



**Revenue
Services**
Lesotho

Integrated **Annual Report** 2026



Navigation ICONS

Our capitals



Financial Capital



Manufactured Capital



Intellectual Capital



Human Capital



Social and Relationship
Capital



Natural Capital

Our strategic pillars



Improved
employee
experience



Value-driven
processes



Digitalisation



Combined
assurance

Our material matters

1

Revenue sustainability
in a weak economic
environment

2

Reducing fiscal
vulnerability through
domestic revenue
growth

3

Strengthening tax
compliance and VAT
performance

4

Digital transformation
and institutional
resilience

5

Human Capital, safety
and organisational
culture

Our stakeholders

TP

Taxpayers

BP

Business
partners

GE

Government and
enforcement
agencies

RE

Regulators

CO

Communities

DP

Development
partners

RB

Regional
bodies

SP

Service
providers

EM

Employees

BD

The Board

Our key risks

R1

Threats to the lives of
RSL staff

R2

Cyber-attacks

R3

Low data quality

R4

Obsolete legacy
systems

R5

Low digital adoption
among staff to digital
transformation

Reading reference



Risk landscape and opportunities 51

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- 4 Time horizons used in this report
- 4 Our integrated thinking journey
- 4 Forward-looking statements
- 5 Board statement of responsibility and accordance opinion



01 About this report

“

You are reading a story about service. It describes how we work to positively impact Basotho's livelihoods across the Mountain Kingdom of Lesotho. It is our sixth integrated report, and we tell that story across six capitals and over three horizons.

”

Scope and boundary

Revenue Services Lesotho (RSL) is an autonomous body responsible for revenue collection in Lesotho. Our integrated report covers the period of 1 April 2025 to 31 March 2026 (FY2025/26), aligned with the Government of Lesotho's fiscal year.

While the financial statements cover RSL's own accounts (the operational and capital revenues and expenditures of RSL itself) as defined in the Directors' Report, the narrative sections of this report take a broader view. We report on matters that substantively affect RSL's ability to create value, including matters that arise beyond the financial reporting entity where they bear on our mandate, strategy or capitals. In practice this means we consider:

- 1 Taxpayers and the population we serve, whose compliance behaviour and economic circumstances drive our revenue base;
- 2 The Government of Lesotho and the Ministry of Finance and Development Planning, our principal and parent ministry;
- 3 The Southern African Customs Union (SACU) pool mechanism, whose receipts feed the national budget alongside the revenues we collect domestically;
- 4 The intermediaries our operations depend on, including commercial banks, mobile-money operators and clearing agents; and
- 5 Strategic partners whose engagement materially affects our delivery, including the institutions with which we hold formal memoranda of understanding.

This report does not consolidate or report on the financial position of the Government of Lesotho or of SACU, nor on the operations of taxpayers, intermediaries or strategic partners except insofar as their actions or circumstances bear materially on RSL's value creation. Where matters extend beyond our direct control, we identify the dependency and our response rather than reporting on the underlying entity's performance.

Reporting frameworks and methods

This is RSL's sixth consecutive integrated annual report. It is prepared in line with the principles of the International <IR> Framework issued by the IFRS Foundation in January 2021, and aligned with the King IV Report on Corporate Governance for South Africa (2016) and the Mhlomi Corporate Governance Code applicable to Lesotho.

Our Annual Financial Statements are prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Lesotho Revenue Authority Act No. 14 of 2001 (as amended). They have been externally audited by the office of the Auditor-General of Lesotho.

ABOUT THIS REPORT *continued*

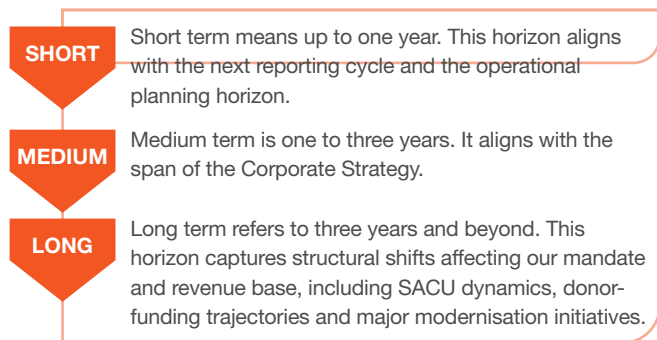
How we determined material matters

For FY2025/26, RSL identified a set of ESG topics considered material to the organisation's mandate, strategy, operations and stakeholders. The determination drew on information and insights available through the year, including stakeholder considerations, enterprise risk management, strategic priorities, organisational performance, and developments in the external operating environment.

The identified topics were considered in the context of their significance to RSL's ability to fulfil its mandate, execute the Lesokoana Strategy (2024/27), manage key risks and opportunities, and create long-term value. The resulting material topics are presented on page 19.

Time horizons used in this report

Throughout this report we use three time horizons to frame value creation and to band risks, strategic objectives, capital outcomes and forward-looking expectations:



Where a disclosure is bounded by a horizon, the relevant span is named. Where it cuts across horizons, we say so.

Our integrated thinking journey

Integrated reporting is at its most useful when it reflects how the organisation actually thinks about value creation, rather than reorganising existing disclosures around a new framework. Now in our sixth consecutive integrated report, we are conscious that, in some areas, our integrated thinking continues to run ahead of our integrated reporting, particularly in linking financial and non-financial outcomes, and in the depth of disclosure on the Social, Relationship and Natural Capitals. A deliberate focus of this year's report is closing that gap, and where further development is planned for FY2026/27 and beyond we have signposted it in the relevant section.

Forward-looking statements

This report contains forward-looking statements about RSL's strategy, performance, outlook and prospects. These statements are based on information available to the Board and management at the date of approval and reflect our reasonable expectations as of that date. They are subject to risks, uncertainties and other factors; many of them outside our control.

The auditors have not reviewed or reported on the forward-looking statements in this report. The Board does not undertake to revise or update forward-looking statements to reflect events or circumstances arising after the date of this report, except as required by law.

Board statement of responsibility and accordance opinion

The RSL Board of Directors acknowledges its responsibility for ensuring the integrity of this integrated annual report.

The Board, supported by Executive Management and the reporting team, has applied its collective thinking to the preparation and presentation of this report and has overseen its content. In doing so, the Board has considered RSL's strategy, governance, performance, risks and opportunities, material matters and operating environment, and how these connect across our six capitals.

In the Board's opinion, this report has been prepared and presented in accordance with the International <IR> Framework issued by the IFRS Foundation in January 2021.

Adv Lindiwe Sephomolo, KC
Board Chairperson



7 Headline indicators

7 Capitals quick view



02 RSL at a glance

“

The year condensed to the figures we judge most material. Each one represents a Mosotho who paid, a transaction we processed or a service that depended on it.

”

Headline indicators



RSL
at a glance

**M9.76
billion**
Revenue remitted

**M10.89
billion**
Revenue collected

**M1.13
billion**
Refunds paid

0.93%

Year-on-Year Revenue
Collection Growth

21.63%

Tax-to-GDP

Capitals quick view



Financial Capital

Performance reported on page 59



Manufactured Capital

Performance reported on page 60



Intellectual Capital

Performance reported on page 61



Human Capital

Performance reported on page 61



Social and Relationship Capital

Performance reported on page 62



Natural Capital

Performance reported on page 63

9 Who we are

10 Position in the
public-finance value
chain

12 Competitive context

12 External environment

13 Our model of value
creation
(the six capitals)



03 Organisational overview and external environment

“

Every Loti we collect begins as a Mosotho's wage, sale or import, and ends as a school, clinic or border post. Our work is what happens in between.

”

Who we are

Revenue Services Lesotho (RSL) is an autonomous body established by the Lesotho Revenue Authority Act No. 14 of 2001 (as amended). We became operational in January 2003, consolidating the former Income Tax, Customs and Excise, and Sales Tax Departments into a single revenue administration. We operate under the policy direction

of the Minister of Finance and Development Planning and are accountable to Parliament. Our head office is in Maseru, supported by service centres and a network of ports of entry across Lesotho's 10 districts.



OUR MANDATE

To operate as a designated agency of the Government of Lesotho responsible for the assessment, collection and receipt of specified revenue, and for the administration and enforcement of laws relating to that revenue.



OUR MISSION

- To enable government funding
- To fight corruption
- To foster a fair tax environment
- To be the best employer
- To be financially stable



OUR PURPOSE

To positively impact Basotho's livelihoods.



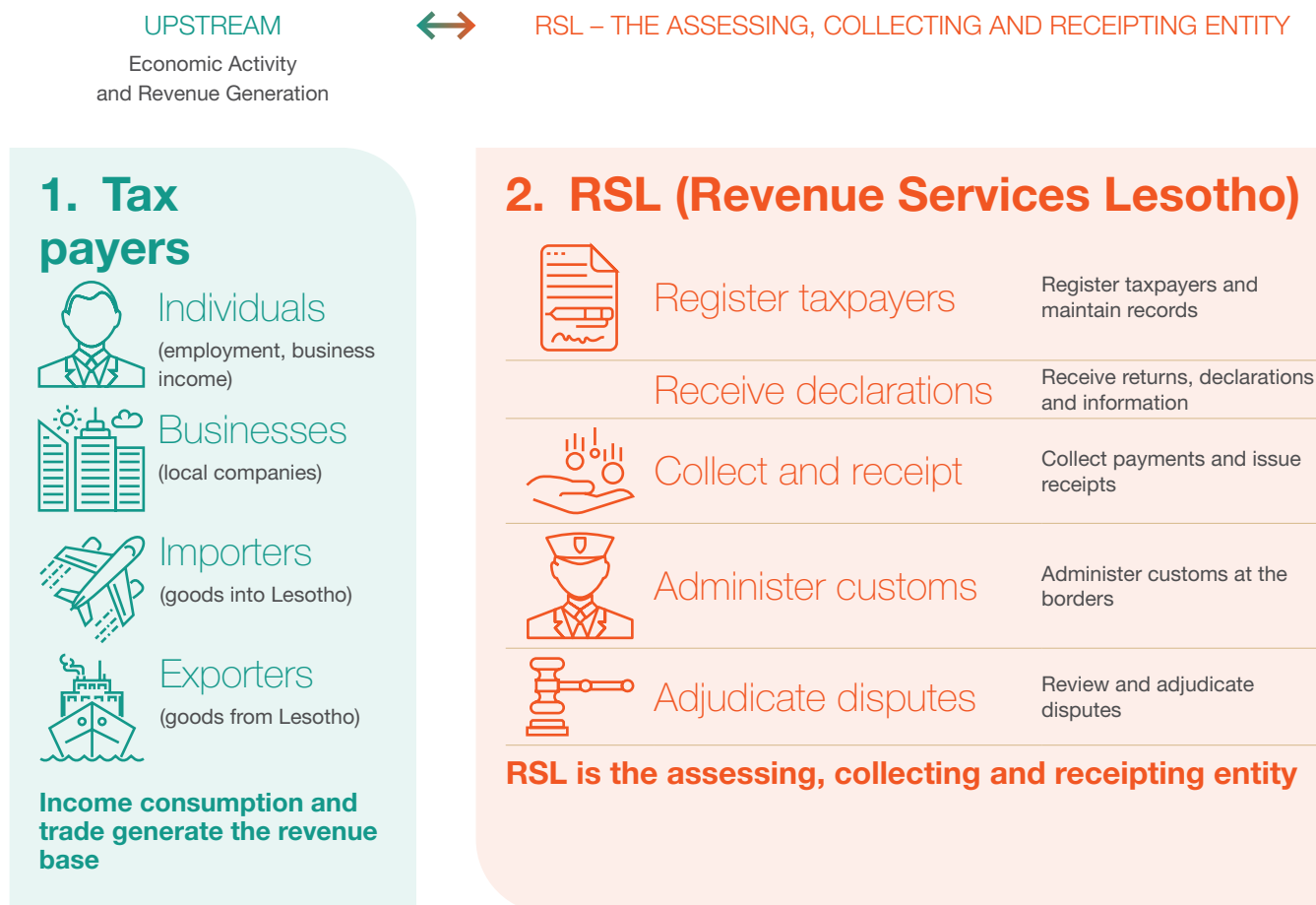
OUR VALUES

- Teamwork
- Innovation
- Professionalism
- Integrity
- Empathy

ORGANISATIONAL OVERVIEW AND EXTERNAL ENVIRONMENT *continued*

Position in the public-finance value chain

RSL sits in the middle of the chain that turns Basotho's economic activity into public services.



