LEC

COMMUNICATIONS (PTY) LTD

2023/24
INTERGRATED ANNUAL
REPORT

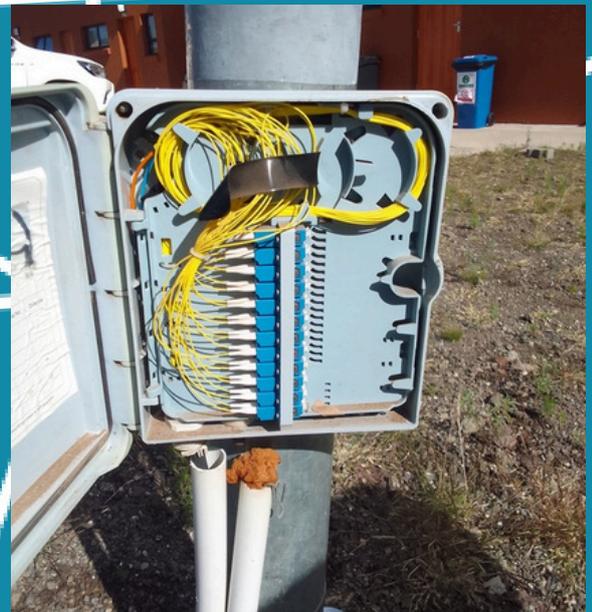📞 +266 2231 2248

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1. DIRECTOR'S APPROVAL: STATEMENT OF RESPONSIBILITY

The Board of Directors of LEC Communications (LECC), as the governing body responsible for overall oversight, plays a pivotal role in leading the Company's value creation process. The Integrated Report (IR) serves as a tool to evaluate LECC's capacity to generate value over time, and the Board ensures the report's overall quality and accuracy. The Board is confident that the 2024 Integrated Report accurately reflects the Company's ongoing journey towards integrating strategy, risk, opportunities, and performance.

In its assessment of the 2024 Integrated Report, the Board has ensured:

• The integrity of the report and all supplementary information referenced.
• The completeness of the material aspects covered.
• The reliability of reported performance information, as verified through the combined assurance process.

The Board is satisfied that the 2024 Integrated Report offers a true and fair representation of the Company's integrated performance throughout the year. It enables readers to make an informed evaluation of the Company's performance and its ability to sustainably create value.

Considering the thoroughness of the material issues addressed and the dependability of the information presented, based on the integrated assurance process, the Board approved the 2024 Integrated Report, including the Annual Financial Statements and supplementary information, on 11 February 2025, and signed it on its behalf by:

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Prof. Leboli ZakThamae   Mr. Tšeliso 'Mokela

Board Chairman   Managing Director

2. Company
OVERVIEW

LECC is a telecommunications subsidiary company to Lesotho Electricity Company (LEC), the latter being a long-term monopoly utility in the transmission, distribution and supply of electricity nationwide. The company uses the excess fibre capacity owned by its parent company to provide fibre infrastructure on a per segment basis to licenced telecommunications operators in Lesotho.

The Company is a preferred vehicle for all large communications projects due to its extensive and highly reliable network.

LEC Communications (LECC) is wholesale telecommunications services provider registered and regulated by Lesotho Communications Authority (under Communications Act 2012). The company was established in 2015 due to identified need for secure long-haul fibre optic cable for connecting mainly district to district (with a good coverage within Maseru Metropolitan area). The company has been leveraging from LEC's 978km fibre optic network (mainly OPGW) and has setup four points-of-presence (PoP) across the country and an additional one in South Africa at Teraco Isando. LECC has also been working on network expansion hence acquired dual diverse connections between Maseru and Teraco (Isando, Johannesburg, South Africa) with a PoP and protected IP Transit, as an extension of our network for international interconnectivity enabling us to extend our services globally.

LECC completed its first FTTH at Ha Foso (in Berea district) in June 2023 covering 2.5 square kilometres (density = 368 houses/km2). We are working on a plan to cover approximately 4500 businesses across the country (major towns) with fibre optic distribution network (both passive optical and ethernet technologies), and 18 additional PoPs.

This report highlights LEC Communications' performance, achievements, and challenges throughout the fiscal year 2023/24. As we navigate through an ever-evolving landscape in the telecommunications sector, this report serves as a comprehensive overview of the company's financial standing, strategic initiatives, and the impact of our endeavours on both our company and our stakeholders. One will find detailed insights into the company's financial performance, including revenue growth, profitability metrics, investment strategies, and liquidity positions. Additionally, we will delve into key operational and capital highlights.

This report reflects the company's dedication to transparency, accountability, and excellence in all facets of its operations. As we look ahead to the future, we remain steadfast in our mission to provide reliable optic fibre and other communications infrastructure, maintaining value adding relationships with our stakeholders and to achieve the country's ICT developmental agenda.

Vision & Mission

VISION

To become a leader and partner of choice in the provision of nationwide access to communications infrastructure and broadband services.

MISSION

To provide reliable optic fibre and other communications infrastructure, broadband, and ICT services to wholesale users, maintaining value adding relationships with our stakeholders

VALUES

We shall in all our dealings demonstrate customer focus, bringing in efficient and innovative solutions that are sensitive to the needs of the society and environment, fair and accountable in all respects to the expectations of our various stakeholders.

3. CHAIRPERSON'S STATEMENT

I am honoured to present LECC's integrated annual report for the financial year 2023/24. The company was formed and licensed in 2015 as the subsidiary entity responsible for commercializing Lesotho Electricity Company (LEC)'s excess dark fibre capacity at wholesale level, providing optic fibre infrastructure on a segment-by-segment basis to licensed communications operators in Lesotho.

With about 960 km of fibre currently installed on LEC's powerlines across the country, LECC has since become the preferred vehicle for managing large communications projects due to its extensive and highly reliable optic fibre network, though its customer base is extremely limited as its Network Infrastructure License (NIL) allows it to only service other Network Services License (NSL) providers, and prohibits it from serving end-users directly. Thus, over time, the company has recognized that the restrictions associated with this wholesale license prevent it from competing with other industry players, thereby limiting its local growth.

For international linkages, LECC currently has contracts with four bandwidth suppliers based in Johannesburg, South Africa: Cogent, Afr-IX Telecom, Broadband Infraco (BBI) and Openserve. Cogent and Afr-IX supply LECC with internet bandwidth, while BBI and Openserve provide layer-2 transport services from Maseru Bridge to the LECC PoP at Teraco Isando and from Ficksburg/Maputsoe Bridge to Teraco Isando, respectively. Thus, LECC offers geographically diverse routes for resilience through Maseru and Maputsoe bridges and will soon include Van Rooyen's Gate (Mafeteng) and Caledonspoort (Butha Buthe).

While LECC's fibre network is extensive on a national scale, it does not extend into residential and commercial areas where it would be most beneficial for internet service providers (ISPs), mobile network operators (MNOs) and end-users. By adopting a purely wholesale model from the beginning, LECC has fostered a "blue ocean" environment where MNOs and ISPs are seen as clients rather than competitors. Nevertheless, LECC could gain a competitive advantage in deploying fibre more cost-effectively and efficiently by leveraging LEC's Low Voltage (LV) pole infrastructure. Recent infrastructural investments such as the pilot fibre to the home or business (FTTx) project at Ha Foso have faced teething operational challenges largely stemming from high dependence on other providers to reach this customer base, with slow customer uptake that impacted profitability.

Critically, as LECC entered its fourth three-year strategic planning phase (2023/24 – 2025/26), the Board and Management has reflected on its business model and decided to turnaround / rectify this situation by diversifying its product offerings and revenue streams to decrease its dependency on dark fibre revenues, leveraging its extensive fibre network and pole infrastructure to provide flexible managed bandwidth services across various tiers in Lesotho's communications market. These factors led to a forward-looking strategy for financial sustainability built around government alignment, brand positioning, continuous learning and key access network expansion initiatives of increasing bandwidth-related revenues through broadband internet and open-access network, leased point-to-point layer 2 lines, IP Transit (IPT) and dedicated internet access (DIA) services.

The year 2023/24 marked the first year of implementation of the turnaround strategy. While developing additional products, a shortage of distribution networks (needed to deliver services to end users) emerged as a significant issue, prompting the conception of the Nationwide Fibre Distribution Network project (currently being assessed for financial support by the African Development Bank (AfDB) under the Ministry of Finance and Development Planning), to be supported by the 96-km optical ground wire (OPGW) fibre link from Roma to Thaba-Tseka (whose construction is about to commence under the Ministry of Communications' e-Government initiative). The two projects are expected to provide an estimated 918 km expansion of fibre and addition of 18 more points of presence (POPs) across all major towns and centres across the country which will be acquired over a five-year period. The products to be offered include dark fibre connections, point-to-point connections, dedicated internet connections, broadband (internet/open-access network) connections, fibre pole attachments, and Software-Defined Wide Area Network (SD-WAN) in the future. These developments have necessitated LECC to enhance its business model by targeting both wholesale and retail markets. Hence the Board has strategically resolved to add the NSL, which also allows participation in the retail market, to the LECC's existing NIL.

The LECC Board of Directors, as the governing body, is tasked with oversight of corporate governance within the company and continues to comply with best practices such as the King IV Code and the Mohlomi Code of Corporate Governance. The Board is committed to setting the right tone at the top and has adopted the values of Ethical Leadership and Accountability, Customer Centricity, End-user Centricity, and Budget Prudence. Our Board Charter has been revised and Committees reviewed to effectively and efficiently incorporate risk management under Finance, Audit & Risk Committee (FARC), ethical internal culture under the Nominations, Remuneration & Human Resources Committee (NRHRC), and sustainability under the Technical, Operations & Sustainability Committee (TOSC).

I would like to thank our dedicated staff, our valued customers, our sole shareholder (LEC) and all stakeholders for their continued support to the LECC's mandate, vision and mission. Special recognition also goes to my fellow directors and part-time company secretary in the board for their commitment our business, always acting in the best interests of the company. Going forward into the remaining two years of the turnaround strategic plan, we are eagerly expecting improved national access network, commercial growth, customer experience and financial sustainability.

Thank you.

Prof. Leboli Zak Thamae
Board Chairman

4. GOVERNING BODY

The Governing Body of LEC Communications adheres to strong corporate governance as a key driver for fulfilling its mandate. The Board continuously reviews governance structures to ensure a focus on strategic objectives, efficient resource use, risk management, and transparent accountability for stakeholders. Throughout the year, the Board emphasized improved financial performance and optimized operations, particularly in response to advancements in the technological sector.

