



LEA was set up through the [Lesotho Electricity Authority Act 2002](#) to regulate the electricity supply industry in [Lesotho](#). The aim of regulation is to promote competition, protect customers' rights and encourage network expansion to realise overall Government's objectives of increasing access to electricity throughout the country.

Annual Report

2011/12



Lesotho Electricity Authority

Regulator of electricity
supply industry in Lesotho

The electrification levy was not increased, it remained at M0,02/kWh for large customers and M0.035/kWh for others.

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11/12 board members

In terms of the Lesotho Electricity Authority Act No. 12 of 2002 the Members of the Board for the reporting period were:



Zola Tsotsi

Chairperson ¹

¹ Until 30 September 2011



Francina Moloi

Chairperson ²

² from 01 October 2011

Disclosure of Interest

The Authority is a Government regulatory agency with no shareholding. The Members do not hold any financial interest in the Authority.



Karabo Mohau

Board Member



Leboli Thamae

Board Member



'Mampiti Matete

Board Member



'Mampho Kotelo-

'Molaoa Board Member



Retselisitsoe Motlojoa

Board Member



'Maboiketlo Maliehe

Board Member



Ntoi Rapapa

Chief Executive

Auditor's

Appointment

In terms of the LEA Act, the Auditor General is the Auditor of the Authority.



“41 million

from the Universal Access Fund was used to finance 11 projects (making a total of 3893 households' connections) identified by the Ministry of Natural Resources.”

Francina Moloi (Professor)
Chairperson

IT IS MY PLEASURE to present, on behalf of the Board, the Lesotho Electricity Authority (LEA) Annual Report which contains the highlights of the activities, achievements and Audited Financial Statements for the year ended 31 March 2012.

LEA is the organisation set up by the Lesotho Electricity Authority Act, 2002, to regulate and control the activities of the electricity supply sector in Lesotho. In 2011, the Act was amended thus expanding LEA's mandate to include regulating the urban water and sewerage services, although this activity will only be realised in the near future when the necessary regulatory framework has been completed. The aim of regulation is to promote competition, protect customers' rights and encourage network expansion in order to realise the overall Government's objectives of increasing access to electricity throughout the country. Cognisant of the above, the Authority has implemented its strategic plans geared towards the fulfilment of these objectives.

An example of such initiatives is the fact that the Universal Access Fund (UAF) continued its operations during the year. An amount of M41 million from the Fund was used to finance 11 projects (making a total of 3,893 household connections) identified by the Ministry of Natural Resources. Of these electrification projects, 10 were completed, namely, Thaba Bosiu (Maseru), Ha Mojaki (Qacha's Nek), Ha Letsie (Leribe) Koro-Koro (Maseru), Ha Belo (Butha-Buthe), Ha Lejone (Leribe), Makhalong (Leribe), Nk'hunk'hu (Mohale's Hoek), Hololo (Butha-Buthe) and Ketane (Mohale's Hoek). At the end of the reporting period Ha Rafolatsane (Mokhotlong) was the only project that was not yet completed.

During the year under review, the Authority implemented the best practices in governance and consistently embraced the values of accountability, predictability, transparency, teamwork and public involvement in its work. The Financial Statements for the year and public consultation processes are some of the activities that bear testimony to these values. The above traits shall continue to be the cornerstones of regulation of electricity, water and sewerage services during the coming years.

The tariff setting process is one of the main functions of the regulator. Noting that this process can adversely affect the sector if inappropriately handled, the Authority has put in place additional mechanisms that will promote compliance of tariff applications with the minimum requirements and enable the Board to make decisions with adequate information.

A number of important documents were considered and approved during the year. These include the LEA Tariff Filing and Review Procedures 2012. The purpose of this document is to provide a clear and consistent set of steps to be adhered to by the staff of the Authority in reviewing tariff submissions from licensees, and



2011 September

Until then, Mr. Zola Tsotsi had served the LEA as the Chairman of the Board of Directors.

making recommendations to the Board regarding the approval or modification of tariffs proposed by the regulated entities such as Lesotho Electricity Company (LEC). The document also informs the regulated entities in the electricity and water and sewerage sectors of the steps that are taken by the Authority and thereby encourages them to prepare their submissions in such a way that all the required information is made available.

Cognisant of the mandate of the Authority in relation to the resolution of complaints and disputes between licencees and customers, a trend in complaints being lodged with the Authority is one directional. That is, it is on the increase. In order to ensure that only a few complaints are brought to the Board's attention, a thorough and exhaustive procedure needs to be developed by the licensee in line with an administrative principle that local remedies must first be exhausted. However, all decisions taken by the Board on customer complaints have been implemented fully. Lessons learnt from customer complaints point to the fact that there is a need to increase awareness programmes on wayleave issues, on how customers can and should protect their equipment against electricity surges. There is also a need to develop clear electricity connection guidelines and policy.

During the year 2011/12 tariff review LEA consulted the public and stakeholders on LEC's revised application for an average tariff increase of 29% on energy charges and 25% on maximum demand charges. The approved revenue requirement for LEC, including levies, resulted in end-user tariff increase on energy charges of 17%, for all customer groups and 16% on Maximum Demand charge for large users. The customer levy was increased by M0.0017/kWh from M0.0196/kWh to M0.0213/kWh. The increase was due to an increase in the number of the Authority's staff and operational activities. The electrification levy was not increased, it remained at M0.02/kWh for large customers and M0.035/kWh for others.

In line with the Authority's vision and mandate, one of the strategic goals is to encourage private sector investment and participation in securing electricity supply in the country. In this regard the Authority continued to engage with every player who endeavours towards the attainment of this goal.

On behalf of the Board I would like to express sincere gratitude to my predecessor, Mr. Zola Tsotsi, for his selfless and valuable service to LEA when he served as the inaugural Chairman of the Board of the Authority, until September 2011.

I also wish to express a profound gratitude to our licensees, industries, consumer associations and electricity customers for their active participation and involvement in regulatory processes such as the determination of the LEC's 2011/12 tariffs.

The Members of the Board are highly appreciated for their commitment and dedication while executing their fiduciary duties for the Authority. The Chief Executive and LEA's employees have reflected a high level of maturity, professionalism and adherence to good corporate governance in their daily activities and in realising the LEA's mandate. This is highly commendable. The Authority also appreciates the assistance from World Bank regarding preparations for water regulation.

In conclusion, I would like to thank the Government which is always very supportive to LEA. I would also like to assure the licensees, customers and investors of our unwavering commitment to serving their interests to the best of our capabilities and in a professional manner ○

Francina L Moloi (Prof.)
Chairperson



"2012 March

all districts, except Maseru, had been visited. Coupled with this, the information channels of the Authority such as the website and publications were used to reach out to the wider public, in conjunction with the use of the traditional mass media."

Ntoi Rapapa (Associate Professor)
Chief Executive

ON BEHALF OF MANAGEMENT and staff of LEA, I wish to express my profound sense of humility in making a report that highlights the operational activities that the Authority undertook in the reporting period. The Business Plan for 2011/12 lists the deliverables that are expected to be attained in line with the key strategic focuses. These focuses which have been aligned with the 2008-2014 LEA Strategic Plan are: a) the Internal Processes; b) Public Awareness, Education and Branding; c) Advocacy; d) Facilitating Universal Access; e) Ensuring the Security of Supply and f) Human Resources Management and Development.

The refinement and improvement of internal processes of the Authority were one of the major focus areas. The objectives under this area included developing licensing and regulatory framework for water and improving service delivery processes and systems. In this regard a consultant was engaged to assist LEA with the development of regulatory instruments. By the end of the reporting period, part of the instruments that had been completed were: Water and Sewerage Company (WASCO) license, Quality of Service and Supply Standards (QoSSS) for Water and Sewerage Services and Wastewater Facilities Guidelines.

Public awareness, education and branding activities were executed during the year. The objective here was to sustain efforts to communicate with, educate and empower electricity customers on regulation matters. A major development in this regard was the success of efforts to initiate and establish contacts with district based groups, for they are to some extent, disadvantaged by a number of factors that include geography and little access to regulatory information. By end of March 2012, all districts, except Maseru, had been visited. Furthermore, information channels of the Authority such as the website and publications were used to reach out to the wider public, in conjunction with the use of the traditional mass media (e.g. radio programs). There was an increase in the number of Corporate Social Responsibility (CSR) events that LEA sponsored. The sections of society which were targeted included, notably, the disabled and orphaned where donations were made. Moreover, institutions of higher learning in the country, such as the National University of Lesotho (NUL) and Lerotholi Polytechnic, signed Memoranda of Understanding with LEA, wherein the latter would support excellence in electrical engineering and economics.