Second strand: SACU revenue chain (customs duties)



KEY INTERMEDIARIES AND PARTNERS – CRITICAL DEPENDENCIES FOR RSL'S THROUGHPUT AND SERVICE EXPERIENCE



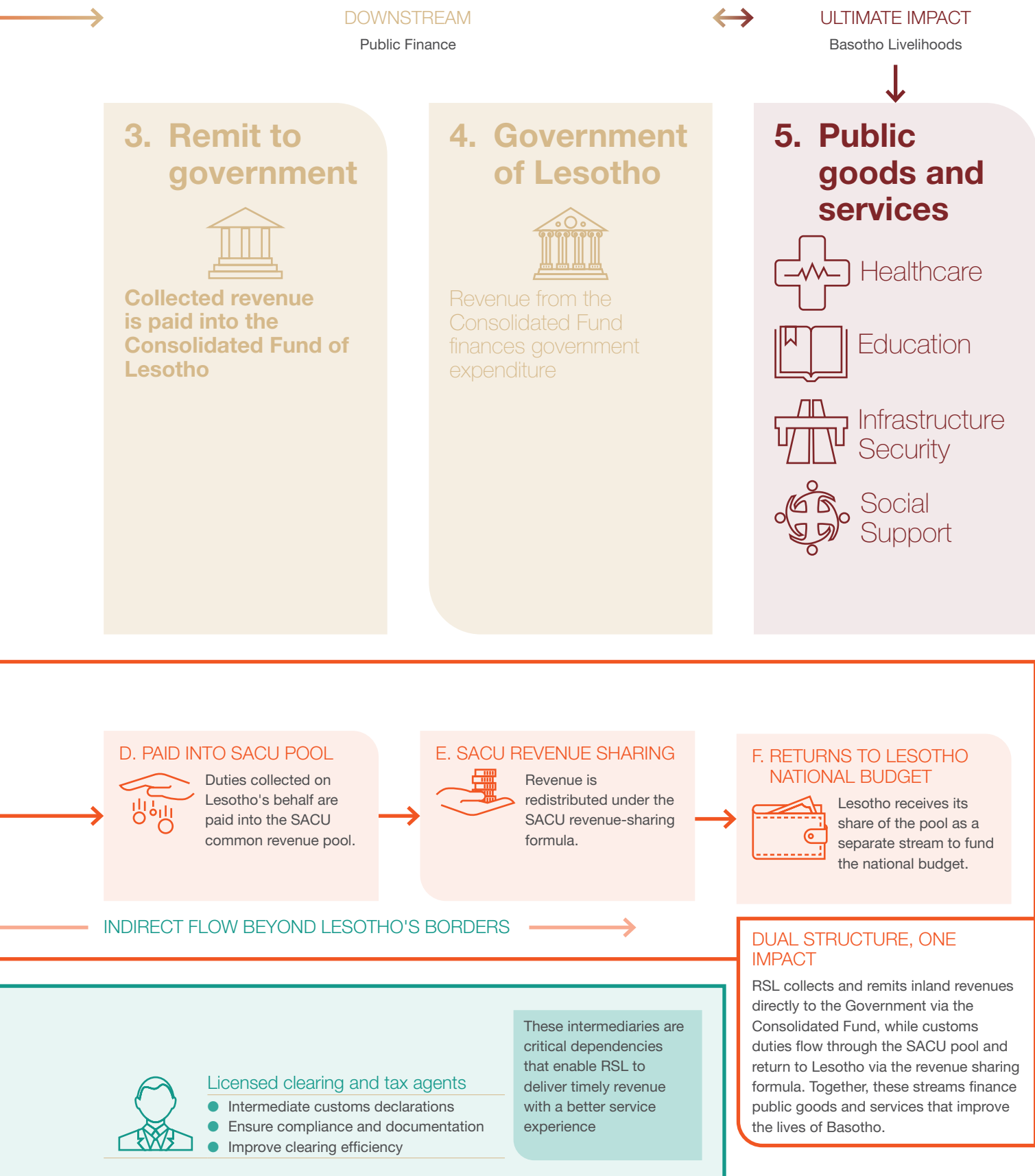
Commercial banks

- Payment partners for inland revenue
- Payment partners for customs
- Enable counter, online and EFT payments



Mobile money operators

- Carry an increasing share of small-value tax payments
- Expand accessibility and convenience



ORGANISATIONAL OVERVIEW AND EXTERNAL ENVIRONMENT *continued*

Competitive context

RSL has no commercial competitor for its mandate, since by statute we are the sole revenue authority for Lesotho. The competitive dynamics that nonetheless bear on our value creation are of three kinds.

1. The informal and non-compliant economy is largely the de facto competitor for our tax base.

Economic activity that occurs outside the registered tax system, or that is deliberately underreported or concealed within it, results in revenue we do not collect and limits the government's capacity to fund essential public services. We contest this space through compliance interventions, data-driven risk targeting and partnerships with sister enforcement and registration agencies.

2. We compete in the labour market for scarce technical and leadership skills.

Our stated ambition to be the best employer in Lesotho is, in practice, a statement about a labour market in which we compete with banks, telecoms, audit firms and regional employers for tax, customs, data-science and IT talent. Our employee value proposition, leadership development and reward design are the levers; outcomes are reported under *Human Capital* on page 61.

3. Peer revenue authorities are our benchmarks.

We participate in peer learning with revenue administrations across Southern Africa and beyond (supported by membership of the African Tax Administration Forum and the Commonwealth Association of Tax Administrators, and engagement with the IMF, World Bank, OECD and UNDP) and we measure our administration against the Tax Administration Diagnostic Assessment Tool (TADAT). The benchmarks they provide are how we know whether we are improving in absolute or relative terms.

Regional and domestic context

Lesotho's monetary stability rests on the long-standing peg of the loti to the South African rand, maintained by the Central Bank of Lesotho. The peg has continued to anchor inflation expectations within a band aligned to South Africa's.

IMF estimates indicated that Lesotho's real GDP growth picked up modestly to 2.6% in FY2024/25 before almost halving to a projected 1.4% in FY2025/26, reflecting the deteriorating external environment. The African Development Bank's projection for 2026 is more cautious at 0.5%. Growth has remained narrowly concentrated, with the Lesotho Highlands Water Project Phase II (LHWP II) accounting for the bulk of activity in construction and related services; without it, the economy would have approached stagnation. Mining, manufacturing and agriculture remained weak. Inflation eased from a peak of 8.2% in January 2024 to an average 4.38% across 2025.

The 2025/26 national budget, presented under the theme *Building Strategies for Inclusive Growth*, projected total revenue of M26.5 billion against expenditure of M33.6 billion. The SACU revenue-sharing mechanism remains the single most consequential external factor for the Lesotho budget. SACU receipts dropped to 20.4% of GDP in FY2025/26 (down from 27.8% of GDP in FY2024/25) and are expected to stabilise at around 20%.

Three pieces of legislation directly relevant to RSL were announced for tabling in FY2026/27, the Tax Administration Bill Amendments, the Income Tax Amendments and the VAT Amendment Bill.

Implications for RSL

The combined effect of structurally lower SACU receipts, the textile-sector contraction and the US tariff regime, and the partial restoration of US development assistance, is to place a substantially heavier burden on domestic revenue mobilisation than at any point in our recent history. Personal Income Tax is exposed to both the textile-sector contraction (a meaningful PAYE base) and to the donor-funded employment that exited the economy during FY2025/26. Value-Added Tax is exposed to the wider consumption effects of lower employment and constrained fiscal space. The legislative pipeline anticipated for FY2026/27 provides the statutory platform to extend our administrative reach, modernise compliance instruments and broaden the tax base in proportion to a national budget that can no longer rely on the SACU windfalls of recent years.



How we propose to respond is set out in *Strategy and business model* on page 43.

External environment

Lesotho's operating environment during FY2025/26 was shaped by a turbulent combination of global, regional and domestic forces. The conditions under which we administered the revenue system are set out below; their implications for risk are addressed in *Risk landscape and opportunities* on page 51.

Global and geopolitical context

The global outlook deteriorated through the reporting year. At year end, the International Monetary Fund (IMF) projected global growth at 3.3% for 2026, with significant downside risks. A sustained rise in international crude oil prices has shifted the global narrative from disinflation to renewed stagflation risk. Two United States policy decisions had particularly material consequences for Lesotho.

1. Tariff-related impacts

In April 2025 the United States imposed a 50% reciprocal tariff on imports from Lesotho, the highest rate levied on any country. The tariff was reduced to 15% in August 2025 following intense bilateral engagement, though Lesotho's principal regional competitors, Kenya and Eswatini, face only 10%. The African Growth and Opportunity Act (AGOA), which had provided duty-free access to the US market for 25 years and underpinned Lesotho's textile industry, lapsed on 30 September 2025; a one-year extension was granted to the end of 2026. Textiles account for approximately 80% of Lesotho's exports to the United States, and the United States for around 20% of Lesotho's total exports. Around 20,000 textile sector jobs were estimated to be at risk over the reporting period, with significant order cancellations and factory closures already realised in the industry.

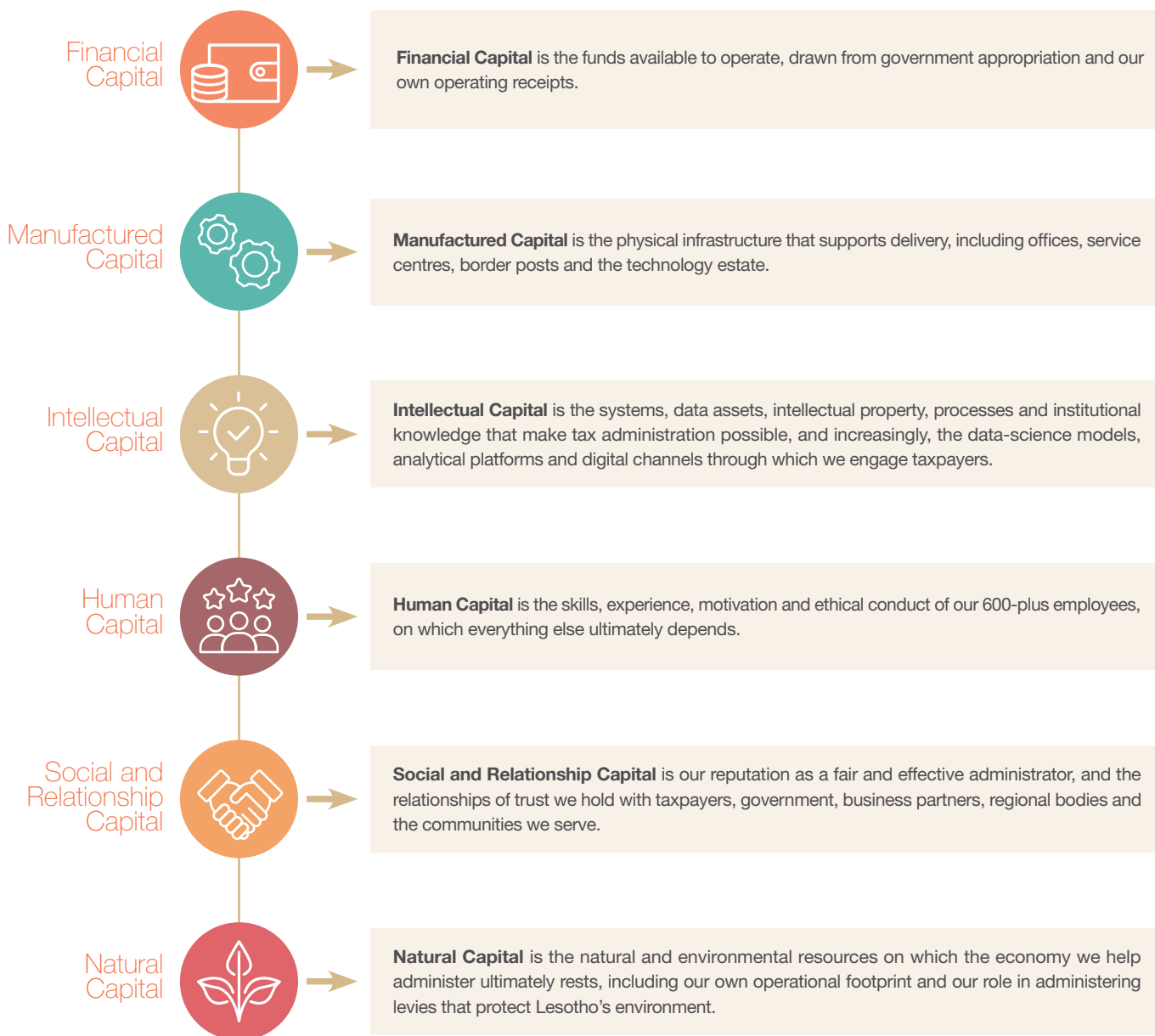
2. USAID funding disruption

A U.S. Executive Order in January 2025 froze USAID funding; by March 2025 approximately 83% of USAID initiatives had been terminated globally. Local HIV/AIDS programmes were severely impacted; approximately 1,500 health-sector workers in Lesotho were directly affected. Lesotho has the second-highest HIV prevalence in the world. A five-year United States-Lesotho health-funding pact announced in November 2025 partially restored support.

Our model of value creation (the six capitals)

We frame value creation, preservation and erosion through the six capitals identified in the International <IR> Framework. Each capital represents a stock of resources we draw on, transform and replenish as we deliver our mandate, and the choices we make about each

are interdependent. Each capital is the basis of a sub-section of *Performance by capital* on page 59, where we report inputs, activities, outcomes and effects.



Strategy and business model on page 43 shows how we deploy these capitals; *Performance by capital* on page 59 reports what was achieved under each capital.

15 Operational Structure and Divisions

16 Our footprint



04 Our operating structure

“

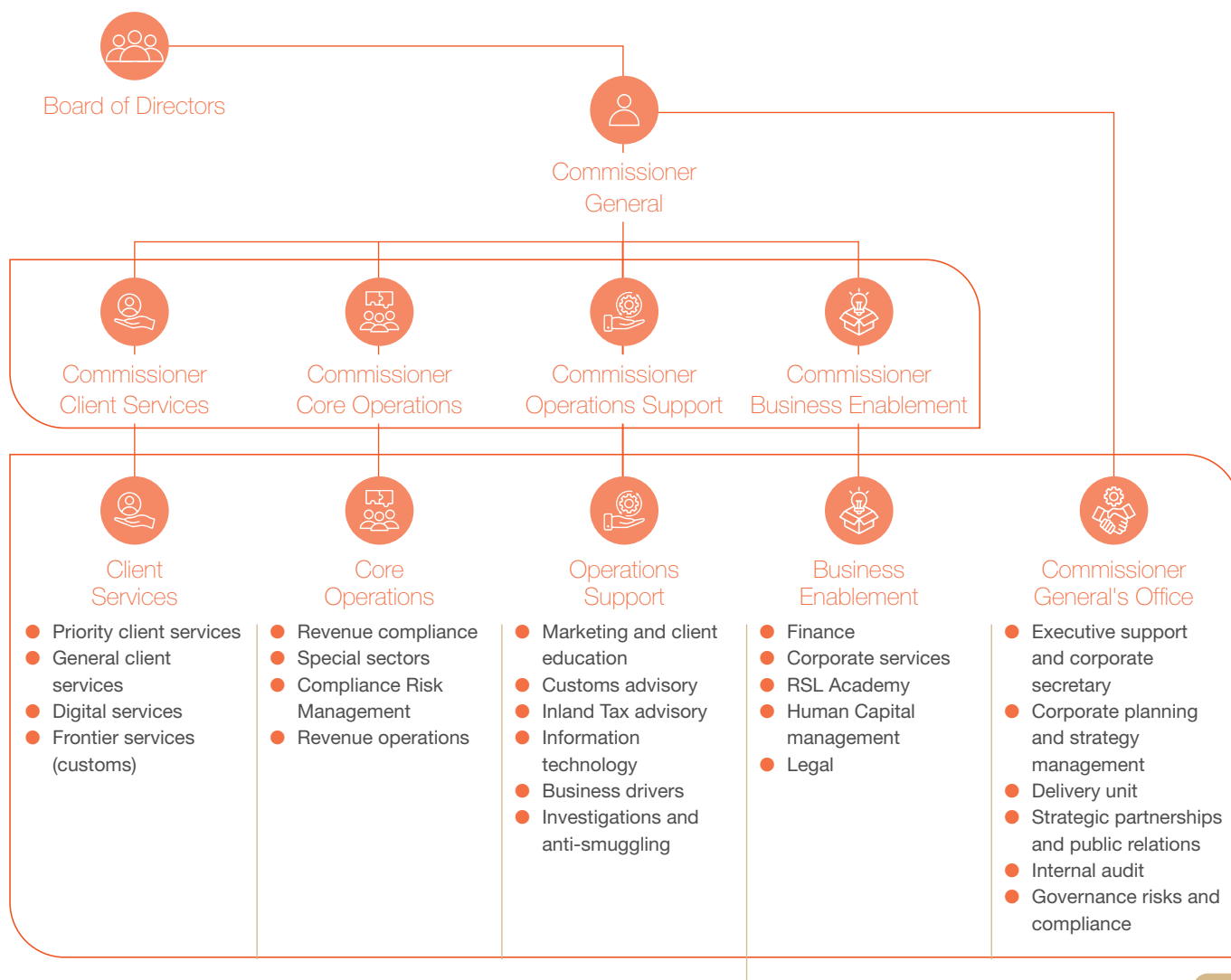
Lesotho's geography (10 districts and 13 border posts) determines where revenue moves. We are organised to be where Basotho live, work and trade.