4.1 BOARD COMPOSITION

The Board of Directors is appointed by the parent company, Lesotho Electricity Company (LEC), as per Regulation 8, and consists of four non-executive Directors and one Executive Director. During the 2023/24 period, the Board was comprised of:

Prof. Leboli Thamae
Non-Executive Director
(Chairman)

Ms. Moratuoa Hlongwa
Non-Executive Director

Mr. Seforo Mohlalisi
Non-Executive Director

Mr. Mohlomi Seitlheko
Non-Executive Director
(Newly Appointment- Nov '23)

Mr. Tšeliso 'Mokela
Managing Director

Ms. Nthabiseng Motjolopane
Company Secretary

Mr. Mohato Seleke – *Non-Executive Director* *(Appointment ended- Jun '23)*

4.2 Board Committees

The Board is supported by three key committees to execute its duties: the Nominations, Human Resources & Remuneration Committee; Finance, Audit & Risk Committee; and Technical, Operational & Sustainability Committee. These committees oversee critical aspects of governance, financial oversight, human resource management, and operational strategy.

Membership of Committees

Nominations, Human Resources & Remuneration Committee
This committee assists the Board in recruitment, retention, and rewarding of executives and staff, as well as the orientation, development, and evaluation of directors. Its members are:
1. Prof. Leboli Thamae (Chair of the committee)
2. Ms. Moratuoa Hlongwa
3. Mr. Tšeliso 'Mokela

Finance, Audit & Risk Committee
The Finance, Audit & Risk Committee ensures structured oversight of governance, risk management, internal controls, and financial reporting. Its members include:
1. Ms. Moratuoa Hlongwa (Chair of the committee)
2. Mr. Seforo Mohlalisi
3. Mr. Tšeliso 'Mokela

Technical, Operational & Sustainability Committee
This committee focuses on the company's technology strategy, operational efficiency, and investment in innovation, as well as managing operational risks such as cybersecurity and business continuity. Its members are:
1. Mr. Seforo Mohlalisi (Chair of the committee)
2. Prof. Leboli Thamae
3. Mr. Mohato Seleke (Appointment ended- Jun '23)
4. Mr. Mohlomi Seitlheko (Newly Appointment- Nov '23)
5. Mr. Tšeliso 'Mokela

The Board's structure and its committees ensure that LEC Communications operates with strategic oversight, driving the organization's long-term success while safeguarding its resources and reputation.

5. MANAGING DIRECTOR'S STATEMENT

This report reflects the company's performance during the financial year 2023/24, marking the second year of our three-year strategic plan. Central to this strategy are key pillars: financial sustainability, government alignment, network expansion, brand positioning, and continuous learning. These priorities are focused on establishing robust telecommunications backbone infrastructure and making high-quality services accessible to ensure Lesotho's active participation in the global digital economy.

In financial year 2023/24, LECC achieved outstanding operational performance, with our network maintaining a 99%-line performance and 100% bandwidth uptime, demonstrating the highest standards of service delivery. This level of excellence underscores our commitment to providing reliable telecommunications infrastructure. Where challenges arose, our technical team responded swiftly, ensuring that service levels remained uncompromised.

On the financial front, LECC has entered a phase of improvement. Revenue grew by 6%, and the company reported a net profit of LSL 969,652, a significant recovery from the previous year's LSL 142,167 loss. While we still recorded an operating loss, a 54% improvement in operating activities is highly commendable. Additionally, the revaluation of assets increased our asset base to LSL 56,141,166, marking a 49% growth.

A major achievement this year was the completion of the FTTx project at Ha-Foso, a LSL 8 million investment. This project has the potential to connect 960 homes and businesses, providing scalable and reliable Gigabit Passive Optical Network (GPON) services. The infrastructure also equipped LECC employees with invaluable skills for the upcoming National Distribution Network construction. However, despite optimistic projections, there has been no uptake to date, and management is working diligently on strategies to stimulate demand.

Externally, LECC's network strength was recognized when we won a LSL 2 million per annum tender with the National University of Lesotho (NUL). Unfortunately, the project fell through at the awarding stage due to a licensing restriction. As a result, LECC has decided to pursue a retail license in the upcoming year, which will provide greater market flexibility and unlock new revenue streams, particularly supporting the uptake of FTTx.

In line with our access network expansion strategy, LECC has collaborated with the government to roll out a National Distribution Network (NDN) project. This initiative aims to optimize existing infrastructure and provide fibre access across Lesotho, promoting social and economic growth. The NDN project will enhance LEC's control over substations, enable the integration of smart grid technologies, and modernize the country's power distribution network. Additionally, the NDN aligns with Lesotho's National Strategic Development Plan II (NSDP II), directly contributing to the development of ICT infrastructure. At year-end, the project received approval from the Ministry of Finance and Development Planning, and the African Development Bank has been identified as a potential funder.

Internally, our Performance Management System, introduced two years ago, continues to deliver positive results, with all employees achieving a performance score of at least 3 out of 5. This demonstrates that our workforce is fully aligned with LECC's goals, driving our success. Unfortunately, we experienced a setback with the loss of our Senior Accountant, which left the critical position vacant for five months. However, the recruitment process concluded successfully, and the new Senior Accountant will start in the upcoming year.

LECC's future growth looks promising, especially with the continued support of strategic partners like Econet Telecom Lesotho, Vodacom Lesotho and Comnet Lesotho, who have shown confidence in our capabilities to meet their expansion needs.

Finally, I would like to take this opportunity to extend my sincere gratitude to our dedicated employees, management team, Board of Directors, shareholders, customers, and stakeholders for their unwavering support. Your contributions have been instrumental in our success, and I look forward to working together to achieve even greater milestones in the coming year.

The following sections of this report highlights activities which were carried out by the company during the reporting period.

Thank you.

Mr. Tšeliso 'Mokela
Managing Director

5.1 TECHNICAL, OPERATIONS & PROJECTS

The Technical department, under the skilled leadership of Mr. Thabiso Nthathakane, comprises a dedicated team that includes a Telecommunications Engineer, a Fibre Optic Technician, and two Network Operations Centre Technicians. Together, they ensure the seamless delivery of high-quality technical services.

5.1.1 TECHNICAL & OPERATIONS

LECC proudly operates an extensive fibre network spanning over 1092km across the Mountain Kingdom, with two redundant and geographically diverse transport links to Teraco in Johannesburg and two redundant IP transit links. This network enables LECC to provide its customers access to reliable dark fibre, enterprise grade internet access and point to point connections within the country and beyond.

LECC has a back-bone network that spans 8 of the 10 districts (Thaba-Tseka and Qacha's Nek not yet present). LECC has presence at two internet exchange points, one being NAPAfrica which is based at Teraco's Data Centre, while the other is the Lesotho Internet Exchange Point (LIXP) where cross connections between global and local internet service providers occurs. By leveraging industry-leading networks, LECC ensures that its customers enjoy seamless, high-speed access to global content, connecting them to the world with unmatched reliability and speed.

Throughout the fiscal year April 2023 to March 2024, LECC remained focused on expanding, maintaining, and enhancing its network infrastructure to ensure robust performance and uninterrupted service availability for our clients. Continuous network monitoring systems provided real-time data, enabling our technical team to manage bandwidth utilization effectively. This proactive approach helped maintain high uptime across all major transport links, allowing LECC to deliver on its promise of reliability and superior performance.

Our efforts in network expansion are not limited to the present; LECC has outlined ambitious plans to extend its coverage across Lesotho, further connecting underserved regions. The map below illustrates the existing fibre coverage, as well as the planned routes for future expansion. These projects form a key part of LECC's commitment to ensuring that reliable, high-speed broadband becomes accessible to all regions in the country.
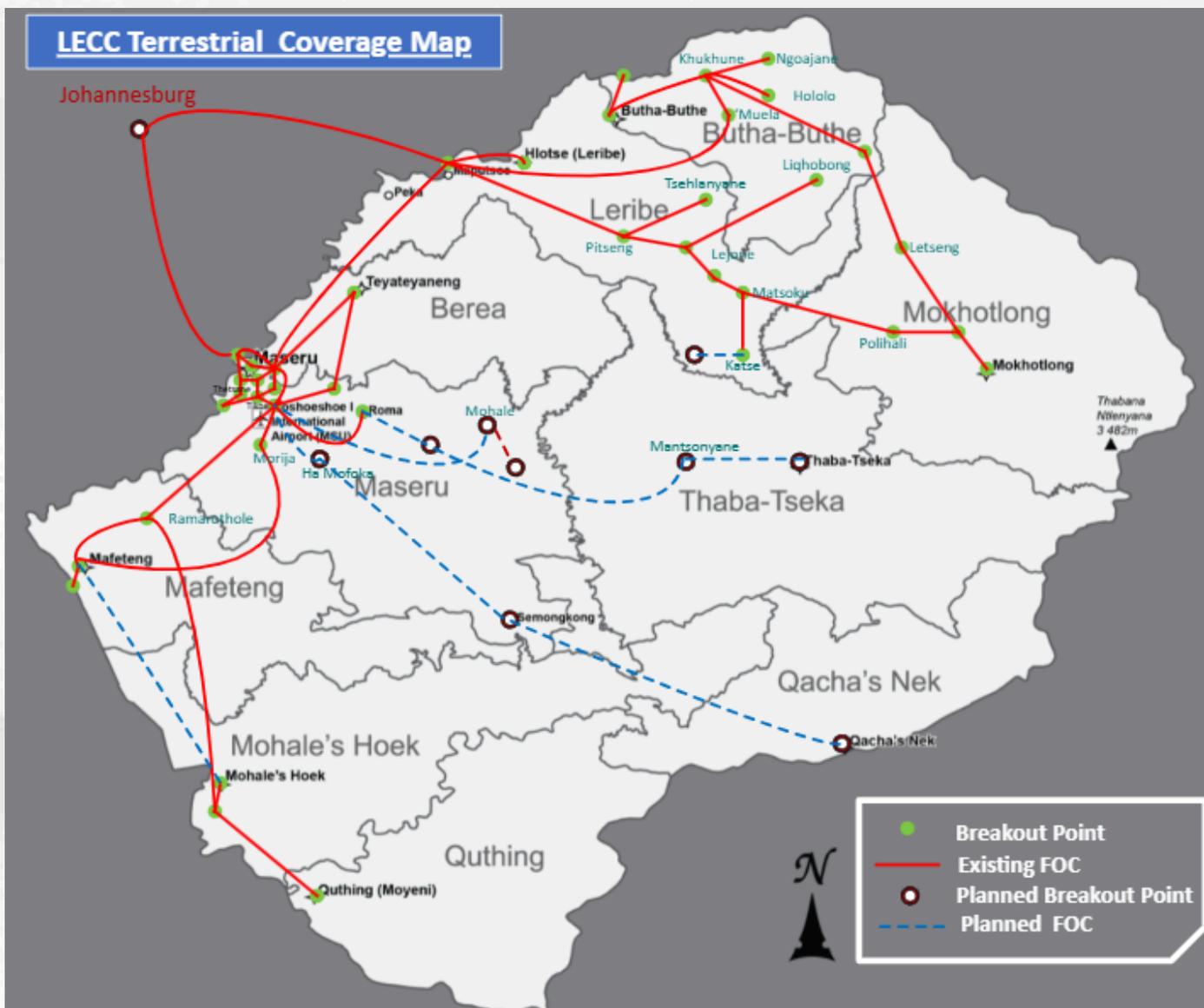
Network Monitoring and Management

LECC employs SNMP and syslog for real-time network monitoring, management and diagnostics, ensuring proactive detection of issues across its infrastructure. These systems provide continuous visibility into device health, performance, and security, minimizing LECC's downtime through graphics, reports and active service level monitoring. LECC monitors and controls over 50 of its core devices while also monitoring FTTx network interfaces of our customer services.

