	2 219
Professional services		9 522	13 418
Public relation costs		5 307	3 876
Rates, electricity and water		9 383	9 622
Ground rent provision		438	85
Recruitment		164	124
Rental expenses		206	298
Repairs and maintenance		14 584	7 742
Resettlement and compensation costs	28	49 238	101 512
Safety awareness		158	64
Salaries, wages and allowances	21	223 487	210 916
Security expense		16 559	16 076
Stationery		1 196	1 424
Telephone and communication		4 383	4 880
Training		2 137	4 119
Travel and transportation		4 126	5 257
TOTAL EXPENSE		**6 441 741**	**2 792 911**
PROFIT FOR THE YEAR			
Total Revenue		975 546	689 656
Total Expense		(6 441 741)	(2 792 911)
WIP/ Cost allocation		5 466 195	2 104 393
Profit for the year		**-**	**1 139**

37. MISCELLANEOUS INCOME AND EXPENSES

	2024 M'000	2023 M'000
Miscellaneous income		
Rental Income	2 752	2 693
Lodge Income	9 527	6 124
Other Income	3 175	3 687
Total Miscellaneous Income	**15 454**	**12 505**

	2024 M'000	2023 M'000
Miscellaneous expenses		
RSL Costs	51 464	995
LHWC Rental	-	4 741
Lodge Expenses	9 389	7 336
Loss on Sale of Assets	556	-
Software Licencing	7 675	4 907
Other expense	3 982	14 862
Total Miscellaneous Expense	**73 066**	**32 841**

Miscellaneous expenses: Reclassification

To achieve fair presentation and comparability, tax income amounting to M'000 91 101 (2023:10 565) was reclassified from other administrative and operating expenditure to tax income under income in the current year's annual financial statements for consistency with the current year presentation. This reclassification had no effect on the reported results of the Authority, its financial position, nor did it affect previously reported cash flows in the Statements of Cash Flows.