”

Operational Structure and Divisions

RSL is led by the Commissioner General, supported by a structure of divisions covering the principal functions of revenue administration.

The organisational structure is set out in the chart below.



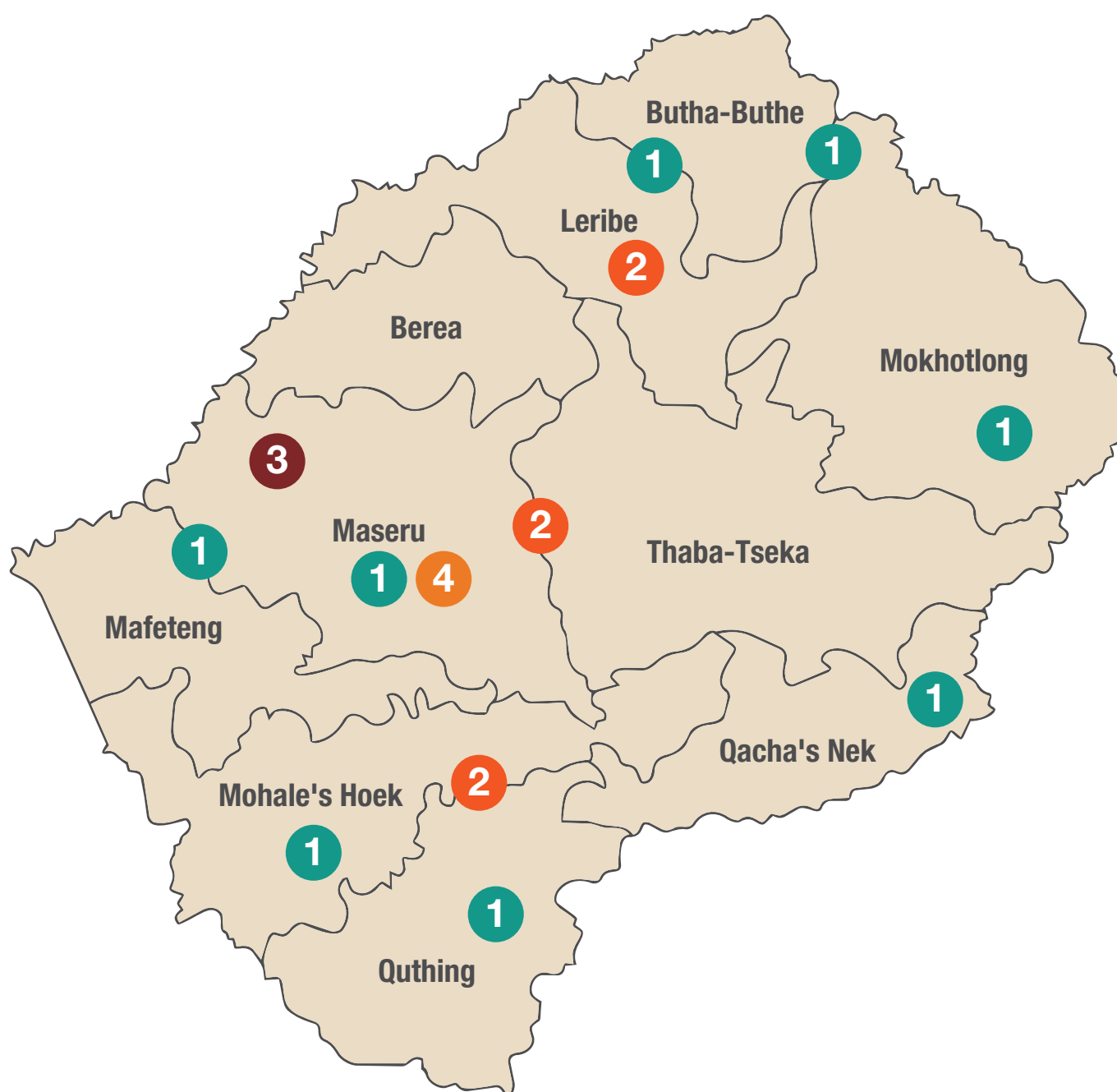
OUR OPERATING STRUCTURE *continued*

Our footprint

RSL operates from a head office in Maseru and a network of service centres in three districts across Lesotho, providing taxpayers with access to in-person revenue services at strategically located points nationwide.

Our port-of-entry network spans Lesotho's borders with South Africa, with major commercial posts supplemented by smaller crossings that handle local cross-border traffic. The principal

commercial posts operate extended hours, while smaller posts maintain daylight operations. In addition to our physical network, we increasingly meet taxpayers digitally (through our RSL app, e-services platform, contact centre, WhatsApp channel and mobile-money payment channels) so that those who prefer a digital experience are not constrained by the geography of a physical service. The map below shows the full network, including operating hours by location.



1 Ports of entry and exit

Maseru Bridge Border Post

District: Maseru **Working hours:** 24hrs

Ficksburg Bridge

District: Leribe **Working hours:** 24hrs

Van Rooyen's Gate

District: Mafeteng **Working hours:** 6am – 10pm

Qacha's Nek Gate

District: Qacha's Nek **Working hours:** 6am – 10pm

Maseru Railway Station

District: Maseru **Working hours:** 6am – 5pm

Moshoeshe I International Airport

District: Maseru **Working hours:** 6am – 6pm

Caledonspoort Border Post

District: Butha-Buthe **Working hours:** 6am – 10pm

Tele Bridge

District: Quthing **Working hours:** 6am – 10pm

Makhaleng Bridge

District: Mohale's Hoek **Working hours:** 8am – 4pm

Ramatseliso's Gate

District: Qacha's Nek **Working hours:** 8am – 4pm

Sani Top Pass

District: Mokhotlong **Working hours:** 6am – 7pm

Peka Bridge

District: Leribe **Working hours:** 8am – 4pm

Maseru Post Office

District: Maseru **Working hours:** 8am – 4pm

2 Service centres

Maseru Service Centre

District: Maseru **Working hours:** 8am – 5pm

Leribe Service Centre

District: Leribe **Working hours:** 8am – 5pm

Mohale's Hoek Service Centre

District: Mohale's Hoek **Working hours:** 8am – 5pm

3 RSL offices

Financial House

District: Maseru **Working hours:** 8am – 5pm

Oblate House

District: Maseru **Working hours:** 8am – 5pm

RSL Academy

District: Maseru **Working hours:** 8am – 5pm

State Warehouse

District: Maseru **Working hours:** 8am – 5pm

MGC Park

District: Maseru **Working hours:** 8am – 5pm

4 Conference and recreational centre

Conference Facility

District: Maseru **Operating hours:** 8am – 9pm

Social and Recreational Centre

District: Maseru **Operating hours:** 8am – 9pm

19 Our material matters
for FY2025/26

22 How material matters
connect to strategy, risk
and the capitals



05 Material matters

“

From the long list of matters that could affect our work, the ones below are those we and our Board judge most consequential to value creation. They shape what is in this report (and what is not).

”

Our material matters for FY2025/26

RSL's environment is characterised by economic uncertainty, fiscal pressures, evolving taxpayer expectations, technological disruption, regulatory developments and changing societal needs. Against this backdrop, the organisation remains committed to creating sustainable value for government, taxpayers, employees, businesses and society at large.

Integrated thinking forms the foundation of our decision-making processes and enables us to understand the interdependencies between our strategy, risks, opportunities, performance and the capitals upon which our long-term success depends.

We identify and prioritise the matters that most significantly affect our ability to create, preserve and sustain value through:

- Ongoing stakeholder engagement;
- Enterprise risk management;
- Strategic planning;
- Performance monitoring; and
- Environmental scanning.

The Board and Executive Management annually review these matters to ensure that organisational resources and strategic priorities remain focused on the issues that have the greatest influence on the achievement of our mandate.



To read more about our materiality determination process, go to page 4

In FY2025/26, five material matters were identified as having the most significant impact on our ability to deliver sustainable revenue mobilisation and contribute to national development.

- 1 Revenue sustainability in a weak economic environment
- 2 Reducing fiscal vulnerability through domestic revenue growth
- 3 Strengthening tax compliance and VAT performance
- 4 Digital transformation and institutional resilience
- 5 Human Capital, safety and organisational culture

1 Revenue sustainability in a weak economic environment

FY2025/26 was characterised by subdued economic growth, declining productive activity, constrained investment and weakening consumer demand. Economic growth slowed significantly, placing pressure on business profitability, household spending and employment levels. As a revenue administration institution, our ability to generate sustainable revenue is closely linked to economic activity. A weaker economy translates into slower growth in VAT, PAYE and Corporate Income Tax collections, reducing government's fiscal capacity to deliver essential services. The slowdown affected our Financial Capital through lower revenue growth and reduced tax buoyancy. It also affected Social and Relationship Capital as fiscal constraints increase pressure on public service delivery and citizen expectations. During the year, we intensified taxpayer engagement programmes, strengthened compliance monitoring and accelerated strategic initiatives aimed at improving revenue administration effectiveness. We also continued implementing the Lesokoana Strategy to improve organisational agility and responsiveness. Economic conditions are expected to remain subdued during FY2026/27. Consequently, strengthening domestic revenue mobilisation remains a strategic imperative for ensuring fiscal sustainability and national development.

MATERIAL MATTERS *continued*Our material matters for FY2025/26 *continued***2 Reducing fiscal vulnerability through domestic revenue growth**

SACU receipts continue to represent a significant component of government revenue. However, declining regional trade volumes and slowing economic growth across Southern Africa have exposed the risks associated with reliance on external revenue sources. This matter is material because long-term fiscal sustainability requires a more resilient and diversified domestic revenue base. It directly affects Financial Capital and influences government's ability to fund development priorities over time. In FY2025/26, we continued facilitating legitimate trade while strengthening domestic revenue collection capabilities. Customs modernisation initiatives, stakeholder awareness programmes and trade facilitation efforts remained key priorities. RSL will continue supporting government efforts to reduce fiscal dependence on SACU receipts by strengthening domestic tax administration and compliance effectiveness.

3 Strengthening tax compliance and VAT performance

VAT remains one of the most important sources of domestic revenue. Continued underperformance against targets highlighted the need for enhanced compliance management, improved transaction visibility and more effective taxpayer engagement. Improving VAT performance is critical to strengthening domestic revenue mobilisation and reducing fiscal pressure. This matter directly influences RSL's Financial Capital flows through revenue generation and Intellectual Capital through improved use of data and technology. We established a dedicated VAT and PAYE Compliance Monitoring Centre and intensified taxpayer education and engagement activities. The development and deployment of the VAT e-invoicing solution represents a transformational intervention that will improve visibility of transactions, strengthen compliance and reduce revenue leakages. The implementation of the e-invoicing solution is expected to materially improve VAT compliance and support sustainable growth in domestic tax revenues. Positively, this solution has an unintended yet inherent capability to collect levies, such as the Tobacco and Alcohol Levy and the Plastic Levy.

4 Digital transformation and institutional resilience

Digital transformation remains a critical enabler of RSL's long-term sustainability and one of the key pillars of the Lesokoana Strategy. Technology is fundamental to strengthening revenue administration, improving taxpayer experience and enhancing organisational resilience. Digitalisation enables RSL to modernise service delivery, improve compliance management, increase operational efficiency and leverage data-driven insights to support informed decision-making. It also serves as a key enabler of other material matters, including domestic revenue mobilisation, VAT compliance effectiveness and organisational capability. At the same time, increasing reliance on technology exposes the organisation to emerging risks that require continuous investment, strong governance and proactive risk management.

Digital transformation creates value across multiple capitals:

**Intellectual Capital**

Digital platforms, data analytics and system integration capabilities strengthen institutional knowledge, improve data utilisation and enhance evidence-based decision-making. These capabilities enable more targeted compliance interventions, improved taxpayer insights and better organisational performance.

**Financial Capital**

Automation of key processes reduces administrative costs, improves efficiency and enhances revenue collection capabilities. Investments in digital solutions also contribute to reducing revenue leakages and improving overall financial sustainability.

**Human Capital**

Technology enhances employee productivity, supports innovation and equips employees with the digital capabilities required to operate effectively in an increasingly technology-enabled environment.

**Social and Relationship Capital**

Improved digital services strengthen taxpayer confidence by providing more accessible, responsive and convenient service channels, thereby enhancing stakeholder trust, reducing the cost of compliance and leading to improved voluntary compliance.

While digital transformation presents significant opportunities for value creation, it also introduces strategic risks that require active management. The organisation maintains a zero-risk appetite towards cyber-attacks, information security breaches, poor data quality, obsolete technology platforms and low digital adoption, recognising that failure in any of these areas could compromise taxpayer information, disrupt critical operations, weaken compliance effectiveness and adversely affect public confidence in the institution.

To strengthen institutional resilience and accelerate digital transformation, we continued investing in technology modernisation and digital innovation initiatives during the year. Digital transformation will remain a strategic priority in FY2026/27 and beyond. Continued investment in technology modernisation, cybersecurity resilience, data governance and digital adoption will be essential to strengthening organisational performance and delivering sustainable value. As RSL progresses towards becoming a data-driven revenue administration, digital capabilities will increasingly serve as a catalyst for improved compliance, enhanced taxpayer trust, operational excellence and long-term institutional sustainability.