Capacity Planning and Network Optimization

Currently LECC has been allocated 1024 IPv4 public IP addresses and $2^{(128-32)}$ IPv6 addresses through the African Region Internet Registry (RIR) also known as AFRINIC. LECC has used only 25% of its iPv4 block through careful network planning that has been designed to be fault proof, scalable, and next-generation networks ready.

Effective implementation of virtual local area networks, use of multipaths to networks, route optimizations using dynamic network and routing protocols, and bi-lateral peering of content delivery networks (CDNs), (eg.META, AKAMAI, GOOGLE and Multichoice), use of high bandwidth devices and links enable optimal network use.
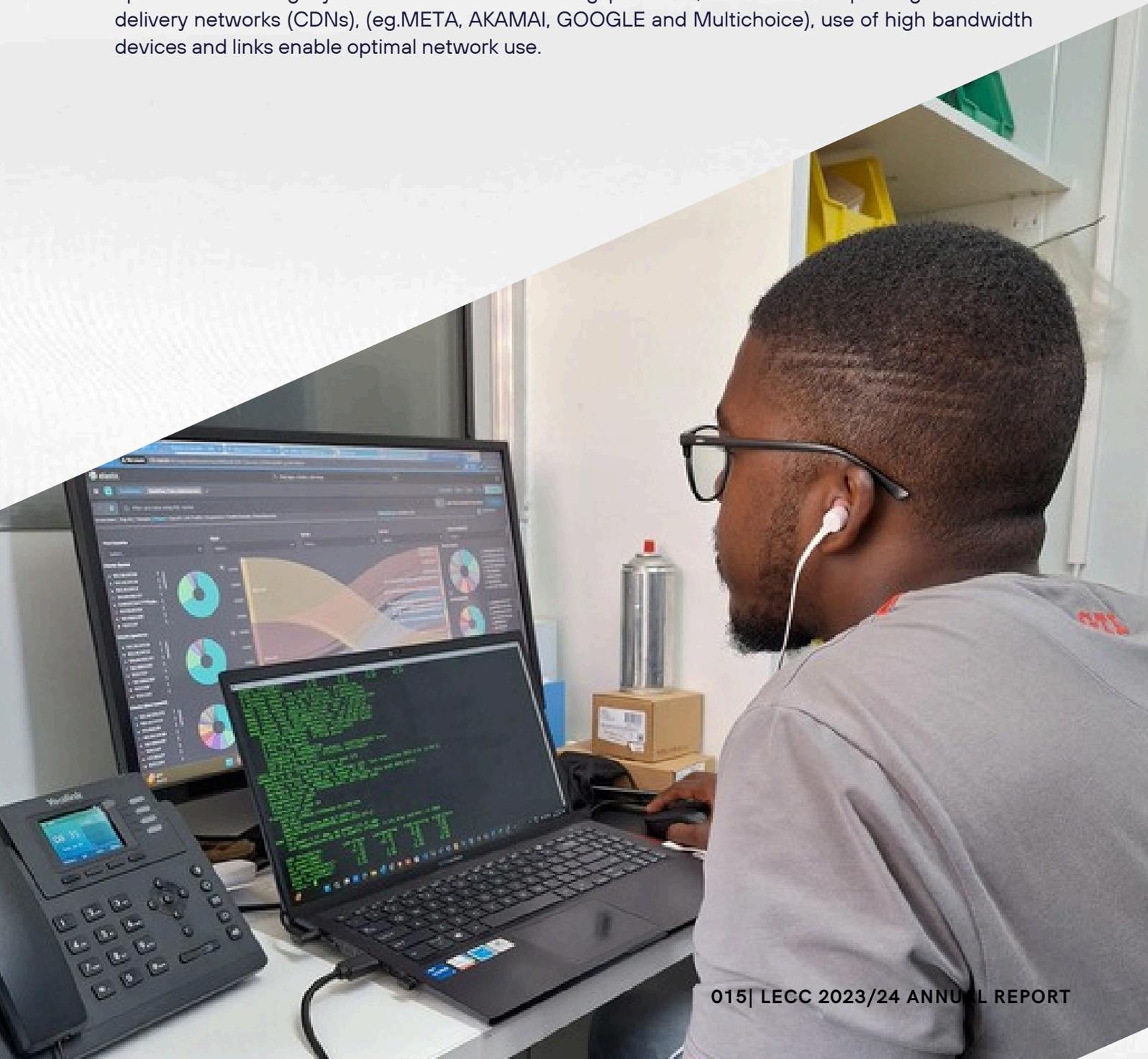
Links Utilization

Link Performance

LECC continues to outsource two network links, both of which demonstrated solid performance. Their reliability ensured minimal disruptions for our clients, with no simultaneous outages across our links, thereby maintaining the highest service standards to achieve the company's mission. The first link, despite a 14-hour outage in March, maintained an average uptime of 97.91% for the year, with peak bandwidth reaching 221.08 Mbps in February. The highest recorded upload was 74.16 Mbps, and download utilization peaked at 241.72 Mbps in October.

The second link faced outages in January and February but still achieved an average uptime of 98.45% in February and 99.68% in March. Peak utilization was 242.58 Mbps in March, reflecting growing demand. Overall, a comparative analysis showed the first provider outperformed the second in stability and uptime, with averages of 99.26% and 98.79%, respectively.

LECC's upstream traffic followed in expected patterns, but a configuration adjustment in March 2024 enhanced the symmetry of our traffic flow, further optimizing overall network performance.

Notable Link Performance Issues

Underwater Sea Cable Outage

In March 2024, LECC faced a significant challenge when a suspected underwater rockslide off the coast of Côte d'Ivoire disrupted the WACS (WIOCC), ACE/EIG, and Equiano submarine cables, managed by our uplink transit provider. Despite the severity of this incident, which could have caused widespread service disruption, LECC's strategic and robust network design truly shone through.

LECC swiftly and seamlessly rerouted traffic to an alternative uplink provider, ensuring minor interruptions of service to clients, including critical routes to Microsoft. This decisive action not only mitigated the impact but also showcased the resilience and reliability of the infrastructure. By 21 March 2024, full service was restored, reaffirming the company's commitment to excellence and ability to navigate even the most challenging situations with precision and efficiency. The performance during this period stands as a testament to LECC's unwavering dedication to operational excellence and relentless pursuit of delivering superior service to clients.

OPGW Cable Breaks

- An OPGW cable break affecting communication between customer nodes between 'Muela and Khukhune substation on the 29th May 2023 at around 1020hrs was recorded. The fault was caused by a fibre optic cable break within a joint box following maintenance works of LEC infrastructure by LEC.

- OPGW cable break that occurred on the 25th September 2023 between Mazenod Tx Substation and Ha-Ramarothole Substation affecting customer communications during the introduction of the Ha-Mofoka Substation. The fault was caused by a contractor deviating from their scope of work and prematurely cutting the OPGW cable between the two substations.

5.1.2 PROJECTS

At the heart of LECC lies a commitment to transforming Lesotho's digital landscape through innovation, resilience, and forward-thinking infrastructure. Every project we undertake is designed not only to enhance our network but also to drive national progress, foster economic growth, and bridge the digital divide.

Through strategic network upgrades, we are addressing critical vulnerabilities while ensuring that our infrastructure meets the ever-growing demands of a digital economy. By expanding fibre links, increasing bandwidth, and implementing cutting-edge technologies, we are building a robust foundation that empowers communities, businesses, and institutions to thrive.

Our initiatives go beyond connectivity, LECC is playing a pivotal role in advancing Lesotho's economic and social development. Each project is a step toward a future where digital transformation is not just a possibility but a reality for everyone.

Network Development Projects

CORE NETWORK UPGRADE

During this period, LECC has planned and commenced the upgrade to its core network by adding additional routers to not only mitigate against current single points of failure risks in the network, but to also enhance network capacity by introducing powerful routers with the ability to forward over 2 million IPv4 unicast routes and provide greater bandwidth capabilities that surpass or match the increasing demand of customers. The configuration and deployment of these routers are anticipated to be completed before the end of the second quarter of the 2024/25 financial year.

DIVERSE FIBRE ROUTES

Additionally, LECC has identified the need for diverse fibre routes from Mabote to LECC Offices. In response, the company has been actively exploring an alternative route via the recently constructed Pioneer – Highway OPGW link. Implementing this route will allow LECC to establish a ring within the Maseru metropolitan area, significantly reducing the risk of critical network failures. By diversifying its fibre routes, LECC aims to enhance the reliability and resilience of its network infrastructure, ensuring continued service availability and improved network performance.

STORAGE CAPACITY

Additionally, storage capacity for virtual machine backups and snapshots has been expanded, these upgrades are intended to meet LECC's increasing demands for virtualization, improve system stability and reliability, and ensure that the infrastructure is future proof.

INCREASING BANDWIDTH ON BACKHAUL

One of the company's objectives when it replaced its Coriant switches with BDCOM switches was to increase the bandwidth of LECC's backhaul network from 10Gbps to 40Gbps. This upgrade aimed to provide the company with the necessary capacity to operate its critical systems, such as storage replication between Mabote and LECC Offices, and create additional spare capacity for future customer growth. However, during the switch commissioning process, the technical team faced a challenge with the uplink between the LIXP and Mabote switches. The intended 40Gbps SFPs could not establish a stable connection, prompting the use of 10Gbps SFPs as a workaround. Fortunately, this issue was resolved in September by implementing an alternative direct link from LEC Border Substation to Mabote Substation.