The Authority seeks to attain improved public image, networking and collaboration with key sector players, through one of its strategic focus areas, namely advocacy. In this regard, several meetings were held with the Ministry of Natural Resources to discuss several important issues such as the electrification schemes, Universal Access Fund (UAF) projects, review of the UAF Expenditure Budget, and updates on the development of regulatory instruments for water regulation.

LEA is an affiliate

of several international bodies and participated in a number of international and regional meetings and workshops.

Charging principles for electricity were reviewed to include water and sewerage services and electricity connection guidelines were prepared. The Authority and WASCO had also held meetings to discuss issues on future areas of common interest such as completeness of data and tariff application procedures.

On ensuring the security of supply with emphasis on electricity supply efficiency and sufficiency, the Authority had aimed at securing funding for development of renewable energy feed-in tariffs (REFITs). In this regard, one development partner had agreed to finance a customised renewable energy regulation training for LEA.

Matters pertaining to compliance with regulatory instruments by the regulated entity were discussed regularly with LEC. In order to promote increased compliance, meetings were held with the licensee to discuss the electrical standards equipment, the handling of customer complaints and technical assistance to LEC regarding the submission of tariff in line with the Economic and Financial Regulatory Model (ERFM).

On the human resources management and development side, progress was made with regard to developing workplace policies. As examples one may mention that the HIV and AIDS policy, Remuneration Policy and Strategy, Training Policy and Strategy and the Performance Management System were developed and finalised, and are under implementation. The Risk Policy and Strategy was being prepared at the end of the year. The aim was to put risk mitigating mechanisms in place in the context of demands of changing business environment.

LEA is an affiliate of several international bodies and participated in a number of international and regional meetings and workshops. The benefits accruing from these relationships were mainly on capacity building in regulatory processes. In an endeavour to improve confidence of stakeholders in the Lesotho electricity supply industry, a peer review exercise of LEA operations and practices was undertaken by African Electricity Peer Review and Learning Network Phase II team. The exercise was sponsored by the University of Cape Town and regional electricity regulators which took part in the exercise were Malawi Energy Regulatory Authority (MERA), Energy Regulation Board of Zambia (ERB), Swaziland Energy Regulatory Authority (SERA) and Concelho Nacional de Electricidade (CNELEC) of Mozambique. The review noted many areas of commendable progress achieved by LEA in the execution of its work such as electricity pricing. It also noted areas for further improvement such as a need to increase the mechanisms for enforcing regulatory compliance.

LEA's Expenditure budget was M59.5 million reflecting an increase of M32.5 million from 2010/11 budget. The budget increase was mainly due to an increase of M26 million on electrification projects by the Universal Access Fund (UAF), increased operational activities and staffing levels within the Authority. In addition, preparations for water regulation which included study tours and workshops, and the consultancy services for the development of the legal instruments for water regulation contributed to the increased expenditure. Similar to previous years, our financial statements have been issued unqualified which is the reflection of sound financial management within the Authority.

Having detailed some of the achievements of the year, it would be inadequate not to discuss some of the challenges faced by the Authority. There is a need to scale up awareness activities to a higher level as evidence still points to a need in this direction. There must be some constant improvement on the business systems for service delivery to meet the ever evolving challenges of regulation. A major challenge is to prepare, finalise and implement the requisite regulatory framework for assumption of water regulation.

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Let me conclude by registering, on behalf of LEA Management and Staff, our deepest gratitude and appreciation to, our direct and indirect stakeholders. Without support and feedback arising out of our interaction with them, the Authority would not have been able to reach its objectives.

I would also like to thank our former Chairperson Mr. Zola Tsotsi for the guidance that he offered to Board and Staff in the past seven years and wish him luck in his new duties. I appreciate and thank Prof. Francinah Moloi, who replaced Mr. Zola Tsotsi as the chairperson during the year for her guidance and support in ensuring that the Authority's adherence to good corporate governance is monitored. I would also like to thank LEA Board and Staff, who despite the magnitude of their work loads and challenges encountered during the year showed, steadfastness, professionalism, commitment and enthusiasm in meeting and overcoming those challenges and executing their duties.

A period of improved and value-added regulation of the electricity sector in the year 2012/13 is very much anticipated. At all times LEA shall encourage and ensure public participation in regulatory affairs so that all in the Electricity Supply Industry benefit ○



Ntoi Rapapa (Associate Professor)
Chief Executive

Transmission Grid Code

A Grid Code Review Panel comprising key industry stakeholders was established and engaged in work towards formulating a Lesotho Transmission Grid Code. By the end of the reporting period a draft had been prepared and submitted to LEC, the entity legally mandated with development of the code, for further processing. Completion of the Code would lead to the finalisation of the Supply Rules.

Certification of installers and categorisation of contractors

Workshops and one-on-one meetings were held with stakeholders to discuss draft certification of electrical installers and grading of electrical contractors. The aim of this exercise was to ensure that the grading and categorisation is regulated so as to ensure safety and transparency.

Monitoring Licensees' Compliance and Performance

Monitoring licensees' compliance and performance continued to be another priority area. Quality of supply audits were done at selected sites within the electricity distribution network whilst inspections were carried out in investigating customer complaints.

Collection of ESI Data

Collection of Lesotho electricity supply industry (ESI) data remained a key activity for the Authority. In efforts to pursue a comprehensive survey of the Lesotho ESI data, terms of reference for the survey were prepared and issued out to donors to request funding. At the end of the reporting period no funding had been secured and efforts were continuing to find one ○



One of the workshops wherein LEA and stakeholders discussed issues on certification of installers and categorisation of contractors.

Regulation of Urban Water and Sewerage Services

In preparation for regulation of urban water and sewerage services, the services of a consultant Fitchner were subsequently procured, under World Bank funding, to undertake a six months project to develop water regulatory instruments; namely:

- Draft License for WASCO;
- Draft Quality of Services and Supply Standards (QOSSS);
- Draft Water and Wastewater Facilities Safety Guidelines; and
- Draft Rules and Regulations. These were License Fees and Levies for Water supply and Sewerage Services Regulations, Water Tariff and Structure Review Regulations, Resolution of Complaints and Disputes for Water and Sewerage Services Rules, Water and Sewerage Works Procedure Regulations and Guidelines for Contingency Fund for Emergencies.

By the end of March 2012 progress on the development of water regulation tools was as follows:

- Draft License had been developed and workshopped with relevant stakeholders
- Draft QOSSS had been developed and sent to relevant stakeholders for comments.
- Draft Water and Wastewater Facilities Safety Guidelines were also produced and sent to relevant stakeholders for comments.

Reporting formats

The purpose of reporting formats is to provide a framework within which the regulated utility, WASCO, would report on its operation to ensure that the regulator would assess its performance. LEA was in the process of developing reporting formats for WASCO, in line with best practice, so as to ensure that the utility fulfilled its statutory requirements. The formats were being modelled along those of other regional water regulators ○



Electricity Pricing

During the reporting period, the Authority received a Tariff Adjustment Application from LEC requesting an annual price increase of 24.2% on energy charges and 20.4% on maximum demand charges. LEC also requested to be allowed a revenue requirement of M442.6 million¹.

A public consultation process included the publication of the application in local newspapers and radio programs and a public hearing. At the hearing, LEC and representatives of Lesotho Textiles Exporters Association (LTEA), and Consumer Protection Association (CPA) made representations before the LEA Pricing and Tariffs Committee.

After duly considering the application, written submissions, reasons, facts and evidence provided, LEA Board approved LEC's revenue requirement of M420 million for 2011/12. Energy and demand charges were increased as shown in Tables 1 and 2 below. On average, tariffs increased by 17%.