5 Human Capital, safety and organisational culture

Our people remain our most valuable asset and the primary enabler of strategy execution. Delivering on our mandate requires a capable, engaged and values-driven workforce that embraces innovation, accountability and continuous improvement. Human Capital is a critical driver of value creation and underpins the successful execution of every strategic pillar within the Lesokoana Strategy. Creating an environment where employees feel valued, supported and empowered enhances organisational performance and strengthens the institution's ability to deliver sustainable outcomes for taxpayers, government and society. While the employee Net Promoter Score improved during the year, recording 23.1% by Q4, it remained below our desired target of 30%. Nonetheless, this 77% eNPS achievement is considered to be good and above average, according to global eNPS benchmarks. However, to close the gap, there remains a need for continued investment in organisational culture and employee experience. This material matter contributes to value creation across multiple capitals, primarily affecting Human Capital and strengthening Social and Relationship Capital through improved stakeholder interactions and service delivery.

In FY2025/26, RSL continued investing in initiatives designed to strengthen employee wellbeing, engagement and organisational

culture. Key interventions included enhancing the employee value proposition through the introduction of additional employee benefits, including improved medical aid options, financial wellness initiatives, funeral assistance schemes and employee support services. These initiatives were designed to improve employee wellbeing and reinforce the organisation's commitment to creating a supportive and inclusive workplace. The organisation also invested in team-building programmes, culture-building initiatives, leadership engagement platforms and ethics awareness programmes aimed at reinforcing our core values. Structured employee engagement initiatives, including divisional culture sessions and leadership interactions, continued to promote collaboration, trust and psychological safety across the organisation. Employee safety and wellbeing remained a priority, supported through workplace security measures and initiatives designed to foster a healthy, respectful and productive working environment.

We will continue focusing on strengthening employee engagement, leadership capability, talent development, succession planning and organisational culture going forward. Particular emphasis will be placed on enhancing employee experience, supporting wellbeing and fostering a workplace where employees feel valued, empowered and inspired to contribute to the organisation's long-term success. We aim to strengthen tomorrow's foundation for sustainable value creation by investing in our people today.



MATERIAL MATTERS *continued*

How material matters connect to strategy, risk and the capitals

The table below connects our material matters to RSL's strategic pillars

and capitals, and identifies related risks and opportunities for each.

1 Revenue sustainability in a weak economic environment

Strategic pillar



Value-driven processes

Related risks

- Declining tax-to-GDP ratio
- Narrow and insufficiently diversified tax base
- Reduced taxpayer profitability
- Increased pressure on revenue targets

Capitals most affected



Financial Capital



Social and Relationship Capital

Opportunities

- Expansion of the taxpayer base
- Improved voluntary compliance
- Data-driven administration
- Strengthened taxpayer education and engagement

2 Reducing fiscal vulnerability through domestic revenue growth

Strategic pillar



Value-driven processes

Related risks

- Revenue volatility
- Increased fiscal vulnerability
- Reduced predictability of government funding

Capitals most affected



Financial Capital

Opportunities

- Increased domestic tax effort
- Modernisation of customs administration
- Enhanced trade facilitation
- Greater economic resilience

3 Strengthening tax compliance and VAT performance

Strategic pillar



Digitalisation



Value-driven processes

Related risks

- Revenue leakages
- Non-compliance
- Reduced tax buoyancy
- Increased enforcement costs

Capitals most affected



Financial Capital



Intellectual Capital

Opportunities

- Real-time transaction monitoring
- Enhanced compliance analytics
- Improved taxpayer behaviour
- Greater collection efficiency

4 Digital transformation and institutional resilience

Strategic pillar



Digitalisation

Capitals most affected



Intellectual
Capital



Human
Capital

Related risks

- Cybersecurity threats and information security breaches
- Poor data quality and data integrity challenges
- Legacy systems that limit operational efficiency and scalability
- Low digital adoption among employees and taxpayers
- Technology disruptions affecting service continuity

Opportunities

- Improve taxpayer experience and service accessibility
- Enhance voluntary compliance through digital channels
- Strengthen data-driven decision-making
- Increase operational efficiency and productivity
- Improve revenue mobilisation outcomes
- Build a more agile and resilient organisation

5 Human Capital, safety and organisational culture

Strategic pillar



Improved employee
experience

Capitals most affected



Human
Capital



Social and Relationship
Capital

Related risks

- Reduced employee engagement and morale
- Critical skills shortages and capability gaps
- Reduced productivity and performance
- Leadership and succession risks
- Reduced organisational resilience during periods of change
- Threats to employee safety, wellbeing and psychological security

Opportunities

- Enhancing employee experience and organisational commitment
- Strengthening innovation and adaptability
- Building leadership capability and succession readiness
- Fostering a high-performance, values-driven culture
- Improving employee retention and productivity
- Strengthening organisational resilience and long-term sustainability



To read about the Lesokoana Strategy and RSL's principal risks in FY2025/26, go to pages 43 and 51, respectively

- 25** Strategic execution
- 26** Governance highlights
- 26** Outlook (Chairperson's perspective)
- 26** Acknowledgements



06 Message from the Board Chairperson

“

Throughout a challenging year, the Board of RSL prioritised strengthening governance, accelerating digital transformation and ensuring effective revenue mobilisation. This enabled the organisation to collect more revenue than usual, despite the adverse economic situation.

”



Adv. Lindiwe Sephomolo

The financial year ended 31 March 2026 was particularly challenging in part due to the introduction of new complexities in the operating environment. Themes related to shifts that demanded considerable agility included poor economic growth, inflation and consumption changes, adjusted import patterns and RSL's transition towards digital models.

Geopolitical and geoeconomic shifts early in the year involved reciprocal tariffs by the United States on trade from Lesotho and the suspension of USAID donor funding, with a reduced tariff rate and the United States-Lesotho health-funding pact agreed in the following months. A comprehensive overview of the external environment and its impacts on RSL can be read on page 12.

I commend the Board for the high level of strategic oversight members provided in the year. RSL's revenue collection was higher than prior years, amounting to M10.89 billion before accounting for refunds. Having processed M1.13 billion in refunds to the taxpayers, the net remittance to the national treasury stood at M9.76 billion, which missed the set target by (6.16%), but represented a 0.93% growth in revenue collected compared to FY2024/25. Organisational initiatives aimed at the implementation of digital transformation initiatives included e-tax enhancements, e-payment platforms expansion, launch of the AI chatbot on the RSL WhatsApp channel and the new RSL mobile App, alongside support for our automation processes, compliance, taxpayer

registration validation, refunds process and reconciliation of payments. As part of the Board's strategic oversight, we are also progressing in the preparation phases for the construction of the RSL House.

Strategic execution

RSL approached the year with the determination to deliver progress towards the eight strategic objectives within the context of new complexities impacting our operations. A significant operational achievement in the year was an increase in voluntary compliance among taxpayers in Lesotho, which continued to be supported by numerous taxpayer education and enforcement initiatives. As we continue to shift towards digital tax administration, we have significantly reduced our manual processes, in turn improving RSL's efficiency. Taxpayer services, including filings and payments, were also improved, and we managed new taxpayer registrations that will contribute to the expansion of our tax base going forward.

Despite these notable achievements in the year, we faced multiple challenges. The VAT refund backlog at RSL is a historical issue that developed as a result of past delays in processing of these refunds to businesses. RSL's historical decisions have resulted in the loss of a large amount of confidence and trust in the organisation, particularly among compliant businesses. We delayed addressing this issue for

MESSAGE FROM THE BOARD CHAIRPERSON *continued*Strategic execution *continued*

many years, but our recognition of its paramount importance led to the immediate processing of refunds in conjunction with balancing fraud prevention controls due to the increase in fraudulent requests in the period. We consider our adjusted posture towards refund processing to be critical in the transfer of short term Financial Capital to rebuild Social and Relationship Capital, which will be what drives an increase in Financial Capital in the long term.

 To read more about RSL's trade-offs in the year, refer to page 49.

Other challenges pertain to the persistence of macroeconomic pressures, including high inflation and constrained economic growth. Various sectors, including mining and the textile and manufacturing industry (Lesotho's largest employer) were placed under notable pressure. Lesotho's narrow tax base and rapidly growing informal sector further compound challenges in the country's revenue collection processes. Digital purchasing creates additional challenges in relation to the increased potential for tax evasion. Despite these challenges, the organisation has demonstrated considerable resilience and adaptability through RSL's ongoing commitments to embracing challenge and confronting what faces us head-on.

Governance highlights

The Board continued to perform effectively and fulfilled its statutory responsibilities in FY2025/26. Our robust committee structures, through FAC, HRRC and ICTC, continued to guide effective decision-making in the achievement of our aims. The Board has applied considerable focus in overseeing the execution of the Lesokoana Strategy while supporting management in responding to the challenges it encountered, and we closely monitored organisational and financial performance. The revenue collection accomplishments in the year indicate a strengthening of governance and the tangible outcomes of our improvements to operational execution.

A core focus of the Board in FY2025/26 and forthcoming periods relates to ensuring accountability and the support of businesses and other voluntarily compliant groups. During the year, we delegated tax modernisation, digital platforms programmes and public awareness campaigns to executive management. Management was additionally mandated with the payment and general enforcement of VAT refunds. As the Board, we maintained oversight through reporting, performance reviews and normal governance controls.

Significant developments to the regulatory environment included the ongoing legal reforms aimed at simplifying compliance and improving general service, in addition to annual tax policy adjustments related to changes in tax credits and thresholds in support of Lesotho's taxpayers.

Outlook (Chairperson's perspective)

In the short term, it is imperative for RSL to attend to processing and monitoring of VAT refunds in a structured manner, broaden the tax base and strengthen both compliance and enforcement. The RSL app is also expected to bring new benefits in terms of the mobility of our

services through delivery on personal devices.

RSL is pursuing partnerships with financial institutions and other digital platform providers as a medium term objective. These partnerships are intended to enhance the taxpayers' experience by expanding access to convenient, efficient and user-friendly services, thereby making tax compliance simpler, less time-consuming and more cost-effective.

In the long term, we plan to position RSL as a fully digital and data-driven service. We will work towards the full implementation of e-invoicing and advanced analytics and the completed construction of the RSL House. Currently, Lesotho's economy is driven by government. In line with the objectives of NSDP II (extended), we seek to support the transition to a private sector-led economy by fostering a fair, efficient and predictable revenue environment that promotes investment, growth and voluntary compliance. This requires a strengthening of fiscal sustainability in long term, but we are already firmly on this path.

RSL plays a crucial role in national development. Our work contributes to infrastructure, healthcare, education and social protection. The achievement, in terms of what we collected in the year, highlights the importance of strengthening internal, as opposed to external, revenue mobilisation. As Chairperson of the Board, I call on government to continue contributing to support policy, legal and administrative reforms. I implore taxpayers to comply; it is a civic responsibility. I urge strategic partners to continue collaborating and assisting us in building a transparent and fair tax system for all Basotho.

Acknowledgements

I thank the Acting Commissioner General, the executive management and all the staff of RSL for the dedication they have shown in the year. My thanks also go to His Majesty's Government, and especially the Minister of Finance and Development Planning, for the support and guidance provided to us. On behalf of the Board, I thank all taxpayers for the improved compliance and ongoing cooperation, and stakeholders, both in the public and private sectors, for their continued collaboration. My gratitude goes to development partners and financial institutions for supporting our modernisation programmes. Finally, I show my sincere appreciation to the Board of Directors for their prudent oversight and the strategic leadership needed for us to confront the year's challenges.



Adv. Lindiwe Sephomolo KC
Board Chairperson



29 Performance against strategy

30 Operating context

30 Revenue collection in FY2025/26

30 Stakeholder relationships

31 Looking ahead

31 Acknowledgements



07 Acting Commissioner General's review

“

FY2025/26 was defined by a challenging operating environment and marked by increased complexity. However, we remained resilient and maintained a steady commitment to taxpayers across the country.

”



Mr. Rakokoana Makoa

Performance against strategy

The Lesokoana Strategy advanced to the second year of implementation in FY2025/26. We continued focusing on our four strategic pillars:

- Improved employee experience;
- Value-driven processes;
- Digitalisation; and
- Combined assurance

We recorded an overall strategy implementation rate of 86%, versus a 100% target, reflecting a shortfall of 14%. This was a result of pending tax laws, which were not passed by Parliament, and a lack of funding for key initiatives that were prioritised for FY2025/26.

Improved employee experience

As RSL we improved our employee value proposition in the year. We continued engaging our staff and respective teams to reflect on our relationships internally, with the aim of promoting a psychologically safe space at work, and we finalised procurement of corporate apparel. Additionally, we continued to create an exciting, positive and productive work environment by celebrating themed days that focused on instilling the company culture. Our employee Net Promoter Score (eNPS) recorded 23.1% by Q4 versus the 30% target, which is 77% and is considered good and above average by global eNPS benchmarks. More effort is required to attain the set target in FY2026/27.

Value-driven processes

The organisation continued the business process re-engineering journey and focused on core business processes to address manual

interventions. Full automation of these processes is envisaged for FY2026/27.

Digitalisation

The focus for this strategic pillar was on the development and deployment of the:

- RSL mobile app;
- AI-enabled customer relationship management;
- AI chatbot on the RSL WhatsApp channel;
- Payroll system integration with the Government of Lesotho;
- Business registration integration with One-Stop Business Facilitation Centre (OBFC)
- E-invoicing solution development and deployment;
- Data science products aimed at improving compliance and fraud detection; and
- Enhancement of cybersecurity capabilities through the establishment of a Security Operations Centre.

Digitalisation underpins our corporate value of innovation, which respective teams embodied through the various digitalisation initiatives.

Combined assurance

RSL continued to maintain a generally sound control environment characterised by active governance structures, improved coordination with assurance providers and oversight by the Board. Opportunities remain to strengthen management's oversight role and further enhance the overall control environment.

ACTING COMMISSIONER GENERAL'S REVIEW *continued*

Operating context

RSL operated in a fragile economic environment, negatively affected by global political and economic uncertainties. Lesotho's economic performance weakened in FY2025/26, following moderate growth in the prior year. Real GDP growth slowed to 1.4% in 2025 and is expected to regress further, to between 0.5% and 0.9%, in 2026. The economic slowdown was a result of numerous factors, including a decline in mining and manufacturing activity (textiles), weak external demand from South Africa and the US, cuts in official development assistance (ODA), trade policy uncertainty and AGOA-related risks. This downturn resulted in the tax-to-GDP ratio falling from 22.9% to 21.63%.