RING NETWORK PROTECTION

LECC has successfully deployed Ethernet Ring Protection Switching (ERPS) technology across its network nodes in the financial year in question, a key protocol defined by the ITU-T to enhance fault tolerance within Ethernet networks. This implementation, alongside other high-availability options such as Ethernet Automatic Protection Switching (EAPS), ensures network resilience and reliability by leveraging ring topologies. These technologies provide LECC with the ability to maintain uninterrupted services, even in the event of a network failure, further strengthening the robustness of its infrastructure.

NETWORK RECOVERY

LECC has implemented a dedicated server designed to automatically capture and store equipment configurations regularly. This allows for swift uploads into replacement equipment in the event of a failure or an upgrade, minimizing service disruptions. Additionally, the server collects mission-critical data from LECC's production servers, creating a secondary backup to ensure seamless data recovery in case of server failures, further enhancing the resilience and reliability of LECC's operations.

IPV6 ADDRESS BLOCK ALLOCATION

LECC has been allocated a /32 IPv6 address block by AFRINIC, marking a major leap forward in our network infrastructure. This upgrade ensures we have a virtually limitless supply of IP addresses, positioning us to handle future growth and embrace cutting-edge technologies like IoT, smart cities, and advanced mobile services. With this allocation, we're not just keeping pace with the digital era—we're leading it, ensuring faster, more efficient network routing and setting the stage for groundbreaking innovations.

The adoption of IPv6 also aligns LECC with global standards, making us one of the few providers in Lesotho to fully integrate this technology. As we prepare to activate these addresses with the installation of new routers, we're not only fulfilling AFRINIC's requirements but also paving the way for enhanced connectivity and a richer user experience.

FOSO PPPOE SERVER

A PPPoE server has been successfully deployed at the Mabote site to enable reseller ISPs to provide internet services within the Foso FTTx area. LECC has successfully onboarded Focal Point as a reseller ISP however they have not yet started marketing or acquiring customers in the area.

NEW LINK PROJECTS
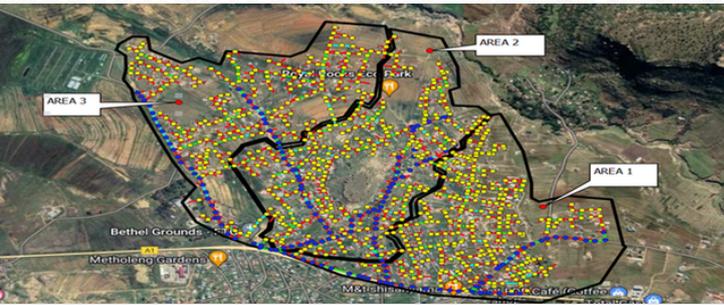
FTTH design area showing the 3 areas as classified by the black boundaries. Yellow dots represent 7m poles. Blue dots represent 9m poles.

Two Completed Diverse 96F feeder line from Mabote substation to LEC's MS07 minisubstation at Ha Foso. Along the path is MS01 on the 11kV line 1 path (4.7km) and MS06 on the 11kV line 2 path (5.7km).

Picture of LECC's outdoor cabinet on a concrete slab at LEC's Ha-Foso substation.

FOSO FIBRE-TO-THE-HOME /BUSINESS / NODE (FTTx)

In the reporting year, LECC successfully completed the FTTx infrastructure rollout at Ha-Foso and between Mabote and Ha-Foso. This strategic investment significantly expands LECC's network coverage, bringing high-quality broadband access directly to residential homes and businesses in the Ha-Foso area and nearby neighbourhoods. By enhancing connectivity, the Ha-Foso FTTx project not only supports digital inclusion but also positions LECC as a key enabler of modern, high-speed internet access for an estimated total of 900 potential households and businesses alike.

This FTTx project has also opened opportunities and collaborations with various registered internet service providers (ISP). Successful integrations of two ISPs have been implemented at this area, with LECC unable to offer any services directly to end-users due to license restrictions.

Maputsoe - Polihali - Katse Link

A 48-core fibre optical ground wire (OPGW) link originating from LEC's Maputsoe Substation to LEC's Katse Substation and Polihali Substation has been constructed, tested, and confirmed to be operational. This link has been terminated at all LEC substations along the route being Maputsoe, Pitseng, Ha Lejone, Katse Intake, Matsoku, Polihali, and Katse Substation on 132kV and 66kV electrical power lines with a total link distance of approximately 140 kms. This link is intended to provide broadband services to the Lesotho Highland's Development Authority (LHDA) sites. LEC and LEC Communications have been allocated twelve (12) pairs each on this link. LECC will use its cores to provide dark fibre services, leased line services, and other broadband services. China-Unicom

Preliminary confirmation that the ring network between Tlokoeng Substation and Polihali Substation that will link Polihali to the rest of Mokhotlong and Butha-Buthe has been made. This link traverses through the Polihali Business Centre. This link also completes the ring network in the north-western part of the country. LECC's technical department has scheduled a confirmation and data acquisition trip to this site following resumption of safe travelling conditions, that is, when snow conditions have subsided. Attached in the appendix below is the geographical layout of the network.

Mazenod – Mofoka – Ramarothole

An introduction of a new substation at Ha-Mofoka that is located between Mazenod and the Ha-Ramarothole substation has improved connectivity between these two substations. The introduction of an alternative/diverse route between these two substations has not only improved the network resiliency of LECC's network, but significantly improved potential network capacity in the southern part of Lesotho. In progress 48 new fibre pairs waiting for Mazenod to be connected, Mofoka & Ramarothole done.

Roma – Thaba-Tseka OPGW Link (African Development Bank)

The Lesotho government, through a loan from the African Development Bank as part of the eGovernment Infrastructure Phase II Project, is advancing its goal of enhancing digital finance and financial inclusion. This initiative aims to expand reliable digital services, particularly in rural and underserved areas, by increasing data-enabled coverage.

A pivotal aspect of this project is the construction of a 96km Optical Ground Wire (OPGW) fibre network, which stretches from Roma (Maseru) to Thaba-Tseka, with Points of Presence (POPs) at Mantšonyane and Thaba-Tseka substations, and multiple drop-offs at strategic locations including Nazareth, Molimo Nthuse, Thaba Putsoa Pass, Mohale Dam, Marakabei, and 'Nyane.

The OPGW network is essential for improving mobile data service quality for end users in these remote regions, providing them with much-needed connectivity and access to digital services.

During the reporting year, the project underwent a retendering process after the initial bids were rejected. The retender was restricted to the initial contractors, with additional support provided by the African Development Bank (AfDB). After thorough evaluation by the project panel, which included representation from LECC, a contractor was recommended to the Project Coordinator. The no-objection from AfDB was subsequently obtained, and the contract was awarded as per the evaluation panel's recommendation.

As of the end of the reporting period, the project had entered the negotiation phase following the tender award. The contracts are expected to be finalized and signed by mid-May. The project has an anticipated timeline of 10 months, although this will be confirmed with the submission of the updated project schedule. This project presents a significant opportunity for LECC to expand its network footprint, bringing enhanced digital services to underserved areas of Lesotho, and reinforcing LECC's commitment to bridging the digital divide in rural communities.

National Fibre Distribution Network Project

LEC Communications (LECC) has identified the National Fibre Distribution Network as a critical initiative to optimize the existing infrastructure across Lesotho, aiming to drive significant social and economic growth by providing reliable and affordable internet access. This infrastructure is not only vital for improving connectivity within the country but also for positioning Lesotho to compete in the global market, where robust digital networks are increasingly essential for economic participation and development.

Despite initial setbacks in securing funding, LECC remains steadfast in its commitment to this transformative project. Through ongoing engagement with the African Development Bank (AfDB), there is a strong possibility of future funding, subject to the completion of feasibility studies and environmental and social impact assessments.

These are key steps that will enable the project to move forward with confidence and strategic alignment.

The National Fibre Distribution Network will not only provide open access to broadband services for small and medium enterprises (SMEs), individuals, and service providers, but it will also enhance the control and monitoring of LEC's substations and mini substations. Additionally, it will support the implementation of smart grid technologies, contributing to the modernization and efficiency of Lesotho's power distribution network.

Additionally, The National Fibre Distribution Network Project is strategically aligned with the National Strategic Development Plan II (NSDP II) and directly addresses Intermediate Outcome 3.4, which focuses on enhancing the digital economy and ICT infrastructure.

Key Project Objectives

IMPROVE ICT ACCESS AND USE

- Facilitate the build-out and sharing of strategic ICT infrastructure to ensure widespread connectivity.
- Create a conducive environment that attracts more market players, fostering increased competition in the ICT market.
- Invest in the extension of LEC's optical fibre network to key strategic areas, promoting healthy competition in retail internet access services.
- Improve the penetration, pricing, and quality performance of the Fixed Broadband (FBB) market, making high-speed internet more accessible and affordable for end users.

IMPROVE DIGITAL ECONOMY UPTAKE

- Stimulate demand to increase broadband up-take, driving growth in internet services.
- Promote ICT literacy and encourage lifelong learning for citizens through e-learning and awareness programmes, working to bridge the digital divide across the country.
- Establish data centres or hubs that attract both local and international data storage, enhancing Lesotho's digital infrastructure.

Through this alignment, the project supports the nation's broader development goals by ensuring Lesotho's communication network is competitive, affordable, and widely accessible. This project is a cornerstone of LECC's efforts to create a competitive telecommunications landscape in Lesotho, fostering greater economic inclusion and advancing the country's infrastructure. By leveraging future funding from AfDB, LECC is committed to turning this ambitious vision into reality, ensuring that Lesotho benefits from a modern, efficient, and accessible communications network.