Table 1: Approved LEC Energy Charges for 2011/12

Customer Categories	Old Energy Charge (MkWh)	Approved percentage change	Approved Energy Charges (MkWh)	Adding Customer Levy @ M0.0213/kWh	Adding Rural Electrification Levy @M0.02/kWh large customers and @M0.035/kWh for others (M/kWh)	Final Approved Energy Charges including levies (M/kWh)	Old Energy Charges including levies (M/kWh)	Final Tariff Percentage increases
Industrial HV	0.0934	16.0%	0.1083	0.1296	0.1496	0.1496	0.1280	17%
Industrial LV	0.1034	16.0%	0.1199	0.1412	0.1612	0.1612	0.1380	17%
Commercial HV	0.0934	16.0%	0.1083	0.1296	0.1496	0.1496	0.1280	17%
Commercial LV	0.1034	16.0%	0.1199	0.1412	0.1612	0.1612	0.1380	17%
General Purpose	0.7568	17.0%	0.8855	0.9068	0.9418	0.9418	0.8064	17%
Domestic	0.6696	17.0%	0.7834	0.8047	0.8397	0.8397	0.7192	17%
Street Lighting	0.3802	17.0%	0.4448	0.4661	0.5011	0.5011	0.4298	17%

Table 2: Approved LEC Maximum Demand Charges for 2011/12

Customer Categories	Old MD Charge (M/kVA)	Approved Percentage Change	Approved MD Charges (M/kVA)
Industrial. HV	129.3609	16.0%	150.0586
Industrial. LV	151.0976	16.0%	175.2732
Commercial. HV	129.3609	16.0%	150.0586
Commercial. LV	151.0976	16.0%	175.2732

The figures in the two tables above exclude 5% VAT.

The figures 1 and 2 below illustrate the annual electricity tariff increases since 2007/08 until 2011/12.

¹ LEC revised this original figure to M460.7 Million and requested average tariff increase of 29% on energy charges and 25% on maximum demand charges.

17% final tariff

percentage increase for 2011/2012.

Figure 1 Annual Energy Charges

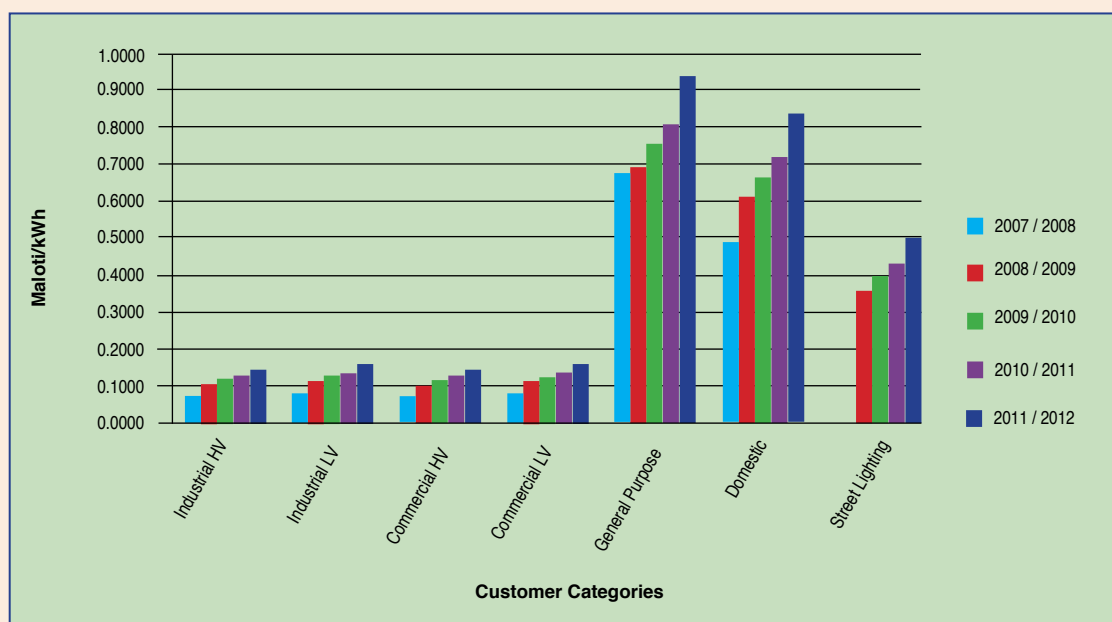
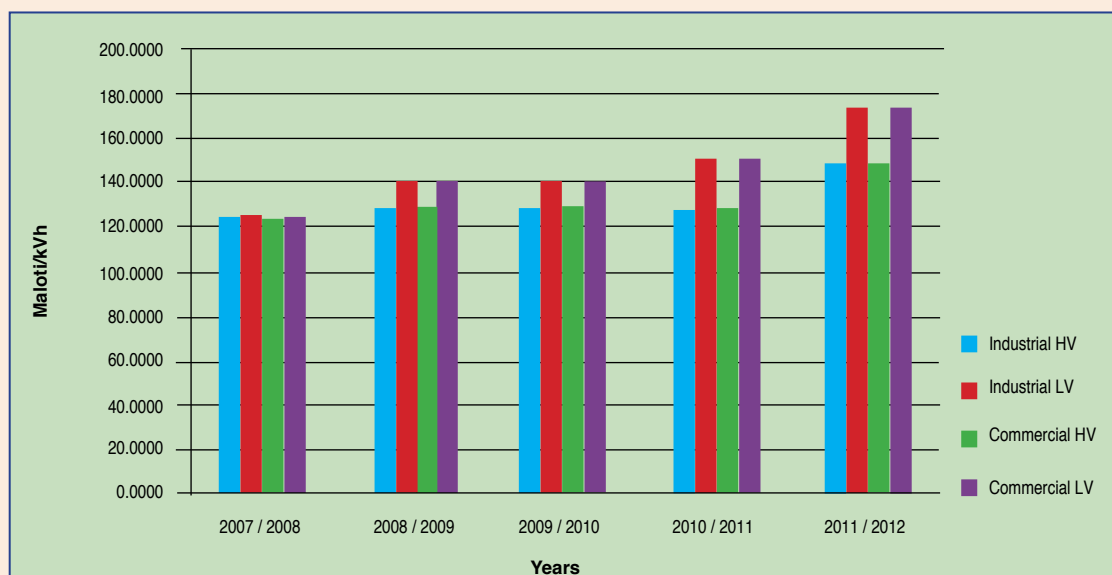


Figure 2 Annual Demand Charges



The Authority developed Tariff Filing and Review Procedure in order to institutionalise the process of tariff filing and review. The Procedure outlines the minimum information requirements to be provided by licensees when submitting a tariff application for approval by the Authority, and the process that will be followed by the Authority in reviewing the application.

Pass-through

charging principle for bulk supply tariffs was approved by the Authority.



Some Board Members at a press conference to announce 2011/12 tariffs.

The Authority has also approved revised Pass-Through Charging Principle for Bulk Supply Tariffs and Procedure for its implementation mechanism. The revised Principle allows the Authority to review bulk supply purchases as and when needed without necessarily waiting for the year end. Furthermore, any changes in generation capacity. Any changes in generation capacity could easily be accommodated into the system as the Authority would be able to review bulk tariffs.

The procedure is aimed at continuously monitoring the costs movement in bulk purchases and providing feedback to consumers on the likely effects of the movement of bulk costs. Under this procedure, LEC is required to provide the Authority with monthly actual purchases so that the reconciliation is done continuously throughout the year ○

Regulatory Framework

In preparation of regulating water and sewerage services, external consultancy firm from Germany was engaged to develop regulatory instruments. In line with international best practices in regulation, the process of developing such instruments was participatory and consultative. Key stakeholders involved included, but were not limited to, Commissioner of Water, Ministries of Environment, Health and of Natural Resources, WASCO and the Department of Rural Water Supply.

On the electricity side, the Authority developed and published the Lesotho Electricity Authority (Universal Access Fund Rules) 2011. The Rules are meant to establish a Fund whose purpose is to, amongst others, receive and disburse funds for subsidising capital cost of new area electrification, provide concessionary funding for construction and upgrading of electrical systems for new area electrification.

To complete the regulatory framework for electricity, outstanding subsidiary legislation includes, but is not limited to the development of regulations and rules pertaining to supply of electricity and certifying electricians and categorising contractors.

Regulatory Compliance

There was a marked improvement regarding compliance by all regulated utilities. LEC was able to submit all its monthly reports to the Authority, though not in the prescribed form or at agreed times. Lesotho Highlands Development Authority (LHDA) has been able to provide the required information though at irregular intervals. The Department of Energy (DoE), through the Rural Electrification Unit (REU) has been consistent in providing updates regarding the Electricity Access Pilot Projects (EAPPs). As the exemption issued to the EAPPs is about to expire in October 2012, it is anticipated that the Department of Energy will, in motivating further extension or otherwise, provide lessons learnt from the pilot projects.

The above are indications that full compliance will soon be realised. Going forward, the Authority intends to introduce measures that would upscale compliance by all regulated utilities.