Our tax base has consequently been under immense pressure, as low economic growth amongst other factors impacted household consumption, firm profitability and formal employment. This resulted in reduced expansion in VAT, Corporate Income Tax and PAYE. The tax base remained narrow, with a large informal sector limiting an elastic response of revenues to nominal growth. Tax revenue grew by 0.2% year-on-year, while real GDP growth dropped from 4.2% in FY2024/25 to 1.4% in the reporting period. The resulting tax buoyancy (a measurement of how tax revenue responds to shifts in overall GDP) was 0.14, indicating non-buoyancy due to slower tax revenue growth than growth in the economy.

We continued to facilitate trade through our frontier services arm and collected Customs and Excise duties that went into the common SACU pool, with consideration of both trade value and volume. SACU receipts continued to dominate government revenue, contributing about 37% of total revenue in FY2025/26. However, SACU revenues declined sharply in 2025 and are expected to fall further in 2026, reflecting weaker regional imports and slower growth in Southern Africa. Trade performance has an effect on domestic revenue collection; even where domestic tax effort improved marginally, overall revenue performance was undermined by falling SACU transfers. This masked gains from VAT and excise measures and increased fiscal vulnerability.

Revenue collection in FY2025/26

RSL's overall collection in the year amounted to M10.89 billion, which was affected by refunds of M1.13 billion. This performance represents an increase of 0.93% compared to the previous year, demonstrating a proportional improvement in overall tax collection year-on-year. We had an annual revenue target of M10.39 billion, against which we remitted M9.76 billion to the Government of Lesotho, recording a negative variance of M640.30 million.

Stakeholder relationships

RSL continued to strengthen stakeholder relations through a series of targeted engagements, which represented a critical step towards successful implementation of initiatives, policies and programmes. We were able to foster collaboration, promote transparency and form new partnerships with several key stakeholders. These included completed Memoranda of Understanding (MoUs) between RSL and Lesotho Regulators Forum (LRF), Bankers Association of Lesotho (BAL), Lesotho Communications Authority (LCA) and Agents of Foreign Firms Association of Lesotho (AFFAL).



To read about our stakeholder engagement in the year, refer to page 33.

Income Tax

Target: M5.16 billion

Actual performance:

M5.44 billion

Surplus: M28.00 million (5.4%)



Value Added Tax

Target: M5.05 billion

Actual performance:

M4.11 billion

Deficit: M940.00 million (-18.6%)



Tobacco and Alcohol Products Levy

Target: M174.2 million

Actual performance:

M195.36 million

Surplus: M21.2 million (12.2%)



Gaming Levy

Target: M9.6 million

Actual performance:

M12.00 million

Surplus: M2.4 million (24.9%)



For a detailed overview of our financial performance, refer to page 59.

Looking ahead

In FY2026/27, growth in Lesotho is projected to range from 1.3% to 1.9%, constrained by:

- Winding down of LHWP II construction spill-overs;
- Continued uncertainty around AGOA and United States trade policy;
- Limited private-sector investment momentum; and
- SACU revenue that is expected to decline as a share of total revenue to 34%, exposing domestic tax weaknesses.

Structural underperformance of domestic taxes persists, especially in relation to the:

- Narrow VAT base;
- Limited corporate taxpayer pool;
- Large informal labour market;
- Tax-to-GDP ratio expected to rise only marginally, driven by policy measures (such as excises and levies) rather than growth; and
- Greater volatility in revenue outcomes due to reduced SACU cushioning.

The net effects for FY2026/27 are stark; the overall tax collection outlook remains fragile, with revenue growth dependent on policy reforms rather than macroeconomic expansion. SACU revenue remains structurally volatile and unsuitable as a long-term fiscal anchor.

Acknowledgements

I am deeply grateful to all RSL employees for their unwavering commitment, resilience and professionalism demonstrated throughout the reporting period. Despite the prevailing economic challenges and resource constraints, staff remained dedicated to delivering on the organisation's mandate with diligence, innovation and a strong sense of purpose. Their hard work and adaptability continue to be the driving force behind RSL's achievements.

I also thank our strategic partners for their continued collaboration and support across various initiatives, particularly in advancing organisational modernisation efforts, including systems integration and other institutional strengthening programmes.

My appreciation goes to the Board for its strategic leadership, guidance and oversight, which continue to provide a strong governance foundation for the organisation's growth and long-term sustainability.

Lastly, I would like to acknowledge His Majesty's Government, and particularly:

1. The Ministry of Public Service, for willingly participating in the PAYE Automatic Compliance initiative, wherein they allocated resources and achieved payroll integration with RSL. As a result, government PAYE filing compliance will be automatic, and this will spill over to making Income Tax filing automatic for civil servants in the future.
2. The Ministry of Environment and Forestry for their smooth collaboration during the introduction of the Plastic Levy, joint awareness sessions conducted as part of change management and continued support post-implementation of this Levy.
3. The Ministry of Finance and Development Planning, for its ongoing policy guidance, support and commitment, enabling RSL to effectively execute its mandate in service of national development priorities.

Mr. Rakokoana Makoa
Acting Commissioner General

33 Our key stakeholders

37 How we engage

39 Engagement outcomes
for FY2025/26



08 Stakeholder engagement and responsiveness

“

Our work happens through relationships, from a Mosotho lodging a return to a development partner co-designing a reform. This section is about the 10 stakeholder groups we listen to and engage with.

”

Our key stakeholders

We define our stakeholders as those whose actions, decisions or interests materially affect (or are materially affected by) RSL's ability to fulfil its mandate. Ten groups meet this definition. Some are external to RSL but instrumental to its work; some are internal.

For each, the table below sets out what value means from their perspective (that is, what they care about most in their relationship with us) and why that matters for the way we discharge our mandate.

TP Taxpayers

- Fair, predictable and efficient administration;
- Ease of compliance;
- Certainty of treatment; and
- Accessible dispute resolution.

GE Government and enforcement agencies

- Coordinated implementation of the National Strategic Development Plan II (NSDP II) extended;
- Policy alignment; and
- Exchange of information.

BP Business partners

(business associations, tax and clearing agents, commercial banks, mobile-money operators, etc)

- Strengthened collaboration;
- Improved compliance pathways; and
- Effective tax-policy implementation that supports legitimate commerce.

RE Regulators

(members of the Lesotho Regulators Forum)

- Enhanced compliance across sectors;
- Improved regulatory efficiency; and
- A secure business and economic environment.

STAKEHOLDER ENGAGEMENT AND RESPONSIVENESS *continued*

Our key stakeholders *continued*

CO

Communities

- Promotion of voluntary compliance;
- Enhanced understanding of tax obligations;
- Accessibility of tax services; and
- Improved accountability and service delivery.

SP

Service providers

- Fair, transparent procurement;
- Prompt payment;
- Clear performance expectations; and
- Long-term mutually beneficial relationships.

DP

Development partners

(IMF, World Bank, AfDB, OECD, UNDP and bilateral partners)

- Technical assistance and capacity-building support;
- Transfer of global best practices; and
- Sustained reform momentum.

EM

Employees

- A safe and inclusive workplace;
- Fair remuneration packages and improved Employee Value Proposition (EVP);
- Meaningful development; and
- Clear leadership and recognition.

RB

Regional bodies

(ATAF, CATA, SADC, SACU Secretariat, ESAAMLG)

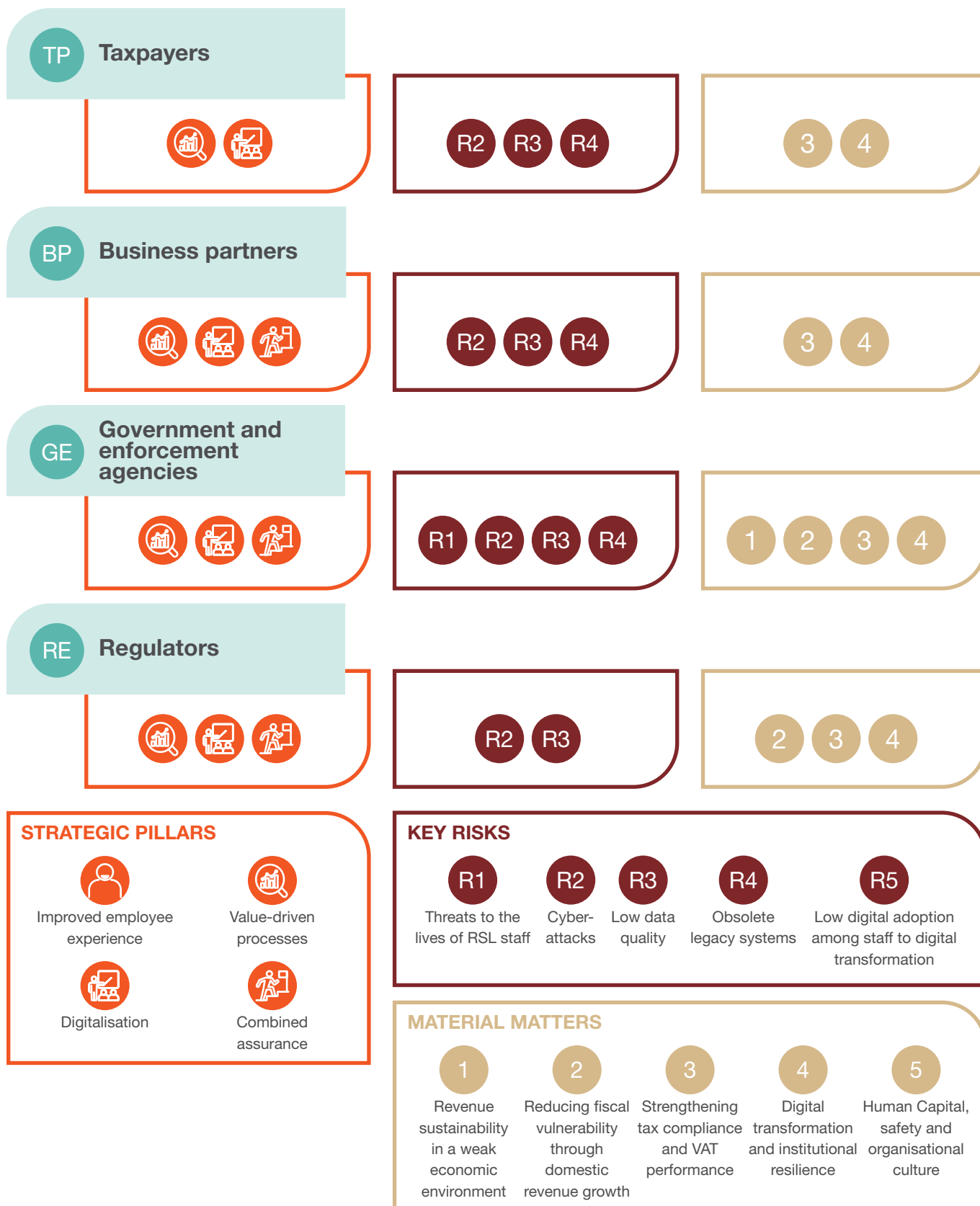
- Adoption of international standards; and
- Effective and efficient tax administration aligned to regional commitments.

BD

The Board

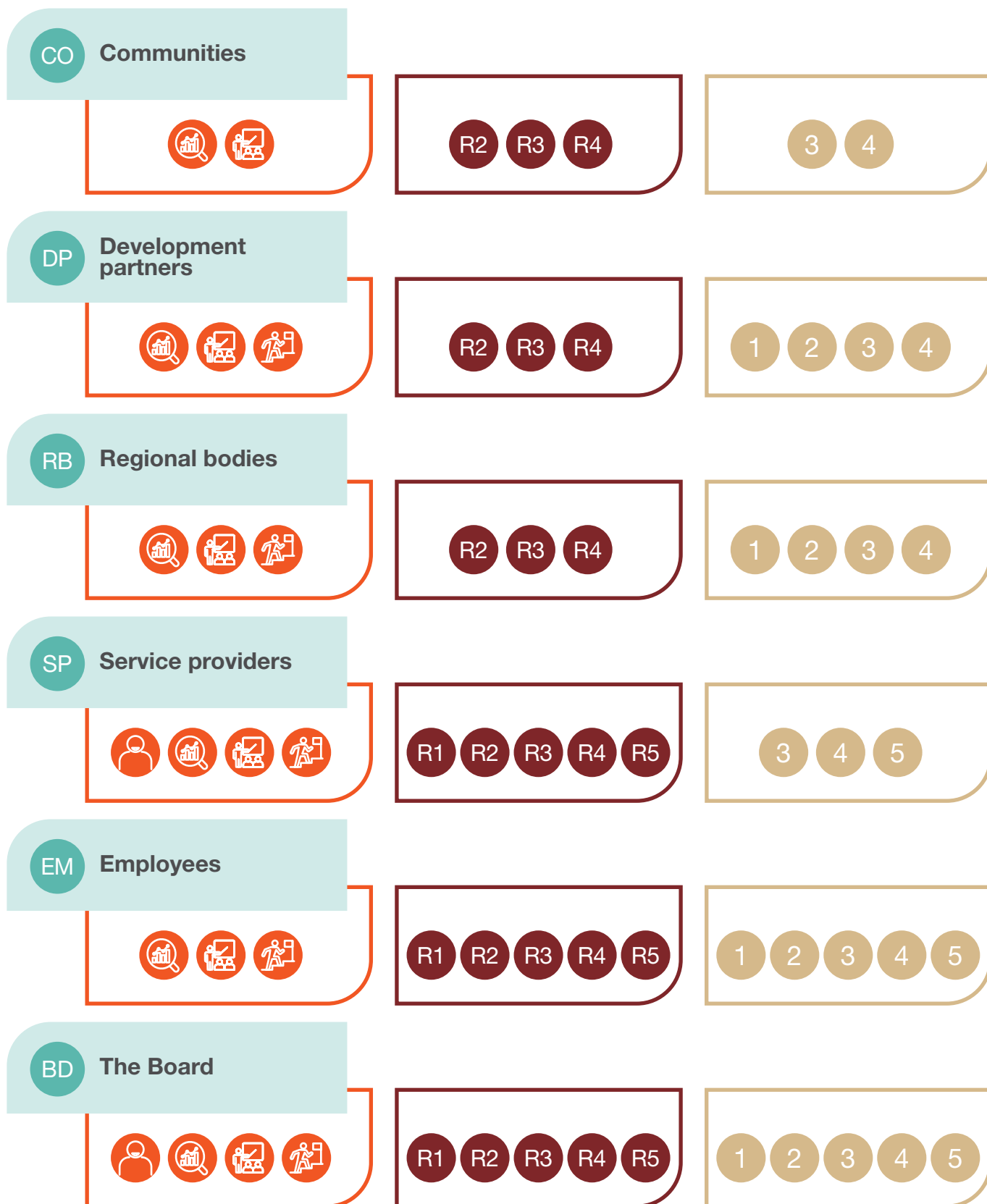
- Effective discharge of fiduciary and oversight responsibilities;
- Sound governance; and
- Sustainable value creation across the six capitals.