EFFICIENCY PROJECTS

TICKETING SYSTEM

LECC has implemented a ticketing system primarily for fault logging and tracking, ensuring efficient resolution of issues. Customers can initiate tickets by sending a query to the system email, enabling communication with the assigned agent. The system automates tasks like service connection requests and integrates with LECC's network management system to automatically open tickets for major network faults. The system manages service levels (SLAs), escalates tickets when necessary, and streamlines customer communication.
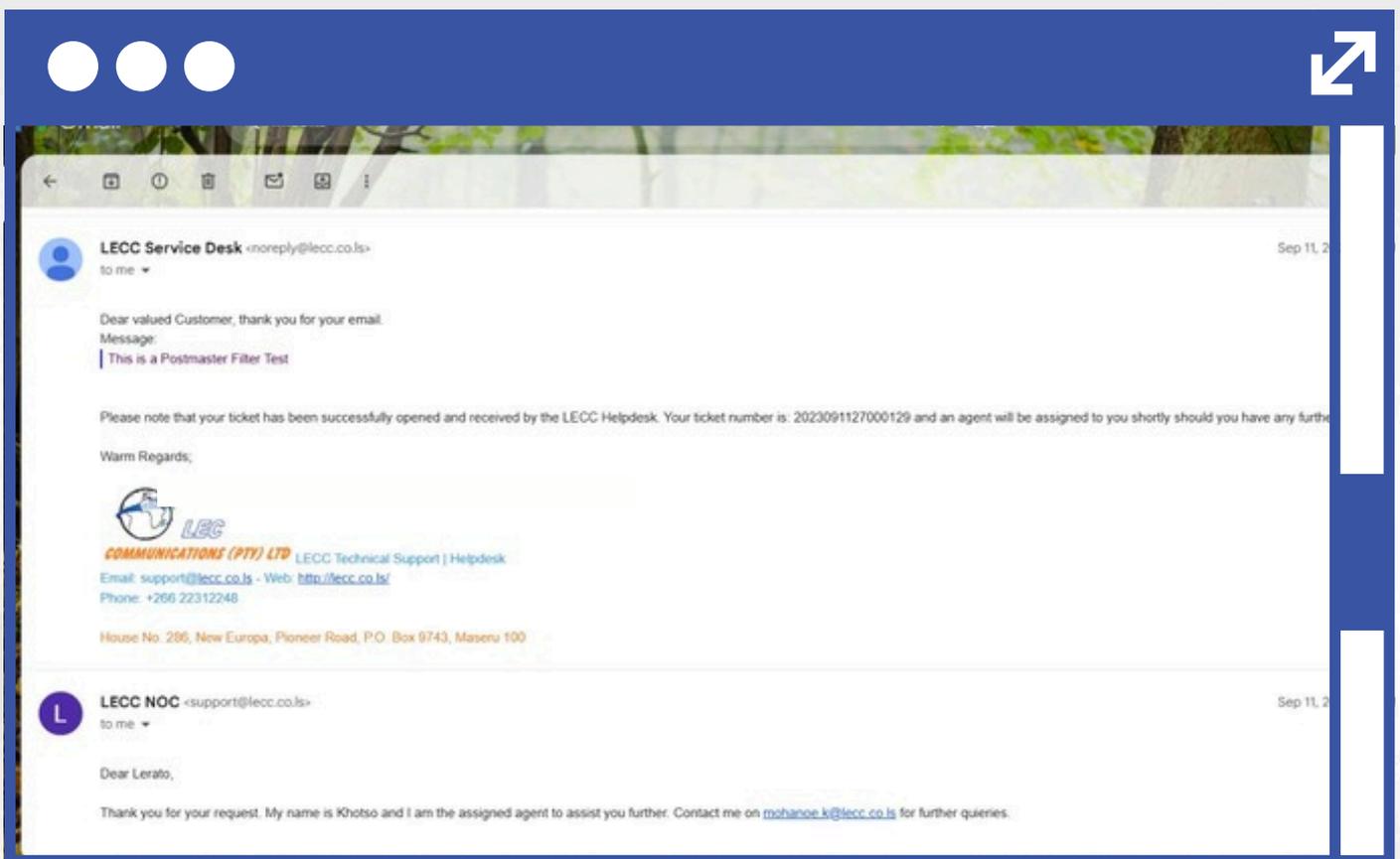
5.2 BUSINESS DEVELOPMENT

The Business Development of LECC has been expertly managed by the experienced Mr. Thabang Ramahlele, whose dedication to product diversification and brand strengthening has been instrumental in driving the company's growth and market presence.

5.2.1 PRODUCTS, SEGMENTS & BRAND POSITIONING

LEC Communications is passionately committed to becoming the leader and preferred partner in delivering extensive and affordable optic fibre infrastructure and fixed broadband connectivity. To realize this vision, the company has significantly expanded its product and service portfolio, evolving beyond dark fibre to a diverse range of solutions that cater to the needs of modern businesses and individuals. By offering affordable and widespread access, LECC plays a crucial role in advancing digital inclusion and information accessibility for end users in Lesotho.

LECC provides long- and short-term Indefeasible Rights of Use (IRU) contracts for dark fibre, offering a reliable and robust infrastructure built alongside LEC's power lines. This strategic integration ensures the highest levels of service reliability and resilience, as the infrastructure is less prone to disruptions caused by vandalism or harsh weather conditions—common challenges faced by competitors.

POLE ATTACHMENT

This exclusive service is available to dark fibre customers, allowing them to attach their fibre to LEC's 11kV distribution network poles. This strategic advantage simplifies deployment and minimizes costs for businesses, further expanding their network capabilities.

DARK FIBRE

LECC offers long- and short-term Indefeasible Rights of Use (IRU) contracts for dark fibre, providing a reliable and robust infrastructure built alongside LEC's power lines. This strategic integration ensures exceptional service reliability and resilience, reducing vulnerabilities to disruptions caused by vandalism or harsh weather conditions—issues often faced by competitors.

As part of this offering, LECC also provides an exclusive Pole Attachment service for dark fibre customers. This allows customers to attach their fibre to LEC's 11kV distribution network poles, simplifying deployment and minimizing costs. This strategic advantage enables businesses to expand their network capabilities efficiently while leveraging LECC's extensive infrastructure.

FIBRE-TO-THE-HOME /BUSINESS/NODE (FTTx)

FTTx is one of the newest and most exciting offerings by LECC. This fibre-based access network enables service providers to deliver high-speed internet connectivity directly to businesses and homes by connecting them to a central access point, known as an Access Node or PoP. With FTTx, customers benefit from a reliable and scalable network that brings connectivity right to their doorsteps, supporting the growing demand for high-speed broadband.

DEDICATED INTERNET ACCESS (DIA)

LECC's DIA is a premium internet service designed for businesses that require a direct, private connection to the internet. Unlike shared services where bandwidth is divided among multiple users, DIA provides a dedicated, high-speed connection exclusively for the client. This ensures consistent performance, reliable bandwidth, enhanced security, and seamless operations, making it the perfect solution for businesses that rely heavily on internet connectivity for critical operations.

POINT-TO-POINT (P2P) CONNECTIVITY

Point-to-Point (P2P) services offer dedicated high-speed fibre links connecting different locations, such as corporate branches, across separate geographical areas. These dedicated links ensure secure and efficient data transfers, whether for transmitting large volumes of data, supporting content streaming, or handling voice traffic. LECC's P2P solutions can be customized to meet specific client needs, supporting various technical setups, including Switched Ethernet, Dedicated Fibre, and Fixed Wireless connections. These secure, private connections enable businesses to operate with confidence, knowing that their data transmission remains separate from public internet infrastructure.

5.2.2 BRAND POSITIONING

As a wholesale provider of telecommunications infrastructure and services, LEC Communications (LECC) has successfully established a solid brand presence among Mobile Network Operators (MNOs) and licensed Internet Service Providers (ISPs). Our position in the market is built upon providing high-quality fibre infrastructure, competitive pricing, and exceptional reliability. By maintaining strong relationships with key industry players, LECC ensures that its network is a trusted and essential part of the digital ecosystem in Lesotho.

BRAND RECOGNITION

While LECC has been well-received by its industry partners, the company continues to face challenges with public recognition. A key issue is the similarity between LEC Communications and its parent company, Lesotho Electricity Company (LEC). Many people mistakenly perceive LECC as a department or subsidiary focused on LEC's customer relations, rather than recognizing it as an independent entity within the telecommunications industry. This has created some confusion in the market and limited the company's ability to build a distinct public identity.

Recognizing the need for clearer differentiation, LECC has initiated a comprehensive rebranding strategy aimed at creating a stronger, more independent identity in the telecommunications space.

The goal of this rebranding initiative is to establish a distinct brand presence that highlights LECC's unique role and contributions to the communications sector, separating it from LEC's core business of electricity generation and distribution. The rebranding process will include a new visual identity, a clear brand narrative, and focused marketing efforts designed to position LECC as a leader in the fibre-optic and telecommunications services market.

Significant progress has already been made in implementing this rebranding strategy, which will be rolled out over the coming years. This includes the creation of a new company logo, updated corporate materials, and a comprehensive communication plan to promote LECC's offerings to both current and potential customers. Once the new identity is fully operational, LECC will be better equipped to strengthen its position in the market, attract new partners, and grow its customer base.

WEBSITE REVAMP

LECC has also undertaken a major revamp of its website. Recognizing the importance of a strong digital presence, the company has embarked on a website revamp to ensure that it reflects LECC's innovative and forward-thinking approach to telecommunications. The new website design aligns with modern digital trends, improves user experience through intuitive navigation, and enhances interactivity to better engage visitors.

This revamp is more than just a design update. The new LECC website now serves as a comprehensive resource for both current and potential clients, offering detailed information about LECC's products and services. It provides an enhanced platform for product communication, enabling clients to easily access information about LECC's offerings, including dark fibre, point-to-point connectivity, and dedicated internet access. The new site also supports marketing campaigns, allowing LECC to showcase powering partners, and industry insights to reinforce its leadership position in the market.