Board Activities

During the reporting period, the Board held a total of eight (8) meetings, six (6) Ordinary and two (2) Extra-Ordinary). Amongst others, the Board approved the Electrification Budget for 2011/12 and LEC's Tariff Application for the year. The Board also resolved the customer complaints brought before it for consideration. Such complaints included issues on wayleaves, loss of property, prices and quotations. The Board also undertook an introspection session wherein Members reflected on their strategic and oversight role, progress made on the implementation of the Strategic Plan and general issues of governance.

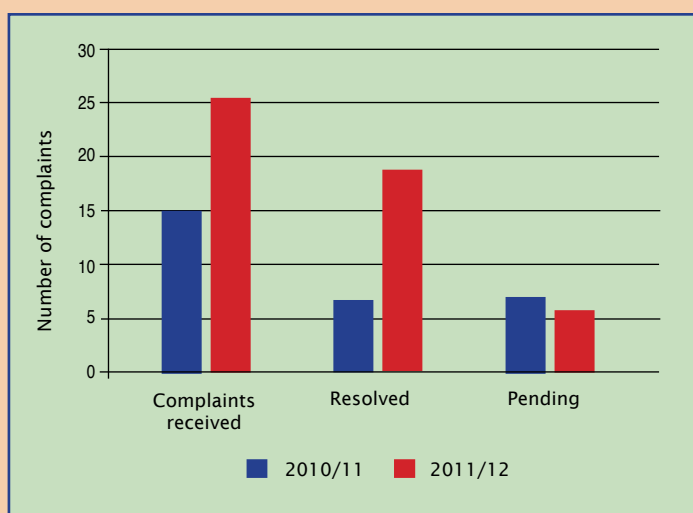
Mindful that regulation is an evolving process, the Authority continued to capacitate its Board Members through interventions that included in-house training, study tours and training programs on regulation and governance. Furthermore, all Board Members are registered with Institute of Directors South Africa so that they can, amongst others, be updated of emerging trends and practices in governance and to further access latest material on best practices ○

Customer Complaints

In line with the strategic objective of improving service delivery systems, customer complaints were received and resolved during the year. A total of 26 complaints were received in 2011/12. This represented an increase of 68% in comparison with 16 complaints received in 2010/11.

Out of the total number of complaints received in 2011/12, 11 were resolved within two weeks. A further eight (8) were concluded in over two weeks, while seven (7) were pending. In comparison to the previous year where only 50% of complaints were resolved, in 2011/12, 70% of all complaints received were resolved. LEA has revised and finalised its complaints' handling procedure in order to expedite the resolution of customer complaints.

Figure 3: Comparative Complaints Data Summary 2010/2011 and 2011/12



Publications

The 2010/11 Annual Report which included the audited financial statements was published in November 2011.



The Authority also published a newsletter covering the period July – December 2011.

During occasions where interactions took place between LEA and the public, the customer handling procedure document and other public documents were distributed.

Stakeholder Communication Activities

In an effort to continually build alliances with local, regional and international stakeholders to actively promote and sustain awareness of the Authority, all public documentation had been made available on the website. The documentation included past tariff determinations, guidelines on efficient use of electricity, Annual Report 2010/11 and Tariff Filing and Review Procedures. A customer service workshop was held in July 2011 to enable interested groups to discuss LEA and customer services issues. Furthermore, radio programs were held on different radio stations on topics such as the role of LEA, tariff processes and public consultations.

26 complaints...

...received in 2011/12 representing an increase of 68% in comparison to 16 complaints received in 2010/11.



LEA CE Assoc. Prof. Ntoi Rapapa meets with the Mokhotlong DA Mrs. 'Makhothatso Tšita at the Mokhotlong district administration offices in November 2011. The visit was undertaken to establish contacts with Mokhotlong based stakeholders.

An advertorial covering quality of service and supply standards, prices and customer education was published in January 2012. Branding was undertaken during occasions such as LEA workshops and special functions.

Outreach activities

Establishment of interest groups with a view to facilitating their participation in regulatory processes and issues was initiated. Meetings were held with all District Administrators (DAs) except that of Maseru by the end of March 2012. The aim was to sensitise DAs as principal district based partners to take part in and support the Authority's outreach efforts. By end of March 2012, draft Memoranda of Understanding had been prepared to be signed by the Authority and the DAs ○

Financial Performance, Human Resources and Administration

Financial Statements

2011/12 Audited Financial statements from the Auditor - General were received on 14 September 2011. That was the eighth consecutive year that the Authority obtained unqualified audit opinion from the Auditor-General.

Universal Access Fund (UAF)

Approved budget for UAF was M41 million for the year under reporting. The budget covered a total of 11 electrification projects, and by the end of the reporting period 91% of the projects were completed while the remaining one was in progress.

Operating Budget

The Authority's budget was financed by the licence fees, customer levy and contribution from World Bank. The World Bank contribution amounted to M4,518,072.00 and that was used to finance capacity building activities related to preparations for water regulation and for procurement of consultants to assist the Authority with the development of legal and regulatory instruments for water regulation.

Budgeted revenue was sufficient to meet all the Authority's expenditure requirements. That resulted in an operating cash flow of M382,000.00. Current ratio stands at 10:1 that shows the Authority's better position to meet its short term liabilities. The financial performance of the Authority had been under proper management and therefore considered probable to continuously sustain its operations for the foreseeable future.

Training

A training plan that was consistent with the training policy had been developed and implemented. The aim was to capacitate the staff and encourage a learning culture in the Authority for increased level of productivity. Some of the highlights of training undertaken in the period included training study tours to water regulatory bodies in the region, attending courses on tariff setting and designing, and renewable energy and feed-in tariffs (REFITs).

Performance Management System (PMS)

A PMS for assessing work performance of staff was developed and implemented. The aim of the system was to enhance employees' productivity, reward good performance and desired behaviour and attitude towards work.

Office Extension

The Authority's offices are situated at Moposo House however the available space was not sufficient to accommodate all the departments due to increase in staffing levels as a result of the extended mandate of LEA to regulate water and sewerage services. Therefore, some of the departments (Customer Affairs, Technical Regulation Electricity and Technical Regulation-Water) occupied an extension office based in Maseru West. This presented a logistical problem which required considerable ability to mitigate. In this regard, efforts were underway to procure office space for all the employees including acquisition of a site where LEA could build its offices ○

Licensees' Performance

Section 21 (1) (i) of the LEA Act mandates the Authority to ensure the collection, publication and dissemination of information relating to standards of performance by licensed operators and on the electricity sector in Lesotho for use by the industry, consumers and prospective investors. It is on the basis of this, that the performance of the LEA's licensees is reported here. Mindful of its reporting requirements as outlined in the Act, the LEA prepared and agreed on reporting formats with its licensees (LEC and LHDA-Muela). The licensees are thus expected to report as per the agreed formats.

Lesotho Electricity Company (LEC)

(a) Demand Growth

LEC energy sales grew by 45 GWh (7%), from 611 GWh in 2010/11 to 656 GWh in the reporting period. The LEC total system peak demand grew from 138 MW last year to 141.69 MW, an increase of 2.7% in the reporting period. Table 3 below highlights the demand growth from 2004/05 to 2011/12.

Bulk power purchase from Eskom Qacha's Nek intake point was increased from 1.6 MVA to 4.0 MVA.

Table 3: Lesotho Maximum Demand Profile (MW) for Period 2004/05-2011/12

Year	Maximum Demand (MW)	Installed Capacity (MW)	Imported Capacity (MW)	Capacity Deficit (%)
2004/05	94.2	72	22.2	24
2005/06	95.2	72	23.2	24
2006/07	108.2	72	36.2	33
2007/08	115.3	72	43.3	38
2008/09	122.5	72	50.5	41
2009/10	133.4	72	61.4	46
2010/11	138	72	66	48
2011/12	141.69	72	69.69	49

(b) Electrification

A record total of 22,475 connections were made in the reporting year, an increase of 5,857 which is a 35.2% increase over last year's figure of 16,618. This increased the LEC customer base from 106 108 to 128 583 (an increase of 21.2%) of which 119 922 is domestic. Using households' statistics from the national census and households' survey of 2006, this translates to about 26% of Lesotho households connected to grid electricity.

The Universal Access Fund (UAF), established by the Authority, financed 3893 connections which translates into 17% of the total connections made during the reporting report.

The Government target of 35% households connected to the grid by 2015 would be met if the current electrification rate is maintained for the next three financial years.