The table below outlines the interconnectivity between stakeholder groups, strategic pillars, principal risks and material matters.



STAKEHOLDER ENGAGEMENT AND RESPONSIVENESS *continued*

Our key stakeholders *continued*



Read more about our strategy on page 43, key risks on page 51 and material matters on page 19.

How we engage

Our engagement is shaped by three principles.

FIT-FOR-PURPOSE

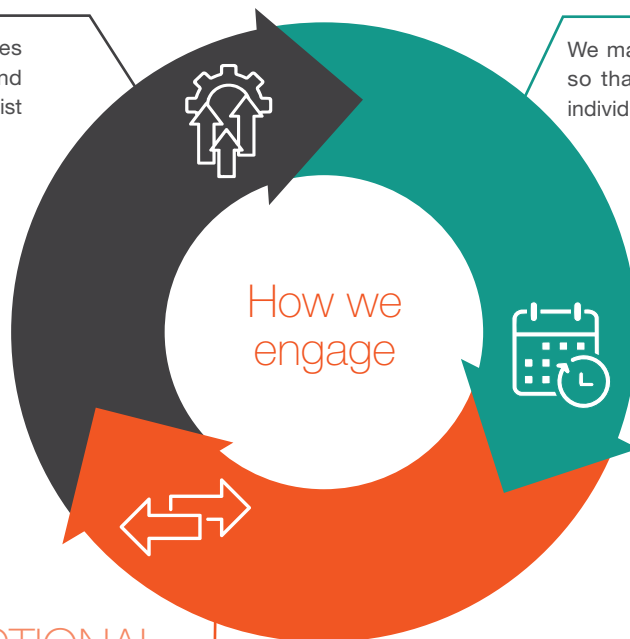
Each stakeholder group requires a different approach, channel and depth of engagement, and we resist a one-size-fits-all approach.

STRUCTURED RATHER THAN AD HOC

We maintain standing forums and routines so that engagement does not depend on individuals or current circumstance.

TWO-DIRECTIONAL

We listen as much as we communicate, and the inputs we receive feed back into our planning, policy and operational decisions.



STRATEGIC PILLARS



Improved employee experience



Value-driven processes



Digitalisation



Combined assurance

KEY RISKS

R1

Threats to the lives of RSL staff

R2

Cyber-attacks

R3

Low data quality

R4

Obsolete legacy systems

R5

Low digital adoption among staff to digital transformation

MATERIAL MATTERS

1

Revenue sustainability in a weak economic environment

2

Reducing fiscal vulnerability through domestic revenue growth

3

Strengthening tax compliance and VAT performance

4

Digital transformation and institutional resilience

5

Human Capital, safety and organisational culture

STAKEHOLDER ENGAGEMENT AND RESPONSIVENESS *continued*

How we engage *continued*

The table below summarises the principal mechanisms by which we engaged with each group during the year.

TP Taxpayers

- E-services platform and contact centre;
- Service centres across our three regions servicing all the ten districts;
- Taxpayer education programmes;
- Taxpayer-experience surveys; and
- Hosting an annual Taxpayers Appreciation Day.

BP Business partners

- Annual sector-specific symposiums on tax and customs international instruments;
- Structured feedback sessions with business associations; and
- Ongoing engagement with clearing-agents, tax agents, banking and mobile-money operator forums.

GE Government and enforcement agencies

- Joint training programmes;
- Regular meetings on shared issues;
- Technical working groups; and
- Development and periodic refresh of Memoranda of Understanding and Service Level Agreements.

RE Regulators

- Quarterly meetings of the Lesotho Regulators Forum; and
- Bilateral engagement on cross-cutting compliance matters.

CO Communities

- District-council meetings;
- Face-to-face engagements with communities impacted by RSL's initiatives;
- Community-outreach programmes;
- Awareness campaigns and information-sharing through social media, community radio stations and physical events.

DP Development partners

- Regular review meetings with named focal points;
- Technical working groups;
- Information- and knowledge-sharing sessions; and
- Co-design of reform projects.

RB Regional bodies

- Statutory and representation meetings;
- Strategic engagement on focus areas; and
- Participation in capacity-building sessions.

SP Service providers

- Vendor-briefing sessions;
- Structured procurement processes;
- Performance reviews; and
- Supplier development engagements; and
- Supplier relationship management sessions.

EM Employees

- Annual employee engagement (eNPS) and ethics survey;
- Town halls, divisional meetings and corporate team-building initiatives;
- Recognition programmes;
- Leadership development and CADET;
- Consultative engagement on organisational policies;
- Weekly internal newsletter; and
- Daily communication via our digital platforms.

BD The Board

- Scheduled Board and Board Committees' meetings;
- Deep-dive sessions on strategy policy and risk; and
- Executive reporting cadence.

Engagement outcomes for FY2025/26

Engagement is best reported by the changes it produces. In the table below, we identify what we heard, what we did about it and the change (to a policy, a process, a service or a commitment) that resulted for

each of the 10 stakeholder groups. Where a substantive response is still pending, we say so, and state the timeline.

	WHAT WE HEARD	WHAT WE DID ABOUT IT	THE CHANGE THAT RESULTED
TP Taxpayers A nationwide market research initiative was undertaken in February 2026 to better understand how taxpayers experience RSL's services.	We received recommendations for the use of a diverse mix of communication channels or platforms. These should meet the needs and preferences of different taxpayer groups to improve reach, engagement, access to information and understanding.	We reflected on deploying targeted communication strategies that recognise the diverse needs of different taxpayer segments. This reflection focused on leveraging the use of digital and modern communication channels or platforms aimed at ensuring that taxpayers receive timely, relevant and accessible information.	This research will contribute to the strategy to be implemented in FY2026/27.
BP Business partners Targeted tax and customs symposium for manufacturers	In light of recent changes in United States foreign policy, the importance of diversifying market access and exploring alternative export destinations was recognised, highlighting the need to strengthen engagement with other international markets.	At least three symposiums were convened for manufacturers to enhance awareness of the international markets accessible to Lesotho through various preferential trade agreements.	The symposium provided participants with insights into trade opportunities available under existing agreements with European, Asian and other international markets, with the objective of promoting export diversification and expanding market access for locally manufactured products.
GE Government and enforcement agencies Development of a Memorandum of Understanding (MoU) with the Ministry of Public Works and Transport	The need for systems integration between the Ministry of Public Works and Transport and RSL was identified as a strategic measure to enhance tax compliance and improve the administration and monitoring of tenders and contractors.	The MoU is currently under development.	The MoU is intended to facilitate the sharing of data relating to tenders, contractors and payments with the aim of enhancing tax compliance.

STAKEHOLDER ENGAGEMENT AND RESPONSIVENESS *continued*Engagement outcomes for FY2025/26 *continued*

WHAT WE HEARD

WHAT WE DID ABOUT IT

THE CHANGE THAT RESULTED

RE

Regulators

Resuscitation of the Lesotho Regulators Forum

Inadequate regulatory capacity and lack of collaboration on areas of mutual interest were identified as key challenges.

The Lesotho Regulators Forum was resuscitated, and it was agreed that it would convene on a quarterly basis for regular sittings and consultations.

The Forum is currently deliberating on capacity-building initiatives for its members on e-commerce, with the aim of strengthening regulatory oversight through improved understanding and deeper insights into the sector.

CO

Communities

District council meetings

It was recognised that, historically, the administration had primarily relied on an enforcement-based approach to promote tax compliance. Consequently, a more community-oriented approach was adopted with the objective of fostering greater awareness, trust and voluntary compliance among taxpayers.

Council engagement meetings were conducted across various districts to raise awareness among local council leaders on matters relating to RSL initiatives and tax compliance. The objective was to enlist their support in educating and sensitising their respective communities on RSL initiatives and the importance of fulfilling tax obligations and promoting a culture of voluntary compliance.

Improved participation and recognition of RSL initiatives within local communities.

DP

Development partners

The IMF facilitated a benchmarking visit by a delegation from Liberia to Lesotho to learn from Lesotho's experience and reform journey in the introduction and implementation of Value-Added Tax (VAT).

The IMF provided technical guidance and support to Lesotho throughout the process of implementing VAT. Given the success and lessons learned from our experience, the IMF identified Lesotho's VAT implementation journey as a valuable benchmark for which the Liberia Revenue Authority could benefit.

A benchmarking visit by a delegation from Liberia to Lesotho was successfully undertaken to facilitate knowledge sharing and the exchange of experiences on the implementation of VAT.

The Liberia Revenue Authority is currently in the process of implementing VAT and Lesotho's experience provided valuable insights in terms of lessons learned and practical implementation experiences.

WHAT WE HEARD

WHAT WE DID ABOUT IT

THE CHANGE THAT RESULTED

RB

Regional bodies

ATAF Country Correspondents Annual Meeting

ATAF provided a capacity-building and networking session for country correspondents of all ATAF member states to encourage consistent, timely and structured communication with ATAF and other tax administrations.

The Country Correspondents Annual Meeting was convened by ATAF in February 2026.

There are timely responses, coordinated engagements and improved collaboration between RSL and other tax administrations.

SP

Service providers

To guarantee business continuity, we undertook a third-party risk assessment designed to identify and manage information security risks targeting RSL's IT service providers deemed high-risk.

The assessment revealed a critical need to address significant gaps which were identified.

Engagements were undertaken with high-risk vendors to address cybersecurity threats or information security risks that were identified.

We employed necessary measures to address information security gaps identified in the vendors' environments, through introduction of contract clauses safeguarding cybersecurity and information security threats.

EM

Employees

An Employee Engagement Survey was conducted with the assistance of an independent consultant.

The dominant cross-cutting theme emerging from staff feedback is a deficit in psychological safety.

RSL conducted several mental health and wellbeing awareness sessions and strengthened targeted one-on-one and team feedback sessions between employees and line managers. These interventions are intended to create safe spaces for dialogue, encourage employees to raise concerns and strengthen trust and support within teams.

Early signs of improved employee engagement have been observed through increased participation of staff in organisational activities. The eNPS improved from 10% in Q1 to 23.1% in Q4, translating to 131% growth.

BD

The Board

Members reflected on the quality of RSL's service offering to taxpayers.

A direction was set by the Board to address taxpayer dissatisfaction on the quality of service provided.

The Board established a special team to look into enhancing the provision of quality-of-service and to make recommendations for achieving an improved service offering.

Efficiencies were brought to the issuance of tax clearance certificates and improvements were observed in the administration of tax refunds.