Furthermore, the revamped website plays a crucial role in global stakeholder engagement. As LECC continues to expand its operations and engage with international partners, the website serves as a key tool for communicating LECC's value proposition to a broader audience. Through enhanced features like interactive maps the website helps LECC improve its service delivery and customer engagement.
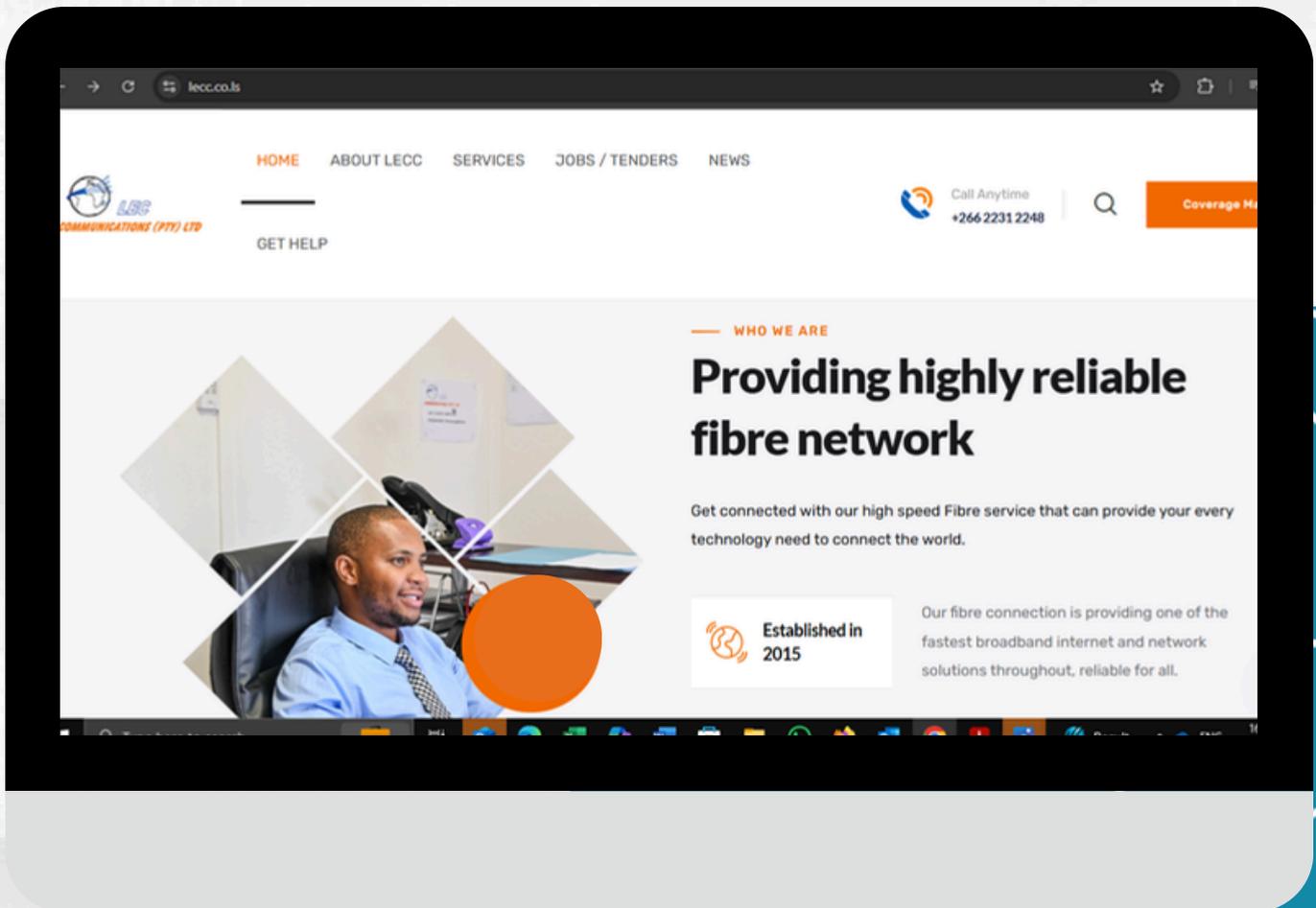
5.3 HUMAN RESOURCE MANAGEMENT & FINANCIAL PEFORMANCE

The Finance & Administration department, led by Ms. Rethabile Sekhiba, comprises an Accountant and a Human Resource and Administration Officer, forming a cohesive team dedicated to ensuring the efficient financial and administrative operations of LECC.

5.3.1 HUMAN RESOURCE MANAGEMENT

At LECC, human capital is recognized as one of the most critical drivers of long-term business success. As a result, the company is committed to implementing effective human capital management techniques to maximize the potential of its workforce, foster a culture of excellence and collaboration, and ensure a sustainable competitive edge. By investing in talent, skills development, and employee engagement, LECC creates an environment where individuals can thrive and contribute meaningfully to the company's growth and vision.

Continuous Learning Culture

A cornerstone of LECC's human resource strategy is the promotion of a culture of continuous learning. This is achieved through a blend of structured training programs and practical, hands-on experience. The company encourages employees to constantly upskill, aligning their capabilities with both current job requirements and the evolving demands of the telecommunications industry.

A notable example of this approach is the FTTx construction project, which provided the technical team with significant hands-on experience. Team members were able to apply and refine project management techniques, familiarize themselves with new technical processes, and gain valuable exposure to large-scale network deployment. The knowledge and expertise gained through such initiatives will prove invaluable as LECC expands its service offerings and continues its mission to provide cutting-edge telecommunications solutions. This eagerness to learn and adapt not only enhances the professional development of the team but also contributes to the company's ability to stay competitive in a fast-paced industry.

In addition to on-the-job learning, LECC has invested in several professional development programs. These include training in risk analysis, evaluation, and assessment, as well as advanced certifications such as the Project Management Professional (PMP) course and the Cisco Certified Networking Professional (CCNP) course. Such programs equip employees with the skills and knowledge required to tackle complex challenges and drive innovation within the company.

STRATEGIC WORKFORCE PLANNING

LECC has strategically opted to leave some key positions vacant until the business begins to see substantial revenue growth. This decision is part of a broader workforce management strategy aimed at maintaining financial flexibility while ensuring that the organization can still meet its operational needs with the existing workforce. The vacant positions will be filled as part of a phased approach, allowing LECC to optimize its human resource expenditures while adapting to changing market conditions. This approach ensures that when the time comes, LECC will have the financial capacity to attract and retain high-calibre professionals to fill those roles.
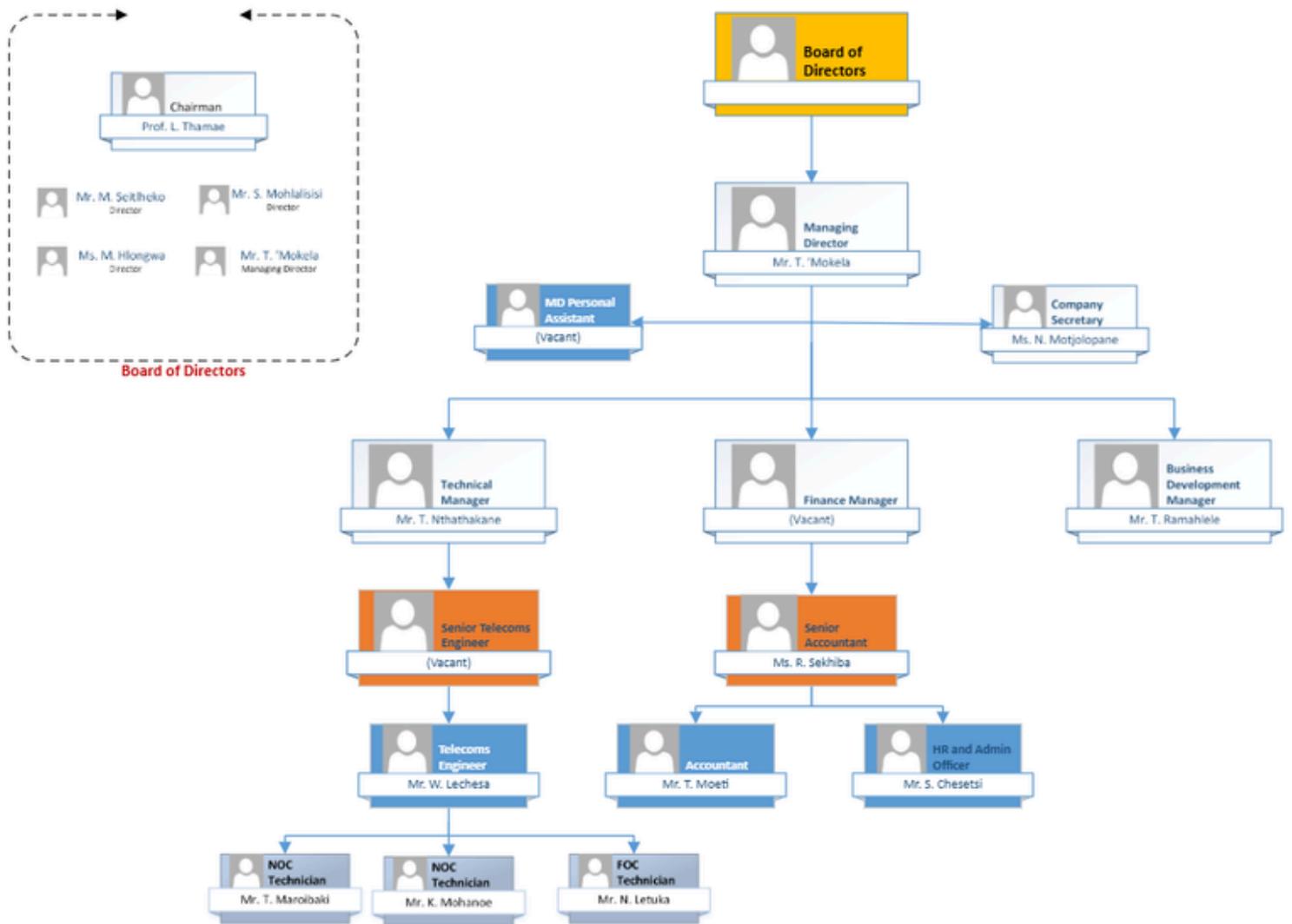
TALENT MANAGEMENT & PERFORMANCE MANAGEMENT SYSTEM

LECC takes pride in attracting and retaining top-tier professionals, offering a working environment that is both conducive and enabling. This focus on creating a positive work culture has resulted in a high retention rate, with employees showing long-term commitment to the company. The organization fosters a supportive atmosphere where employees are encouraged to take ownership of their roles, collaborate across departments, and pursue continuous improvement.

Throughout the financial year, LECC maintained a stable workforce, with minimal terminations and a focus on optimizing existing human resources. The ongoing review of LECC's workforce is designed to ensure that the right people are in place to meet both current and future demands. Vacancies will be filled strategically, allowing the company to continue growing sustainably.

As part of its talent management strategy, LECC regularly conducts performance reviews to ensure that all employees are aligned with the company's goals and standards of excellence. These reviews help identify individual strengths and areas for development, providing employees with clear feedback and the motivation to excel. By setting transparent performance expectations, LECC fosters a results-driven culture that encourages accountability and continuous growth. Additionally, the performance management system keeps everyone motivated, as employees are made aware of what is expected of them, allowing them to perform at their best. The system uses a scale from 1 to 5, where 1 represents unacceptable performance, 3 is fully effective, and 5 signifies outstanding performance. Impressively, all employees have achieved a rating of 3 or above, demonstrating their commitment and alignment with the company's strategy.

5.3.2 FINANCIAL PEFORMANCE

## AUDIT REPORT

MODIFIED OPINION

The Auditor General's annual audit serves to ensure that the company's financial statements accurately reflect its financial position in accordance with accounting standards, governance principles, and legal requirements. For the fiscal year 2023/2024, the Auditor General issued an adverse opinion for LECC's financial statements.

This outcome, the first modified opinion since LECC's establishment in June 2015, was a result of the timing of the validation for the LEC–LECC loan conversion into an asset. While the asset transfer was properly executed, the necessary confirmation from LEC was submitted late, which prevented the auditors from fully validating the transaction during the audit period.