(c) System Availability

The availability is a measure of the number of feeder hours available in each month, that is, feeders that were in service. The availability was in the range of 99.7% to 100%. 100% availability would mean that there were no outages in the system. Both planned and unplanned outages have been considered in calculating the availability

peak power demand was produced by MHP.

Lesotho Highlands Development Authority ('Muela)

(a) Electricity Sales

The 'Muela hydropower plant (MHP) produced a total energy of 549 GWh, an excess of 4.4% from the planned generation of 525 GWh. Of this sent out energy, 506 GWh was sold to LEC yielding 'Muela total revenue of M55.69 million, resulting in an average selling price of M0.11/kWh. The remaining 43 GWh was exported to Eskom at an average price of M0.17/kWh. A peak power demand of 80.53 MW was produced by MHP during the reporting period.

(b) Power Plant's Technical Performance

Monthly Indicators

Load Factor (LF) – The ratio of the actual energy produced to the energy that would have been produced if the plant had run at maximum demand over the same month. It is also expressed as the ratio of the average demand to the maximum demand.

Operating Factor (OF) – The ratio of the time during which the plant was operational to the total time in a month.

Annual Indicators

Unit Capacity Factor (UCF) – The ratio of the actual energy produced to the energy that would have been produced if the plant had run at rated power over the same year.

Energy Availability Factor (EAF) - The ratio of the energy that the available capacity could have produced to the energy that the reference (rated) unit power could have produced during the same year. The energy that the available capacity could have produced is equal to the reference energy minus all the planned and unplanned (within and outside plant management control) losses.

Unit Capability Factor (UCF) - The ratio of the available energy generation to the reference energy generation over the same year. The available energy in this case is limited to losses within plant management control.

Planned Capability Loss Factor (PCLF) – Ratio of planned energy losses to the reference energy.

Unplanned Capability Loss Factor (UCLF) – Ratio of unplanned energy losses (under plant management control) to the reference energy.

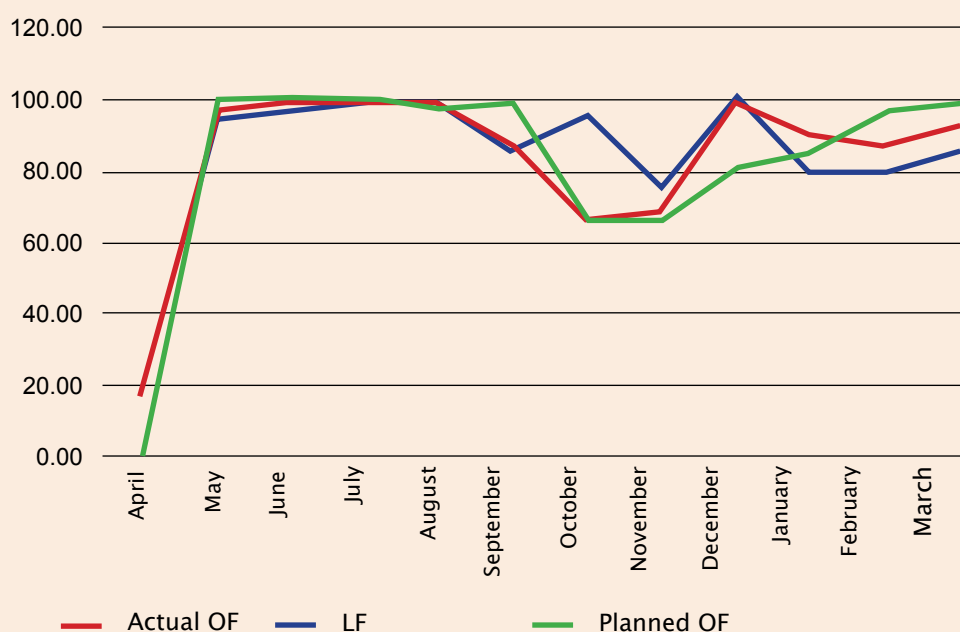
The performance of MHP in the reporting period is given below by the graphical representations of the monthly indicators (LF and OF) in figure 4 and the tabulation of the annual indicators in table 4. The indicators are expressed in percentage. Figure 4 shows a similar pattern of the three indicators up to the month of September. For the period May to September it can be observed that the plant operated almost uninterrupted and at almost its maximum capacity. There is a remarkable decline in both the actual OF and planned OF for the months of September and October. The reason for this is that there was a planned maintenance on unit 2 during the two months. However, prominent is the relatively high load factor in

No industrial

and major vehicle incidents reported at 'Muela.

October which is inconsistent with the low operating factor for the month. With reference to table 4, it is observed that all ratios for unit 1 and unit 3 are almost identical. The ratios are lower for unit 2 with the exception of PCLF. This trend on unit 2 is the result of planned maintenance on the same unit.

Figure 4: MHP Load and Operating Factors (Percentages) for 2011/12



Source: LHDA Reports

Table 4: Performance of MHP Units in 2011/12 - Ratios Expressed in Percentage

Unit Identifier	Capacity Factor (CF)	Energy Availability Factor (EAF)	Unit Capability Factor (UCF)	Unplanned Capability Loss Factor (UCLF)	Planned Capability Loss Factor (PCLF)
Unit 1	87.5	91.2	91.9	0.0	8.12
Unit 2	75.3	74.4	75.2	0.0	24.79
Unit 3	94.3	91.0	91.5	0.0	8.50

Source: LHDA Reports



(c) 'Muela Safety and Environmental Incidents

'Muela reported no industrial safety and major vehicle incidents. This was below the target of less or equal to one (≤ 1). There were five (5) minor vehicle and one (1) undesired environmental incidents. Targets for these were three (3) and one (1) respectively.

220 households

at Tebellong and Mankoaeng were still not energized by the end of the reporting period due to shortage of ready boards and meters.

Department of Energy (Rural Electrification Unit)

(a) Electrification Access Pilot projects

i. Qholaqhoe

Only one new service connection was made during the reporting period, this resulted in a total of 253 customers. Nonpayment of bills by customers was a major challenge at Qholaqhoe.

ii. Dilli-Dilli/Sixondo

A total number of 222 customers were recorded during the reporting period. Sixondo and Mpeka customers experienced high voltage supply that normally occurred from 00:00 to 03:00 in the morning. It was discovered that this was due to capacitors banks installed on the line and they were disconnected.

iii. Ha Sekake

Most meters at Tebellong were found to have been tempered with and they were all disconnected. The vending system was in full operation but the temper reset software for the tempered meters was outstanding.

(b) Grid Extension for Ha Sekake

LSP Construction (Pty) Ltd had completed connecting 26 villages along the 33 kV transmission line from Ha Mpiti to Ha-Sekake, inclusive of Tebellong and Sekake. About 220 households at Tebellong and Mankoaeng were still not energised by the end of the reporting period due to shortage of ready boards and meters.

(c) Lesotho Renewable Energy Based Rural Electrification

No new installations were made during the reporting period due to budget constraints. A new approach and implementation modalities for selection of villages to be electrified had been devised. The selection process would be done in consultation with local authorities at districts level.

Generation

A mini hydro plant condition assessment exercise was done at Tlokoeng, Mokhotlong, mini-hydro in February 2012. The assessment report was still with the consultant to go through and make his recommendations ○

Cooperation with Regional & International Bodies

AFUR

As member of the pan African umbrella regulatory association body, African Forum Utility for Regulators (AFUR), the Authority took part in AFUR's events such as the annual conference which was held in South Africa. LEA further participated in AFUR organised training on the design of electricity and water tariffs held in Bamako, Mali in February, 2012.

RERA

The Authority continued participating in various meetings as a member of Regional Electricity Regulators Association (RERA) at different levels within its structures. In March 2012 RERA in collaboration with United States Agency for International Development (USAID) organised Renewable Energy workshop which was held in Lusaka, Zambia. The training was aimed at capacitating energy sector practitioners and other stakeholders on mechanisms for promoting investment in renewable energy through designing appropriate policies, regulations and practices.

ICER Activities

Since joining International Confederation of Energy Regulators (ICER) in 2009, the Authority has been sharing information with other ICER members on best practice and philosophy in regulation of electricity sector. In this regard documentation and correspondence has been exchanged between the Authority and ICER.

ESAWAS

LEA participated in the 5th Annual General Meeting (AGM) of the Eastern and Southern Africa Water and Sanitation Regulators Association (ESAWAS) held in Zambia in 2011. The purpose of ESAWAS is to further regional cooperation on issues of mutual concern and interest in the areas of water and sanitation regulation.