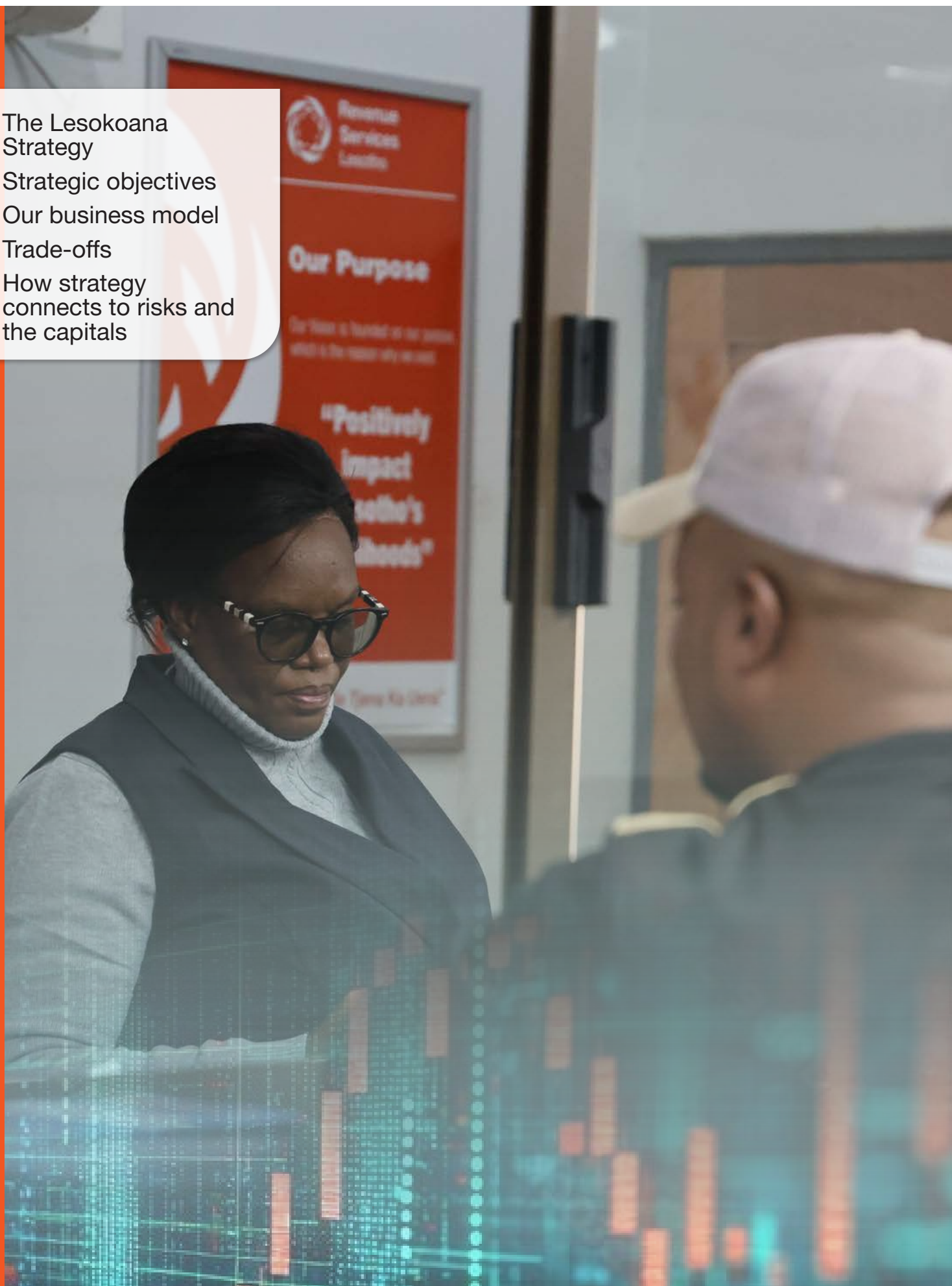
43 The Lesokoana Strategy

44 Strategic objectives

46 Our business model

49 Trade-offs

49 How strategy connects to risks and the capitals



09 Strategy and business model

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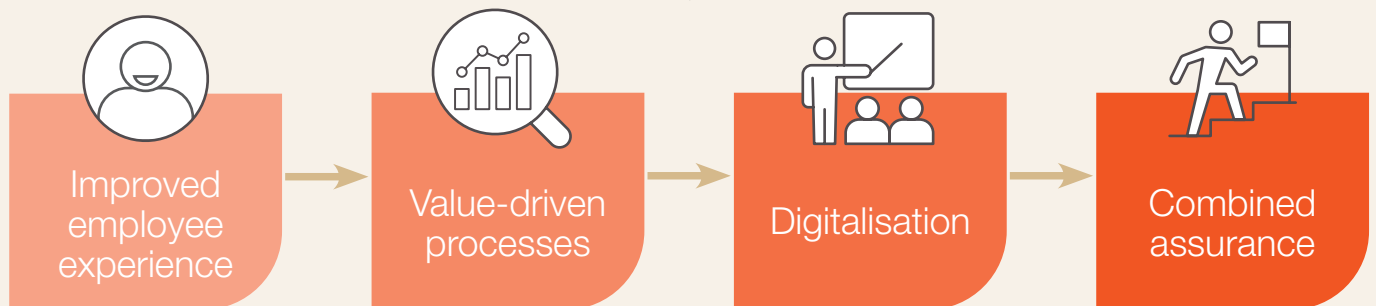
Strategy unfolds across several years. Through the execution of our Lesokoana Strategy, public services funded by Lesotho's revenue will be built across many more.

”

The Lesokoana Strategy

Lesokoana (a relay game played by Basotho girls to encourage rainfall, leading to prosperity and improved livelihoods) frames the work of revenue administration as something done thoroughly, patiently and

over a sustained period, where the aim is to 'keep playing' rather than 'winning the game'. The strategy that bears the name translates RSL's purpose, mission and values into four pillars of execution:



We intend to boost job satisfaction and organisational productivity while serving with passion.

We will concentrate on efficiency, innovation and client satisfaction in all process improvements.

We will leverage digital technologies to improve our operations, products and services to create new opportunities for growth.

We will integrate risk management and compliance into each business process to enhance organisational resilience and performance.

STRATEGY AND BUSINESS MODEL *continued*

Strategic objectives

The Lesokoana Strategy is delivered through eight strategic objectives, each housed under one of the four pillars and each carrying its own delivery measure. The table below sets them out banded by the time horizon over which we judge them to resolve.

Some objectives (such as the launch of a new system or completion of a programme) resolve cleanly within a year. Others (such as the build of taxpayer trust or the maturity of combined assurance) accumulate over multiple years and only show their full effect in the long term. We assign each objective to the horizon over which the substance of the work will be visible, not the horizon over which the deliverables land.

	PILLAR	CAPITALS AFFECTED	TIME HORIZON
SO1 Make all RSL employees feel valued		 	 Long
SO2 Increase Employee Net Promoter score (eNPS) to 80%		 	 Short to medium
SO3 Create an exciting, positive and productive work environment		 	 Long
SO4 Achieve 95% operational efficiencies on all core Tax & Customs processes		 	 Long
SO5 Create a memorable experience in all touchpoints with our clients		 	 Long
SO6 Seamlessly integrate tax compliance into daily events of taxpayers		  	 Medium to long
SO7 Become a leading data-driven organisation		  	 Medium to long
SO8 Embed assurance as first line defence for all RSL processes		 	 Short to medium



STRATEGY AND BUSINESS MODEL *continued*

Our business model

The RSL business model describes how we draw on the six capitals and transform them (through our day-to-day administrative work) into

the outputs and outcomes that constitute value creation for Lesotho.

 Our capitals are defined on page 13.

Inputs

Inputs are the stocks of the six capitals we draw on at the start of, and across, the reporting period. They are drawn on, depleted or replenished by what we do with them.



Financial Capital

- Approved RSL funding
- Funding from development partners



Manufactured Capital

- RSL House in the pre-construction phase at start of FY2025/26
- Border refurbishment programme underway
- Moveable assets



Intellectual Capital

- E-invoicing initiative piloted in FY2025/26
- PAYE Automatic Compliance system in operation
- Digital solutions launched in the prior year, including e-registration and e-payment and e-receipting systems



Human Capital

- 593 full-time employees and 60 temporary employees
- 569 staff who received training in FY2025/26
- Five EXCO members and 25 Senior Managers who participated in coaching and mentoring programme



Social and Relationship Capital

- MoUs with LRF, BAL, LCA and AFFAL
- Partnership with OECD, UNDP and ATAF to launch the Tax Inspectors Without Borders – Criminal Investigations Programme (TIWB-CI)
- Continued impact through our Corporate Social Investment and Responsibility (CSIR) programmes



Natural Capital

- Plastic Levy collection stabilised in FY2025/26
- ESG awareness drive and sustainability-focused practices

Activities

Activities are the recurring administrative work through which inputs are transformed into outputs and outcomes. They are largely the same year-on-year, but their balance, focus and intensity shift in response to the operating environment, strategy execution priorities and material risks.



Taxpayer registration and account management



Tax assessment, collection and refund



Customs administration and trade facilitation



Compliance enforcement



Dispute resolution and objections



Taxpayer education and outreach



Policy and legislative advisory



Systems and data administration



People development and culture



Governance and assurance

Outputs

Outputs are what those activities produced during the year. They are the visible, measurable products of our work and the most direct evidence that activities have taken place at the scale and quality intended.

**M10.89
billion**

Revenue collected
(2024/25: M10.79 billion)

**M1.13
billion**

Refunds processed
(2024/25: M1.05 billion)



STRATEGY AND BUSINESS MODEL *continued*Our business model *continued*

Outcomes

Outcomes are the effects of what we did on the six capitals (for RSL itself, for taxpayers, for the Government of Lesotho and for the country). They are slower to resolve than outputs and most of them only become visible over multiple reporting periods. We therefore report outcomes both for the year and, where data allow, against trend (what the year has added to, drawn from or left unchanged in each capital).



Financial Capital

- M9.76 billion annual remittance (2024/25: M9.74 billion)
- 39.6% tax revenue contribution to national budget (2024/25: 35.8%)
- 21.63% tax-to-GDP ratio (2024/25: 22.9%)



Manufactured Capital

- Detailed design of the RSL House at 80% completion
- Border refurbishment programme making progress through compensation of affected persons and households
- Mobile Office acquired



Intellectual Capital

- RSL mobile app adoption
- Payroll integration with government for PAYE filing compliance
- VAT e-invoicing solution uptake
- Private Shopper online platform adoption
- AI chatbot usage on WhatsApp



Human Capital

- Overall eNPS score, or employee advocacy on a scale of -100 to +100, of 23.1% by Q4 (Lesokoana target: +30% by 2027)
- Executive and Senior Management coaching and mentoring
- Successful implementation of the CADET programme with positive staff feedback
- 14 dismissals; a statement on consequence management in FY2025/26 is included in *Key Board decisions in the year and how they affected the capitals* on page 76



Social and Relationship Capital

- Year-round stakeholder engagement across groups (page 37)
- Continued Corporate Social Investment and Responsibility (CSIR) programmes in the year (page 62)



Natural Capital

- M9.74 million collected from Plastic Levy
- 22,000 trees planted (2024/25: 21,000)

Trade-offs

No organisation creates value in one capital without affecting others. The choices we make trade capitals against each other, and often across horizons (accepting a near-term reduction in one capital to build another that pays back over the medium or long term). The trade-offs reported below are a sample of the year's choices we judged material to value creation. Each names the capital affected and the time horizon over which the trade resolves.

A statement on consequence management in FY2025/26 is included in *Key Board decisions in the year and how they affected the capitals* on page 76.

Modernising the tax administration versus preserving the operating surplus



A SACU revenue trajectory under structural compression makes the case for accelerating modernisation investment now rather than later. Capital expenditure was allocated to the PAYE Automatic Compliance solution, the VAT e-invoicing platform and the new RSL House. The trade reduced Financial Capital in the short term to build Intellectual and Manufactured Capital that will underpin domestic revenue mobilisation in the medium to long term.

Processing refunds expeditiously versus maximising near-term net collection



Refunds paid during the year represented a substantial outflow to taxpayers. The choice to release valid refund claims promptly reduced Financial Capital flowing to the Consolidated Fund in the period, while building Social and Relationship Capital through demonstrated fairness. Voluntary compliance, which a fair refund regime underpins in the short term, is what protects Financial Capital over the medium to long term.

How strategy connects to risks and the capitals

Each Lesokoana pillar draws on, and contributes to, specific capitals:

- The employee pillar draws principally on Financial and Intellectual Capital and builds Human and Social and Relationship Capital.
- The process pillar draws on Intellectual and Manufactured Capital and builds Financial and Social and Relationship Capital.
- The digital pillar draws on Financial, Intellectual and Manufactured Capital and builds all six over time.
- The assurance pillar draws on Human and Intellectual Capital and protects Social and Relationship and Natural Capital against erosion.

Each strategic objective sits against the risks that most threaten its delivery. The risk register on page 52 is tagged to the relevant objective to see which risks each pillar faces and which mitigations are in place. The risks themselves are banded by horizon, mirroring the horizon banding of the objectives above.

51 Risk governance

51 Key risks

57 Emerging risks and opportunities



10 Risk landscape and opportunities

“

The risks below are the threats most likely to derail what this report says we will do. Each is named, sized and matched to the action we are taking.

”

Risk governance

Risk at RSL is owned by Executive Management and overseen by the Board through its committee structure. Material risks are tagged to the strategic objective they most threaten, so that risk and strategy are reviewed together rather than in parallel. The corporate risk register is maintained and reviewed during the year, and approved by the Board.

Key risks

All risks identified below are critical. Should they materialise, they threaten RSL's future ability to achieve its strategic intent. We frame them explicitly to mark the distinction between operational pressure and structural threat. While we do not judge their severe forms' materialisation as likely in the year ahead, we recognise that the consequences if they did materialise would be of a different order. The risk register names the planned mitigations against each.



RISK LANDSCAPE AND OPPORTUNITIES *continued*

Key risks *continued*

R1

Threats to the lives of RSL staff

RSL has clearly defined its risk appetite when it comes to the physical safety of employees; at the moment, this risk is still at a critical stage which needs careful monitoring. The recently developed Physical Security strategy includes clearly defined KPIs with implementation planned to start in quarter one of FY2026/27. If well executed, the strategy will impact this risk positively. Security Office should engage

with RSL employees throughout the country in order to ensure that this area is embedded into daily work; their visibility is key, as both preventive and deterrent controls. Employees are encouraged to report security incidents to Security Offices as soon as they become aware of them. Our staff were also equipped with security skills in CADET training with the Lesotho Defence Force.

Rating **20**

Tolerance level **Zero**

Internal / External: **EXTERNAL**

Risk owner: **CG**

RELATED OBJECTIVE/S	IMPACT ON OBJECTIVE	MITIGATION	RISK MITIGATIONS
Make all RSL employees feel valued.	Danger to lives of employees works against making employees feeling valued. The impact is extremely negative.	- Strengthen and formalise relations with security agencies. - Develop critical security strategies in collaboration with other security agencies. - Including security-related modules in the CADET programme. - Continuous taxpayer education.	- A security strategy has been developed. - Security Office regularly meets and shares information with security agencies. - Border security plans are made in collaboration with security agencies. - An initial security module was included in the CADET programmes and over three hundred staff were trained.

LIKELIHOOD: **HIGH**



R2

Cyber-attacks

Cyber-attacks are most commonly enabled by employees and third parties. Phishing exercises that took place throughout the year played an instrumental role in ensuring that our employees, as the first line of assurance, fully understand the danger of opening any links in emails. However, it became evident that the security of some of the engaged third parties is compromised and this leaves RSL exposed. RSL's ERM policy directs that due diligence must be done prior to the engagement of external service providers. The set risk appetite should always be

factored in prior to making decisions of this nature. The implementation rate for the crucial mitigations of this risk is very slow. Cyber criminals are increasingly using AI, deepfakes and advanced social engineering making attacks harder to detect. There is a need to strengthen the implementation of the proposed mitigations to fully realise the impact and safeguard against emerging cyber threats. Reporting of incidences also needs to be strengthened to allow lesson learning for prevention.

Rating **20**Tolerance level **Zero**Internal / External: **EXTERNAL**

Risk owner: COS

RELATED OBJECTIVE/S

Become a leading data-driven organisation.

IMPACT ON OBJECTIVE

A cyber-attack would render RSL ineffective and could place confidential taxpayer information in the wrong hands, affecting our reputation and business negatively.

MITIGATION

- Implement recommendations from the third-party security assessment in order of criticality.
- Fully implement patch management procedures as per vendor requirements.
- Conduct intensive and complex phishing simulations.

RISK MITIGATIONS

- 12% of the independent security risk assessment recommendations were implemented, including assessment of service providers.
- Patch management procedures were completed and are fully functional. The next proposed steps include the inventory of all the applied patches, the vulnerabilities they are mitigating and the automation of patches.
- Two phishing campaigns were executed in the year, and one campaign will be executed in early FY2026/27.
- Procurement of a cyber awareness platform is expected to be completed early in FY2026/27.

LIKELIHOOD: **HIGH**

RISK LANDSCAPE AND OPPORTUNITIES *continued*

Key risks *continued*

R3

Low data quality

A significant amount of work to mitigate this risk had been done jointly by Data Stewards and Data Drivers. Historically, a large portion of RSL's data has been low quality. The efforts made, however, are not significantly impacting the risk. The risk of low data quality can have a significant negative impact as it could lead to erosion of trust by the public due to misinformed decisions. We aim to invest in preventative

mechanisms, such as building a data culture, including by educating employees with capturing rights about data quality management. This will assist in building the perception of data as a strategic asset and is expected to improve data quality at source, thereby improving overall data quality.