It is important to note that this issue has now been fully resolved, with the asset transfer officially confirmed and validated. Moving forward, this resolution ensures that similar concerns will not arise in future audits. Despite this year's adverse opinion, LECC remains committed to upholding strong financial management practices, improving internal processes, and maintaining the transparency and integrity that have defined its operations.
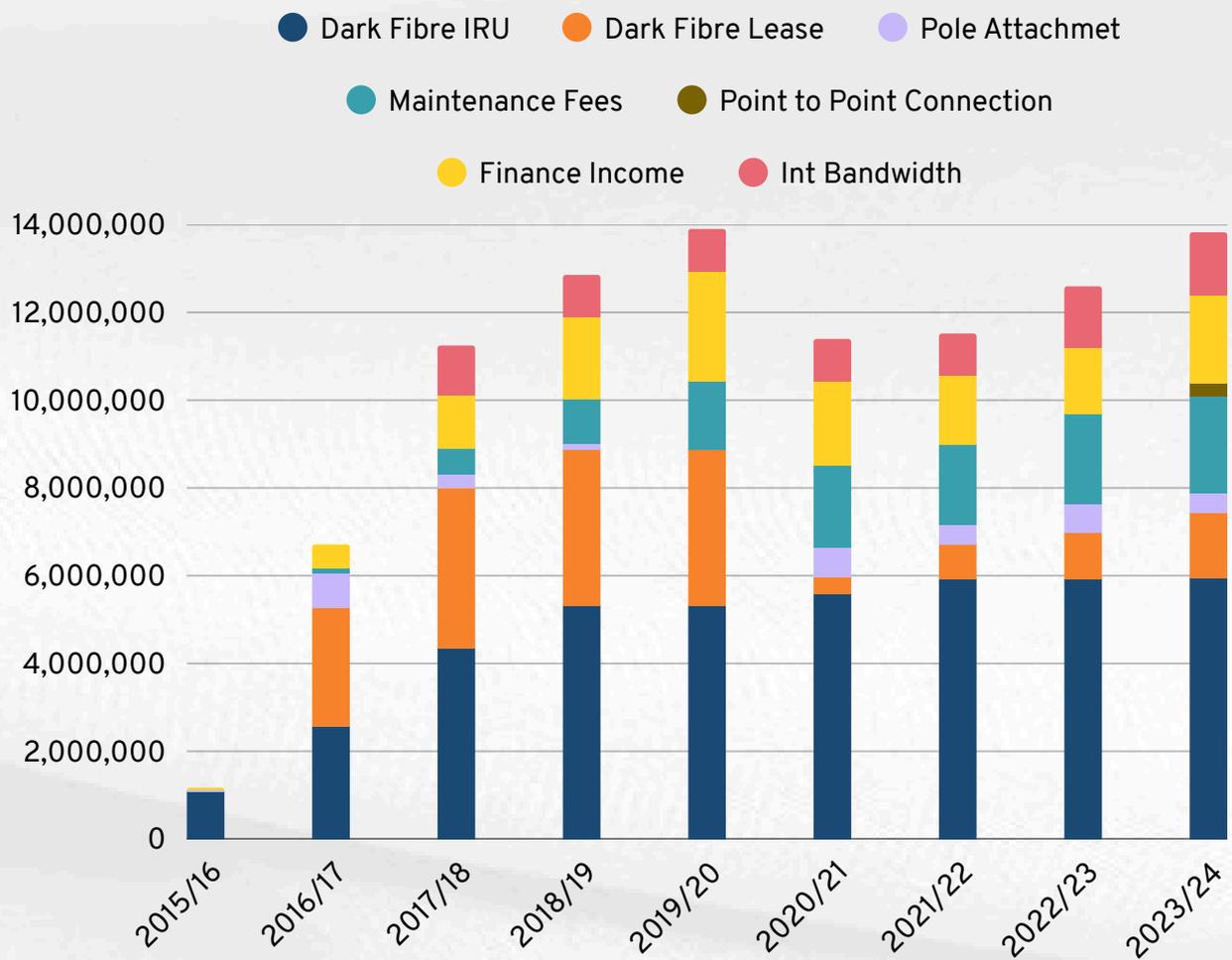
OVERALL FINANCIAL PEFORMANCE

LECC's financial performance has evolved dynamically over the years, marked by periods of strong growth, challenges, and a recent recovery. Income steadily increased, peaking in 2019/20 before experiencing a downturn in subsequent years due to rising expenses and market conditions. However, 2023/24 saw a notable rebound in revenue and profitability, reflecting the impact of diverse income streams and improved cost management. With EBITDA and net profit showing signs of recovery, LECC is positioned for sustainable growth. Moving forward, the company remains focused on expanding its high-value services, optimizing operational efficiency, and leveraging strategic partnerships to drive long-term success.
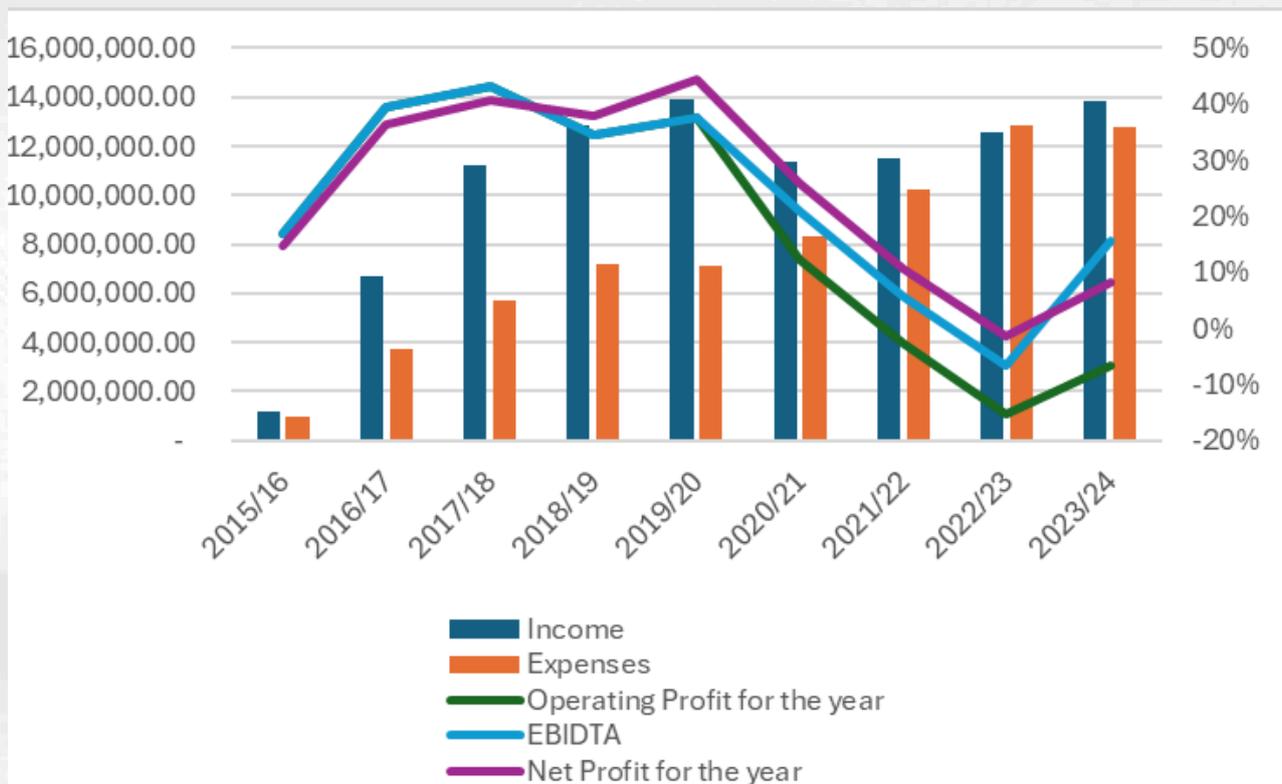
INCOME

This year, LECC recorded an income growth of 6%, lower than the previous year's 12% but 1% above budget.

Income performance over the years is illustrated below:

Legend:
- Dark Fibre IRU
- Dark Fibre Lease
- Pole Attachmet
- Maintenance Fees
- Point to Point Connection
- Finance Income
- Int Bandwidth

Dark Fibre IRU continues to be LECC's primary revenue driver, contributing the largest share of total revenue and forming the backbone of the company's financial stability. This product has consistently been LECC's top performer. Despite competition from other operators with extensive fibre infrastructure in the region, LECC maintains a competitive advantage due to the superior reliability of its infrastructure, which is integrated with LEC's power lines. This strategic placement minimizes disruptions, unlike competitors whose networks are more vulnerable to vandalism and adverse weather. To ensure continued growth in this service, LECC is collaborating with key stakeholders to develop the National Distribution Network, which will serve as the backbone for seamless internet access across the country.

The Dark Fibre Lease product, similar to Dark Fibre IRU but with shorter contract terms, saw a decline in 2020 due to the loss of a major contract during the COVID-19 pandemic. However, the product rebounded in 2024, with new contracts secured towards the end of the year. The full financial impact of these contracts will be reflected in the upcoming fiscal year.

LECC also introduced International Bandwidth and Point-to-Point (P2P) services to diversify its offerings. While P2P saw its first customer uptake this year, international bandwidth revenue was constrained by delays in the handover of the OPGW fibre link from Maputsoe to Polihali, built by LHDA. This link is in high demand from contractors working on the Polihali Dam. LECC is looking forward to the handover of this infrastructure, which will allow the company to meet this growing market demand.

The company achieved a net profit of LSL 969,652, marking a significant recovery from the net loss of LSL 142,167 reported in the previous fiscal year. This positive result is largely due to stringent cost controls and improved operational efficiency. Historically, EBITDA and Operating Profit reached their highest levels around 2018–2019, reflecting strong financial performance. However, from 2020 to 2022, the company faced a notable decline in profitability, coinciding with global economic challenges such as the COVID-19 pandemic, which particularly impacted the Dark Fibre Lease product.

Despite the revenue decline in 2021 and 2022, LECC saw a clear improvement in Operating Profit and Net Profit in 2024. This recovery was driven by the reactivation of key contracts, especially for Dark Fibre Lease, and new business opportunities from the Point-to-Point service. Although Net Profit dipped below zero in 2021, the company has since rebounded, with 2024 showing a strong positive turnaround. The significant boost to net profit in 2024 is attributed to increased finance income from Stanlib investment.

OPERATIONAL EXPENDITURE

Operating expenses for the year are 0.2% lower than the previous financial year. Although the company had made major strides in improving cost efficiency, due to the conversion of LEC loan into an asset caused a significantly increased value of depreciation by 177%.