World Bank

Through the relevant Government Ministries, the World Bank provided financial assistance to the Authority regarding the development of the regulatory framework for water and sewerage services including the direct staff costs related to preparations for Water Sector regulation ○

Lesotho Electricity Authority

Financial Statements for the year ended 31 March 2012

Board Approval and Statement of Responsibility

The Members of the Board are required by law to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Authority as at the end of the financial year and of the results of its operations and cash flows for that period. The annual financial statements set out on pages 24 to 37 are the responsibility of the Members of the Board.

The Members of the Board are responsible for ensuring that the Authority keeps accounting records which disclose with reasonable accuracy, at any time, the financial position of the Authority and which enable them to ensure that the financial statements comply with the Lesotho Electricity Authority Act No.12 of 2002 (as amended).

The Members of the Board are also responsible for taking such steps that are reasonably open to them to safeguard the assets of the Authority and to prevent and detect fraud and other irregularities. The Members of the Board consider that, in preparing the financial statements for the year ended 31 March 2012 set out on pages 24 to 37, the Authority has used appropriate accounting policies, consistently applied, and were supported by, reasonable and prudent judgments and estimates. The Members of the Board also consider that all applicable International Financial Reporting Standards have been followed and confirm that the financial statements have been prepared on a going concern basis.

The auditors' responsibilities are stated in their report on page 23.

The Members of the Board are satisfied that Management introduced and maintained adequate internal controls to ensure that dependable records exist for the preparation of the annual financial statements, to safeguard the assets of the Authority, and to ensure that all transactions are duly authorised.

Against this background, the financial statements set out on pages 24 to 37 which are stated in Maloti, the currency of Lesotho, have been approved and authorised for issue on 17 August 2012 by the Members of the Board and signed on its behalf by:



Chairperson



Member

Lesotho Electricity Authority

Financial Statements for the year ended 31 March 2012

Report of the Auditor General

I have audited the accompanying financial statements of Lesotho Electricity Authority which comprise the statement of financial position as at 31 March 2012, and the statement of comprehensive income, the statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 24 to 37.

Management's Responsibility for the Financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit. The audit has been conducted in accordance with International Standards on Auditing. Those standards require auditors to comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risks assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion to the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

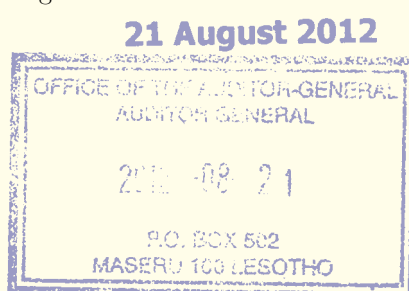
I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Authority at 31 March 2012, and of its financial performance and its cash flows for the year ended in accordance with International Financial Reporting Standards and in the manner required by the Lesotho Electricity Authority Act No. 12 of 2002.



Lucy. L. Liphafa (Mrs)
Auditor General



Lesotho Electricity Authority

Financial Statements for the year ended 31 March 2012

Statement of financial position as at 31 March 2012

Assets	Notes	2011 M	2010 M
Non-Current Assets			
Property, Plant and Equipment	6	2,632,306	2,940,536
Current Assets			
Cash & Bank	8	13,922,865	34,291,846
Trade & Other Receivables	4	5,828,937	5,962,726
		19,751,802	40,254,572
Total Assets		22,384,108	43,195,108
FUNDS & LIABILITIES			
Funds and Reserves			
Capital Grant	7	1,004,720	1,513,430
Retained Surplus/(Deficit)	11	5,632,966	4,743,190
Revaluation Reserve	12	324,915	548,010
Universal Access Fund Balance	10	11,352,072	32,677,462
		18,314,673	39,482,092
Non-Current Liabilities			
Gratuity	5	2,111,587	494,159
Bank Loan (Hire Purchase)		-	239,751
		2,111,587	733,910
Current Liabilities			
Bank Overdraft	9	428,979	417,448
Current Portion Long Term Loan		-	97,404
Trade & Other Payables	5	1,528,869	2,464,254
Total Funds and Liabilities		22,384,108	43,195,108

Lesotho Electricity Authority

Financial Statements for the year ended 31 March 2012

Statement of comprehensive income for the year ended 31 March 2012

	Notes	2012 M	2011 M
INCOME			
Customers' Levy		13,763,675	11,934,316
License Fees	3	2,914,130	2,340,719
GoL & World Bank Grants	2	2,846,929	934,346
Capital Grant Release	7	508,710	377,543
Universal Access Fund	10	40,063,887	14,071,496
		60,097,331	29,658,420
EXPENDITURE			
Staff Costs	14	11,230,535	7,472,040
Depreciation	6	1,025,434	681,371
Directors Expenses	14	1,312,041	1,169,367
Audit Fee		22,050	21,000
Universal Access Fund	10	40,063,887	14,071,496
Operating Costs	14	5,880,270	3,628,893
		59,534,217	27,044,167
Surplus From Operations		563,114	2,614,253
Gain/(Loss) Assets Sale		-	(291)
Finance Income		116,546	52,096
Finance Costs		(12,979)	(42,142)
Total Other Income		103,567	9,663
Surplus/(Deficit) for the year		666,681	2,623,916
COMPREHENSIVE INCOME			
Gains on Property Revaluation		-	401,403
Total Comprehensive Income for the Year		666,681	3,025,319

Lesotho Electricity Authority

Financial Statements for the year ended 31 March 2012

Statement of Changes in Funds for the year ended 31 March 2012

	Revaluation Reserve M	Capital Grants M	Universal Access Fund M	Retained Surplus M	Total M
Balance at 31/03/2010	146,607	802,184	29,578,074	2,119,274	32,646,139
Amortisation for the year	-	(377,543)	-	-	(377,543)
Grant	-	1,088,789	-	-	1,088,789
Revaluation Reserve	401,403	-	-	-	401,403
Universal Access Fund	-	-	3,099,388	-	3,099,388
Surplus/(Deficit) for the year	-	-	-	2,623,916	2,623,916
Balance at 31/03/2011	548,010	1,513,430	32,677,462	4,743,190	39,482,092
Amortisation for the year	-	(508,710)	-	-	(508,710)
Grants	-	-	-	-	-
Revaluation Reserve	(223,095)	-	-	223,095	-
Surplus/(Deficit) for the year	-	-	-	666,681	666,681
Universal Access Fund	-	-	(21,325,390)	-	(21,325,390)
Balance at 31/03/2012	324,915	1,004,720	11,352,072	5,632,966	18,314,673

Lesotho Electricity Authority

Financial Statements for the year ended 31 March 2012

Statement of cash flow for the year ended 31 March 2012

	Notes	2012 M	2011 M
Surplus for the Year		666,681	2,623,916
Adjustment for:			
(Increase)/Decrease in Receivables		133,789	(4,607,880)
Increase/(Decrease) in Payables		(935,378)	1,264,183
Depreciation		1,025,434	681,371
Capital Grant Amortisation		(508,710)	(377,543)
Gain /Loss on Disposal of Fixed Assets		-	291
Net Cash from Operating Activities		381,816	(415,662)
Investing Activities:			
Purchase of Fixed Assets	6	(717,209)	(1,546,173)
Repayment – Bank Loan		(337,155)	(600,171)
Net Cash Used in Investing Activities		(1,054,364)	(2,146,344)
Financing Activities			
Capital Grant – GoL	10	-	1,088,789
Gratuity		1,617,428	-
Universal Access Fund		(21,325,390)	32,677,462
Net Cash Used in Financing Activities		(19,707,962)	33,766,251
Cash and Cash Equivalents:			
Net increase in Cash and Cash Equivalents		(20,380,510)	31,204,245
Cash and Cash Equivalents at the Beginning of the Year		33,874,398	2,670,153
Cash and Cash Equivalents at the end of the year		13,493,888	33,874,398

Lesotho Electricity Authority

Financial Statements for the year ended 31 March 2012

Notes to the Financial Statements for the year ended 31 March 2012

1. ACCOUNTING POLICIES

Basis of Accounting

The principal accounting policies of the Authority, which are set below, have been consistently followed in all material respects and comply with International Financial Reporting Standards and the Lesotho Electricity Authority Act No.12 of 2002 (as amended). These financial statements have been prepared on the historical cost basis except for financial assets, which are stated at fair values and incorporate the principal accounting policies. The financial statements are prepared on a going concern basis.