The operating costs are illustrated, in a year-on-year comparison below:
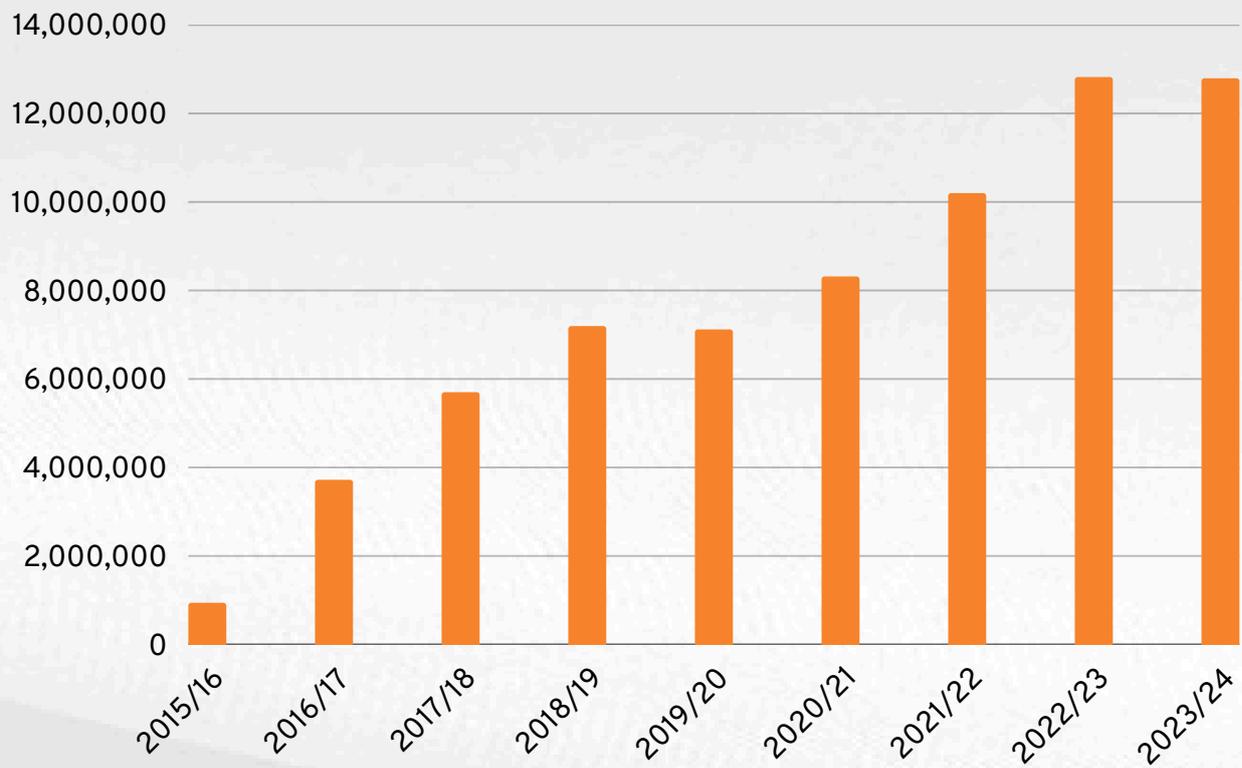
CAPITAL EXPENDITURE

In the current financial year, LECC's capital expenditure totalled LSL 5 million. This investment primarily covered the completion of the FTTx network construction, which commenced in the previous financial year. Additionally, the company acquired new efficiency-enhancing routers, a critical component of the planned core network upgrade.

Over the years, LECC has consistently invested in infrastructure and efficiency-enhancing assets, including backup generators, monitoring systems, and essential tools and equipment to ensure the robustness of its network operations. These investments are aimed at improving service reliability and operational efficiency.

The chart below illustrates LECC's capital investments across the years, highlighting a significant increase in expenditure in 2021 and the peak in 2023, followed by a slight reduction in 2024, reflecting the company's ongoing commitment to infrastructure development and network enhancements.
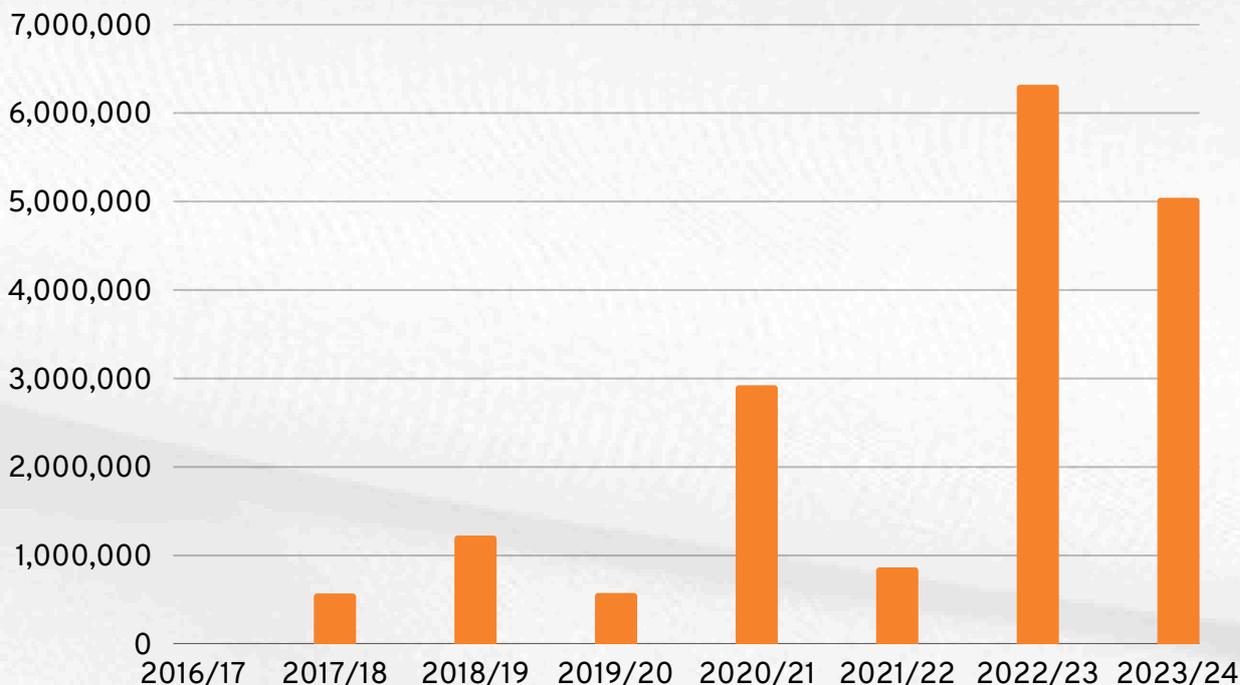
FINANCIAL POSITION

LECC's financial position has evolved dynamically over the years, reflecting both strategic investments and operational shifts. The accompanying graph illustrates this progression, highlighting key financial trends that have shaped the company's trajectory.
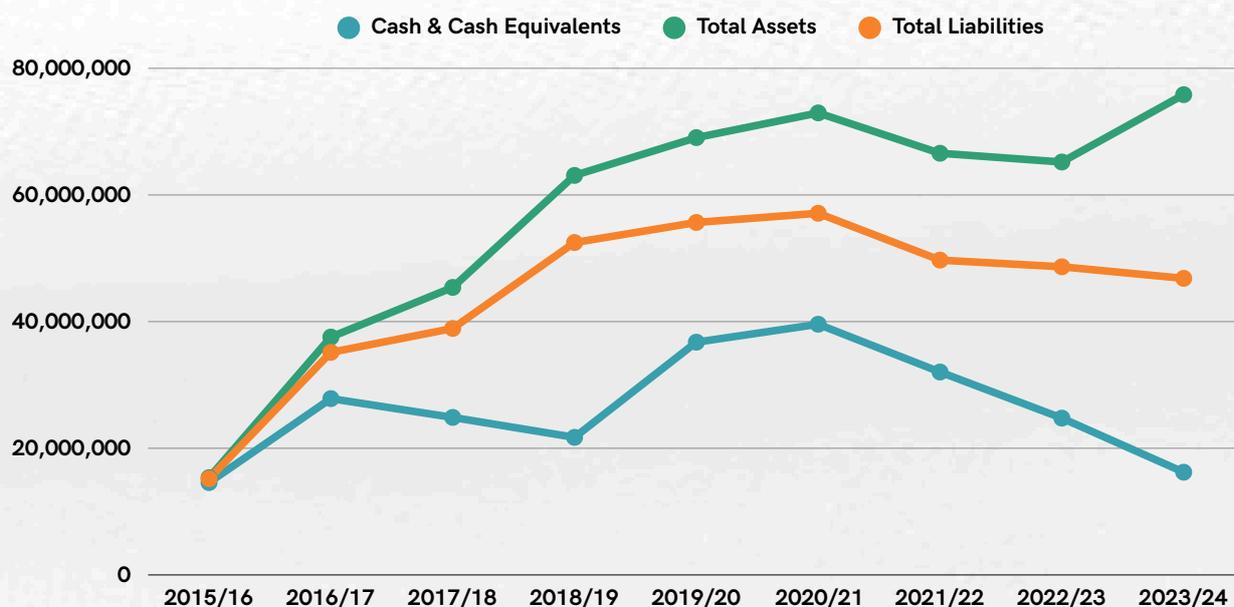
Total assets have demonstrated consistent growth, peaking in 2020, with minor fluctuations in 2021 and 2022. A significant increase in 2023 was driven by substantial investments in FTTx infrastructure, followed by a revaluation gain of LSL 17 million in 2024, primarily attributed to the Optic Fibre Links. This reinforces LECC's strategic commitment to expanding and strengthening its asset base.

Liabilities, primarily consisting of prepaid IRU contracts, grew steadily from 2016 to 2020 as major agreements were secured. Since 2021, they have been gradually declining as revenue from these contracts is continuously realized. This trend highlights LECC's ability to effectively service long-term obligations, with these liabilities expected to be fully amortized over the next 15 years in accordance with contract terms.

Cash and cash equivalents saw substantial growth between 2016 and 2019, supported by upfront IRU payments. However, since 2019, reserves have been strategically deployed to sustain operations and fund critical infrastructure investments, including LSL 8 million allocated to FTTx between 2023 and 2024. While these investments are yet to fully materialize into returns, they are instrumental in driving future revenue growth and enhancing operational capabilities. Additionally, the LSL 28 million loan extended to LEC had a severe impact on cash reserves, prompting its repossession due to the prolonged outstanding balance.

Looking ahead, LECC is actively exploring strategic partnerships and investment opportunities to strengthen financial resilience while maintaining a disciplined approach to capital allocation. The company remains focused on balancing prudent financial management with strategic investments that create long-term value, reinforcing its position as a leader in the telecommunications industry.