1.1 Property, Plant and Equipment

Property, plant and equipment are stated at cost/valuation less accumulated depreciation less impairment losses where applicable. Depreciation is calculated on a straight line basis from the time the property, plant and equipment were available for use, so as to write off their cost over their expected useful lives, taking into account their residual values. The following expected useful lives are used in the calculation of depreciation:

Office Fittings	5 Years
Office Furniture	5 Years
Office Equipment	4 Years
IT Equipment	3 Years
Motor Vehicles	4 Years
Freehold Refurbishment	3 Years

Consumables are assets that cost less than M1,500 as per the LEA Financial Standing Orders hence they are written off in the period of purchase.

1.2 Foreign Currency Translation

Transactions in foreign currencies are translated to Maloti at the foreign exchange rate ruling at the date of the transaction.

1.3 Cash and Cash equivalents

Cash and cash equivalents include cash in hand, deposits held at hourly call with the banks less bank overdrafts.

1.4 Taxation

No provision for taxation is required as the Authority is exempt from taxation.

1.5 Revenue Recognition

1.5.1 Revenue

Income comprises of customer levy, licence fees from LEC and LHDA, bank interest and grants from Government of Lesotho and World Bank, and is recognized when invoiced or at the time of disbursement by the relevant institution.

1.5.2 Interest Income

Interest is recognized on a time proportion basis taking account the effective yield on the investment.

1.5.3 Revenue Grants

Revenue grants are recognized as income to match them with related costs, which they have been intended to compensate. Capital grants are recognized as deferred credit and are recognized in the income expenditure on the basis of matching them with the related costs for which the grants are intended to cover. They are amortised over the useful lives of assets.

Lesotho Electricity Authority

Financial Statements for the year ended 31 March 2012

Notes to the Financial Statements for the year ended 31 March 2012

1.6 Leases

Leases on which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under the operating leases are charged to the income statement on a contracted amounts basis over the period of the lease.

1.7 Trade and Other Receivables

Trade and other receivables originated by the enterprise are stated at fair value of consideration receivables less impairment for trade receivables if any.

1.8 Trade and other payables

Trade and other payables are stated at their fair values.

1.9 Previous Year's Figures

Figures for the previous year have been regrouped and stated wherever necessary to conform to current year's presentation.

1.10 Financial Instruments

Exposure to credit risk and interest rate risk arising in the normal course of the Authority's business.

Financial Assets

The principal financial assets are cash and bank balances, investments, trade and other receivables. These assets are originated by the enterprise and are accounted for at trade rate.

Financial Liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into. The principal financial liabilities are trade and other payables.

Interest Rate Risk

The Authority is exposed to various risks associated with the effect of fluctuations in the prevailing levels of market rates of interest on its cash resources and investments. The cash resources are managed to ensure that surplus funds are invested in a manner to achieve maximum returns while minimizing risks.

Credit Risk

The financial assets of the Authority that are subject to credit risk consist mainly of cash resources, receivables and investments. The cash resources and investments are placed with reputable financial institutions. Where appropriate, adequate provisions are made for bad debts.

1.11 Fair values

The fair values of most financial instruments are substantially identical to carrying values reflected in the statement of financial position.

1.12 Gratuity

The Authority provides for gratuity for contract staff as per the terms of their respective employment contracts.

Lesotho Electricity Authority

Financial Statements for the year ended 31 March 2012

Notes to the Financial Statements for the year ended 31 March 2012

1.13 Impairment of Assets

Impairment losses of continuing operations are recognized in the income statement in those expense categories consistent with the function of the impaired assets.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

1.14 Adoption of IFRSs During the Year

The Authority has adopted the following revised standards during the year and comparative figures have been amended as required. Adoption of revised standards does not have any effect on the funds and reserves as at 31 March 2009.

IAS 1 Presentation of Financial Statements;

IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;

IAS 10 Events after the Reporting Period;

IAS 16 Property, Plant and Equipment;

IAS 17 Leases;

IAS 20 Accounting for Government Grants and Disclosure of Government Assistance;

IAS 21 The Effects of Changes in Foreign Exchange Rates;

IAS 24 Related Parties Disclosures;

IAS 39 Financial Instruments: Recognition and Measurement;

IAS 40 Investment Property, and

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

IFRS's not Adopted

The Authority has not applied the following IFRSs that have been issued.

IFRS 2 Shared-based Payments;

IFRS 3 Business Combinations;

IFRS 4 Insurance Contracts, and

IFRS 6 Exploration for and Evaluation of Mineral Resources.

These standards do not apply to the activities of the Authority

Lesotho Electricity Authority

Financial Statements for the year ended 31 March 2012

Notes to the Financial Statements for the year ended 31 March 2012

	2012 M	2011 M
2. World Bank /GoL Revenue Grant	2,846,929	934,346
3. Licence Fees		
LEC	2,354,230	1,853,999
LHDA	559,900	486,720
	2,914,130	2,340,719
4. Trade & Other Receivables		
LEC – Customers' & Electrification Levies	4,277,154	4,671,916
Trade & Other Receivables	1,551,783	1,290,910
	5,828,937	5,962,726

	2012 M	2011 M
5. Trade & Other Payables		
Falling due within 1 Year		
Gratuity	398,052	1,598,544
* Retention Fee - Universal Access Fund	852,919	185,072
Trade & Other Payables	277,898	680,638
	1,528,869	2,464,254
Current Portion - Long Term Loan	-	97,404
Falling due after 1 Year		
Bank Loan	-	239,751
Gratuity	2,111,587	494,159
	3,640,456	3,295,568

*Retention fee refers to amount held by the Authority on completion of electrification projects for latent defects for a period of a year.

Lesotho Electricity Authority

Financial Statements for the year ended 31 March 2012

Notes to the Financial Statements for the year ended 31 March 2012

6. Property, Plant and Equipment

	Office Furniture M	Office Equipment M	IT Equipment M	Office Fittings M	Motor Vehicles M	Freehold Refurbishment M	Totals M
Cost/Revaluation							
At April 1, 2011	150,320	84,520	2,538,971	142,031	981,357	159,350	4,056,549
Additions	190,472	-	101,234	7,472	406,940	11,091	717,209
Adjustments	-	-	-	-	(357,251)	-	(357,251)
Revaluation	-	-	-	-	-	-	-
At March 31, 2012	340,792	84,520	2,640,205	149,503	1,031,046	170,441	4,416,507
DEPRECIATION	20%	25%	33.33%	20%	25%	33.33%	
At April 1, 2011	23,861	19,659	674,046	14,643	357,251	26,558	1,116,018
Charge for the year	45,259	21,130	642,175	29,368	232,328	55,174	1,025,434
Adjustments	-	-	-	-	(357,251)	-	(357,251)
At March 31, 2012	69,120	40,789	1,316,221	44,011	232,328	81,732	1,784,201
NET BOOK VALUE							
At April 1, 2011	126,459	64,861	1,864,925	127,393	624,106	26,558	2,940,536
At March 31, 2012	271,672	43,731	1,323,984	105,492	798,718	88,709	2,632,306

All assets were revalued on the 31 March 2012 in compliance with IAS 16 to reflect their fair values.

7. Capital Grants

	2012 M	2011 M
Balance at the beginning of the year	1,513,430	802,184
Increase during the year	-	1,088,789
Amortised during the year	(508,710)	(377,543)
Balance at the end of the year	1,004,720	1,513,430

Lesotho Electricity Authority

Financial Statements for the year ended 31 March 2012

Notes to the Financial Statements for the year ended 31 March 2012

8. Cash and cash equivalents

Cash and cash equivalents are measured at fair price and consists of:

	2012 M	2011 M
Petty Cash	2,500	2,500
Short-Term Deposits – (NedBank)	1,065,565	4,639,563
Short-Term Deposits – (StanLib)	3,012,751	-
	4,080,816	4,642,063
Current Accounts – UAF	829,500	327,158
Short-Term Deposits – UAF (StanLib)	9,012,548	29,322,625
	13,922,864	34,291,846
Bank overdraft	(428,979)	(417,448)
Total	13,493,885	33,874,398

9. Bank Overdraft

The overdraft represents cheques issued but not yet presented for payment at year end , which would otherwise be met by automatic draw downs from call account.

10. Universal Access Fund (UAF) - Receipts & Payments

	2012 M	2011 M
Receipts		
Levies Collection	17,533,355	15,672,897
Finance Income (i)	1,211,981	1,599,272
TOTAL	18,745,336	17,272,169
Expenditure		
Electrification Projects	40,063,887	14,071,496
Environmental Impact Analysis study	-	96,180
Bank Charges	6,839	4,455
Printing & stationery	-	650
TOTAL	40,070,726	14,172,781
Movement in UAF – For the year	(21,325,390)	3,099,388
Universal Access Fund –B/F	32,677,462	29,578,074
Universal Access Fund Balance (ii)	11,352,072	32,677,462

10.1 UNIVERSAL ACCESS FUND

The Fund was established pursuant to LEA Act 2002. The main objective of the Fund is to facilitate expansion of electricity services where they are non-existent. The Fund is administered pursuant to UAF Rules of 2010. It receives monies from electricity users, through payment of rural electrification levies. The Authority determines the levies and approves all the projects to be funded by the UAF, including annual budget for the Fund.

Lesotho Electricity Authority

Financial Statements for the year ended 31 March 2012

Notes to the Financial Statements for the year ended 31 March 2012

10.2 Receipts

- (i) Finance income - Represents interest realized on investment account.
- (ii) Universal Access Fund Balance – A budget of M8,750,997 had been approved for electrification projects for the next financial year.

11. Retained Surplus/(Deficit)

	2012	2011
Income	60,097,331	29,658,420
Expenditure	59,534,217	27,044,167
Operating Surplus	563,114	2,614,253
Total Other Income	103,567	9,663
Surplus/(Deficit) for the year	666,681	2,623,916
Revaluation Reserve Amortisation	223,095	-
Surplus B/F	4,743,190	2,119,274
Retained Surplus/(Deficit)	5,632,966	4,743,190

12. Revaluation Reserve

	2012 M	2011 M
Balance at the beginning of the year	548,010	146,607
Increase during the year	-	401,403
Amortised during the year	(223,095)	-
Balance at the end of the year	324,915	548,010

Lesotho Electricity Authority

Financial Statements for the year ended 31 March 2012

Notes to the Financial Statements for the year ended 31 March 2012

13. Universal Access Fund (UAF) Projects for the Year Ended 31 March 2012

Villages Name/Projects	Name of Contractor	Contract	Approved	Bal b/f Mar 2011	Payments	Retention Fee	Totals	Savings	Balance
			M		M	M	M		M
Thaba Bosiu	K.R.Consultants	3,889,485	3,889,485	-	3,812,914	*	3,812,914	76,571	-
Koro Koro	Jimmy Electronics	3,889,813	3,899,813	-	3,703,426	194,917	3,898,343	1,470	-
Ha Mofoka	Moramo Civils	5,568,163	5,568,163	-	5,214,313	274,438	5,488,751	79,412	-
Ha Belo									
Ha Mojaki	LR Construction	2,156,383	2,156,383	-	1,891,110	106,053	1,997,163	159,220	-
Ha Rafolatsane	Lesehe Cons.	5,023,204	5,023,204	-	3,207,593	-	3,207,593	-	1,815,611
Leribe (Partial)	Jimmy Electronics	2,770,000	2,770,000	-	2,769,993	-	2,769,993	7	-
Ha Lejone (Partial)	K.R.Consultants	3,764,498	3,764,498	-	3,764,208	*	3,764,208	290	-
Makhalong	K.R.Consultants	2,472,587	2,472,587	-	2,472,579	*	2,472,579	8	-
Nk'hunk'hu	K.R.Consultants	3,077,043	3,077,043	-	3,077,037	*	3,077,037	6	-
Hololo	Jimmy Electronics	4,552,225	4,552,225	-	4,320,505	227,395	4,547,900	4,325	-
Ketane	LSP Construction	3,900,000	3,900,000	-	3,900,000	-	3,900,000	-	-
SUB TOTAL		41,073,401	41,073,401		38,133,678	802,803	38,936,481	321,309	1,815,611
Matelile	K.R.Consultants	-	-	12,306	12,283	-	12,283	23	-
Ha Theko	Moramo Civils	-	-	149,218	149,218	-	149,218	-	-
Ha 'Mali	Jimmy Electronics	-	-	965,922	965,905	-	965,905	17	-
Ha Phaloane	Day Star	-	-	18,149	-	-	-	18,149	-
SUB TOTAL				1,145,595	1,127,406	-	1,127,406	18,189	-
TOTAL		41,073,401	41,073,401	1,145,595	39,261,084	802,803	40,063,887	339,498	1,815,611
Ha Letele	Jimmy Electronics	B/F	-	-	-	50,118	-	-	-
TOTAL						852,921			
Committed Funds									1,815,611
♦ Bank guarantee issued									

The above disbursements were made to the contractors in installing electricity in respective villages. As at 31 March 2012, the above villages had been allocated funds and construction was completed/in progress.

Lesotho Electricity Authority

Financial Statements for the year ended 31 March 2012

Notes to the Financial Statements for the year ended 31 March 2012

14. Detailed Statement of Comprehensive Income

	2012 M	2011 M
INCOME:		
Customers' Levy	13,763,675	11,934,316
Licence fees	2,914,130	2,340,719
GoL & World Bank Grants	2,846,929	934,336
Capital Grants Release	508,710	377,543
	20,033,444	15,586,914
Universal Access Fund	40,063,887	14,071,496
Other Income		
Finance Income	116,546	52,096
Gain/(Loss) Assets Sale	-	(291)
	116,546	51,805
Total Income	60,213,877	29,710,215
Less: Expenditure		
Directors' Expenses:		
Director's Fees	551,538	605,384
Other Costs – Board	284,764	197,325
Board Training	475,739	366,658
	1,312,041	1,169,367
Staff Costs:		
Staff Remuneration & Benefits	7,785,299	5,037,944
Medical aid	289,321	214,007
Gratuity	2,321,982	1,288,753
Staff Training/Workshops	534,819	773,095
Health & Wellness allowance	20,168	5,604
Staff Phone Allowance	233,947	111,322
Staff Uniform	45,000	41,315
	11,230,535	7,472,040
Operating Costs:		
Stationery	183,458	87,070
Advertising	96,558	85,634
Public Awareness	107,465	64,478
Publications	24,610	12,029
International Technical Standards	5,580	-
Radio Programs	-	3,250
Consumables assets below M1,500	19,609	25,016
Farewell Costs	31,959	44,319
Labour Consultant	-	22,000
Public Relations	2,095	18,196
Office Expenses	153,426	112,004
Transport Costs	235,615	112,373
Bank Charges	33,797	33,845
Rent	615,325	474,376

Lesotho Electricity Authority

Financial Statements for the year ended 31 March 2012

Notes to the Financial Statements for the year ended 31 March 2012

14. Detailed statement of comprehensive Income continued

	2012 M	2011 M
Electricity	43,852	35,692
Telephone	176,093	112,683
Internet	72,000	41,400
Corporate Social Responsibility	67,421	25,900
Risk Consultant	89,875	-
Insurance	97,646	72,735
IT Expenses	95,971	46,246
RERA Subscription	216,148	119,115
RERA Meetings & W/shops	240,201	561,437
AFUR Meetings & W/shops	208,766	146,226
International Meetings & W/shops	485,062	14,977
AFUR Subscription	55,725	44,690
Development of bylaws	46,656	-
Power Procurement Guidelines	-	5,342
Human Resource Consultant	22,750	66,200
Annual Report	36,153	33,109
Inspection Costs	23,098	7,912
Promotional Items	104,057	85,567
Economic & Financial Regulatory Model	9,801	16,542
Increasing Access to Electricity	72,521	8,731
Advertising (Development of ESI Database)	-	87,876
National Security of Supply	5,175	-
Public Hearing	17,586	6,595
Universal Access fund	40,063,887	14,071,496
Provision for Doubtful Debts	-	26,383
Monitoring Compliance	20,650	-
Customer Education	12,515	-
Customer Workshops	9,643	-
African Peer Review	7,948	-
Water & Cleaning Services – Maseru West	57,574	-
Security	9,097	-
Water Regulation Expenses	-	968,945
Board, Staff and Stakeholders Study tours	350,217	-
Water Regulatory Instruments Consultancy	1,436,467	-
Other Water Regulation Expenses	280,105	-
	58,486,733	26,341,976
Other costs:		
Audit Fees	22,050	21,000
Depreciation	1,025,434	681,371
Finance costs	12,979	42,142
Total Expenses	59,547,196	27,086,309



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