Rating **20**

Tolerance level **Zero**

Internal / External: **EXTERNAL**

Risk owner: COS

RELATED OBJECTIVE/S	IMPACT ON OBJECTIVE	MITIGATION	RISK MITIGATIONS
Become a leading data-driven organisation.	The risk makes it impossible to meet the objective affect the efficiency of service delivery and the achievement of objectives.	● Acquire and implement an online data catalogue and update the data glossary. ● Perform regular updates and correction of non-compliant and outdated data, such as contacts, payments and returns. ● Correct low quality data through automated data cleansing activities.	● A procurement process for a data catalogue with data quality capabilities is on hold and will resume in April 2026. An internally developed data cleansing solution is in place until the tendering process resumes. ● Data quality standards were improved, critical data elements defined and data stewards actively coordinated cleansing and monitoring across divisions. ● Full staging of compliance datasets was completed. ● Comprehensive data profiling was finalised. ● Data Quality Dashboards were deployed. ● Root cause analysis was completed. ● Additional quality improvements were achieved, including closure of audit cases, correction of duplicate payments and progress in capturing backlogged returns.

LIKELIHOOD: **HIGH**

R4

Obsolete legacy systems

Mitigation of this risk requires the updating of core tax and customs systems. The progress made in addressing this risk showed that intentions are not yet realised, and therefore, the gaps that triggered this risk still exist and the risk remains unchanged. This is considered a “driver risk”; a failure in one of its components could trigger a wide

range of effects (a domino effect) affecting the most critical areas of the business. Considering the foundational work that has been completed, the objectives are in sight. The gaps in legacy IT infrastructure are among several critical topics that continue to be discussed by RSL leadership for a lasting solution.

Rating **20**

Tolerance level

ZeroInternal / External: **EXTERNAL**

Risk owner: COS

RELATED OBJECTIVE/S

Become a leading data-driven organisation.

IMPACT ON OBJECTIVE

Obsolete systems do not deliver as expected and affect efficiency of service delivery to achieve objectives.

MITIGATION

- Update core Tax and Customs systems.

RISK MITIGATIONS

- UNCTAD has submitted the technical and financial proposal for the upgrade of ASYCUDA. The contract is likely to be signed in May 2026.
- The funding request for PSRM replacement was shared with the Ministry of Finance and Development Planning.
- For PSRM replacement, ATAF has agreed to RSL's request to provide technical assistance.
- Zambia has agreed with ATAF to host RSL during Q1 2026/27 for benchmarking purposes.

LIKELIHOOD: **HIGH**

RISK LANDSCAPE AND OPPORTUNITIES *continued*Key risks *continued***R5**

Low digital adoption among staff to digital transformation

Mitigation of this risk has been partially implemented and the work done did not have a significant impact in reducing this risk. The AI, cloud and user experience design capacity-building sessions for specialists have been concluded. Training on AI for business was also

conducted for GRC and IT. Training for senior management is planned for the first half of FY2026/27. For the mitigation to be impactful, training should continue to be delivered to employees. The status of the risk remains the same.

Rating **20**Tolerance level **Zero**Internal / External: **EXTERNAL**

Risk owner: CBE

RELATED OBJECTIVE/S

Become a leading data-driven organisation.

IMPACT ON OBJECTIVE

In the digital age, staff who do not recognise the need to adopt technology place RSL at a significant disadvantage in the pursuit of our mandate.

MITIGATION

- Build management capacity for the use of digital technologies.

EFFECT OF MITIGATION

- Preparations were made to train RSL's management in user experience design, AI and Oracle's cloud infrastructure. An assessment is planned to determine the training needs of each staff group to inform the interventions necessary.

LIKELIHOOD: **HIGH**

Emerging risks and opportunities

Three emerging risks and two opportunities through emerging dynamics identified in FY2025/26 carry material implications for

revenue administration in the years ahead.

Emerging risks



Zero-rating of additional commodities



An expanded list of zero-rated items (in response to the economic pressures arising from rising oil prices) was introduced in late FY2025/26 and is expected to provide economic and social relief to low-income households. However, while this measure may help alleviate the cost-of-living burden, it is likely to reduce future revenue collections.



Sustained donor-funding withdrawal



The significant reduction in USAID assistance and the termination of the Millennium Challenge Compact (MCC) during FY2025/26 represented the first major manifestation of this emerging risk. Where donor funding has historically supplemented—and in some cases substituted for—domestic revenue, its retrenchment places increased pressure on the domestic revenue function to mobilise sustainable resources to finance public expenditure.



A major loss of public trust



Tax administration relies on voluntary compliance at scale, which is sustained only when taxpayers have confidence in the fairness, impartiality and effectiveness of the system. If that trust is eroded, there is a risk of reduced compliance, weakened legitimacy and a diminished capacity for the administration to achieve its objectives.

Opportunities through emerging dynamics



Textile-sector contraction



The textile sector contracted following shifts in the AGOA tariff regime during the financial year. In the short term this is a risk to PAYE and VAT yield from around 20,000 textile sector workers. There is an opportunity to explore other markets apart from the U.S., South Africa, the European Union, China and Canada are additional export markets which can be tapped into.



Legislative pipeline



The presentation of the Tax Administration Bill Amendments, the Income Tax Amendment Bill and the VAT Amendment Bill in FY2026/27, and their subsequent enactment, are poised to create an enabling environment for improved compliance and revenue collection. This includes facilitating ease of modernising revenue streams to achieve efficiencies in the administration of revenue laws. They also present an opportunity to broaden the tax base.

59 Financial Capital

60 Manufactured Capital

61 Intellectual Capital

61 Human Capital

62 Social and
Relationship Capital

63 Natural Capital



11 Performance by capital



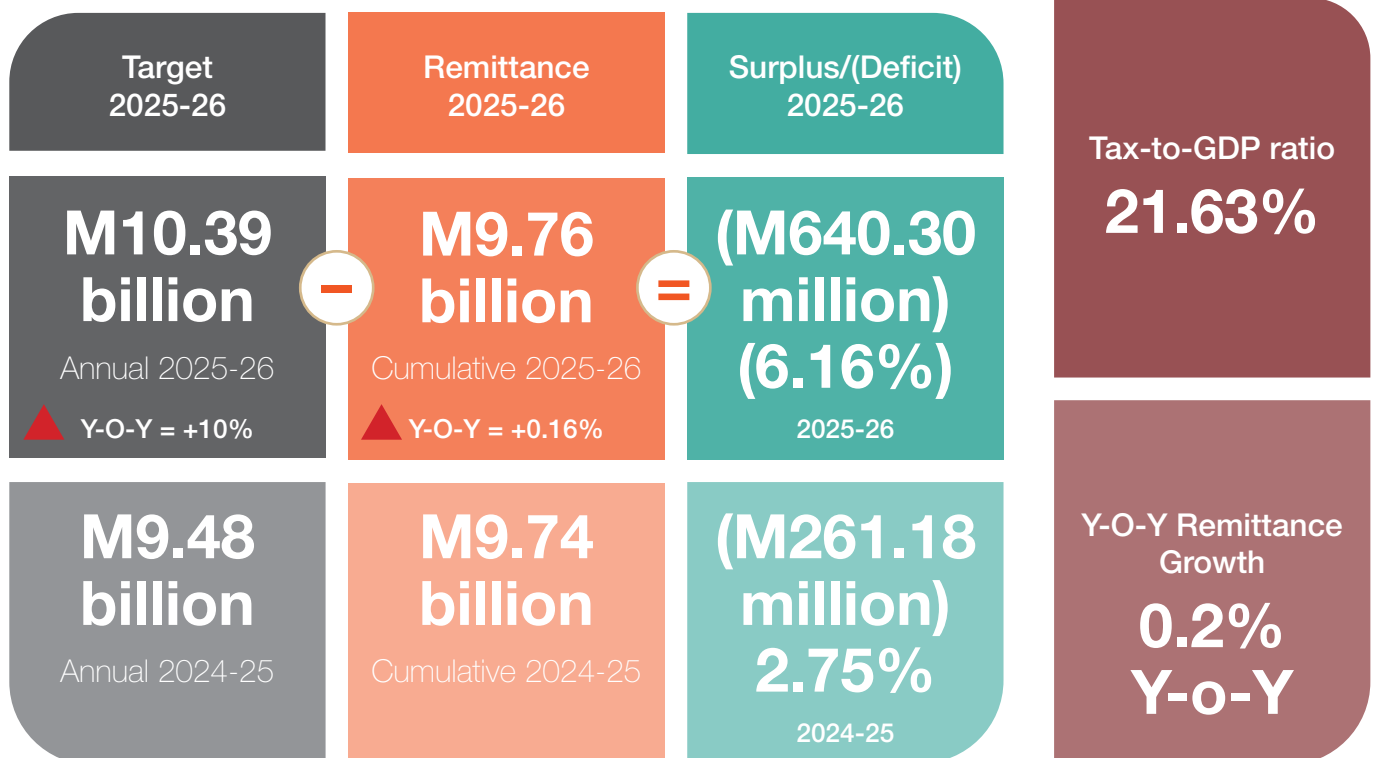
One performance story across six capitals. Each reports what the year did to one of the capitals on which our work for Basotho depends.



This section reports shifts across all six capitals; each of the six sub-sections that follow takes a capital and shows how it shifted at RSL in FY2025/26. Performance in one capital is shaped by performance in others. The four pillars of our Lesokoana Strategy, and their eight strategic objectives, are the operational frame against which performance is measured.



Financial Capital



PERFORMANCE BY CAPITAL *continued*

Financial Capital *continued*

While the annual target grew by 10%, annual remittances grew by a relatively lower rate of 0.16%, taking us to a negative variance of (6.16%) (M640.30 million). Our tax-to-GDP ratio remained steady at 21.63%, which was above the African regional tax to GDP average of 16%.

The tax expenditure marked revenue forgone, emanating from exemptions processed and mainly affecting VAT collections negatively. High tax expenditure recorded in Q1 constituted M92 million of VAT refunds paid in May 2025, in relation to processed exemptions.

Our debt stock increased from one quarter to the next, but so did our effort to recover, which averaged 50% across the four quarters, reflecting constant debt recovery.

Imports recorded a 3% year-on-year decline (M253.40 million) and further 12.1% quarter-on-quarter underperformance (M976.50 million) signalled weakening recent import demand and slowing domestic economic activity in light of heightened geopolitical tensions.

Value of VAT-able imports declined significantly by 54.9% quarter-on-quarter despite increasing by 14% year-on-year.

Exports declined significantly by 10% year-on-year (M274.70 million) and 16.5% quarter-on-quarter (M492.10 million), highlighting deteriorating external sector performance and weakened international demand for Lesotho's exports.



Manufactured Capital

RSL House

The RSL House project made notable progress following engagement of a project management consultant team. The concept and viability report was 100% complete; RSL commenced site clearing, and the detailed design was 80% completed by end of March 2026.

Border infrastructure programme

The border infrastructure programme progressed smoothly with compensation and relocation of the households on the identified border development area, in both Van Rooyens and Sani Pass. Procurement processes will commence to source consultants as we advance to the next stages of architectural designs and professional technical studies leading to construction.

IT infrastructure and data platform

The upgrade of the electronic document and records management system reduced the risk of unavailability of taxpayer records as and when they are required. Efficiency gains will also be realised by enabling quick retrieval times and shrinking physical storage. Over time, this will contribute to streamlining workflows and enhancing collaboration. Improved customer experience is a critical gain achieved with the upgrade, as teams will be able to access clients' records, and therefore respond to queries faster.



Mobile Office

To improve accessibility, particularly in remote areas, RSL introduced a Mobile Office. This fully equipped unit brings tax services directly to communities, offering:

- Taxpayer registration;
- Filing assistance;
- Automated Tax Clearance Certificates support; and
- Electronic payment support.

The initiative reduces the need for long-distance travel, leading to reduced compliance costs, and helps expand the tax base while protecting taxpayers from fraud and misinformation.



Intellectual Capital

Systems and software

During the year, RSL launched its mobile app on Android and expanded payment channels for the digital ecosystem of Standard Lesotho Bank (SLB), including USSD, internet banking and the SLB mobile app. We are currently working on an additional channel for wider coverage.

The organisation achieved payroll integration with the Government of Lesotho to make PAYE filing compliance for the government automatic. TIN registration for civil servants is ongoing.

RSL launched the VAT e-invoicing solution; we are now able to collect invoice data from VAT vendors as they sell their goods and services. The invoice data collected provides us improved capabilities to manage compliance for VAT, the Tobacco and Alcohol levy and Plastic Levy.

One of the major innovations introduced was the Private Shopper online platform. This digital system allows individuals to declare personal imports online, eliminating paperwork and reducing the need to visit customs offices physically. The platform simplifies customs procedures, improves compliance and supports the growth of e-commerce and global trade.

We also launched an AI chatbot on WhatsApp to provide real-time support, guidance and responses to taxpayer queries.



Human Capital

RSL improved the employee value proposition during the year by continuing to engage our staff and respective teams, with the aim of promoting a psychologically safe space at work. Additionally, we managed to finalise procurement of the corporate wear as part of embodying our corporate value of professionalism.

	CLIENT SERVICES	CORE OPERATIONS	OPERATIONS SUPPORT	BUSINESS ENABLEMENT	CG'S OFFICE	TOTAL
Permanent	239	134	115	67	38	593
Temporary	10	21	9	4	16	60
Total	249	155	124	71	54	653

RSL's strategy commits to investment in people and technology. Key to investment in people is enhancing employee knowledge and skills through training and development. In each financial year, Management makes a budgetary provision of 2-2.5% of staff-related costs to make staff capacitation possible. In FY2025/26, RSL implemented several staff capacitation initiatives aimed at driving productivity, performance and staff growth. These initiatives spanned across leadership, management, soft and technical skills programmes. RSL achieved 80% implementation of our planned training and development interventions. The key interventions undertaken are detailed below.

1. Leadership and management development

This is a continuation of a journey started in year one of the corporate strategy. The Executive Coaching Programme delivered over the year was completed. Senior Management engaged in a three-month programme to empower them in coaching and mentoring. The programmes reached five and 25 leaders, respectively.

2. Behaviour change and mental wellbeing programme

We acknowledge that mental wellbeing is one of the contributors to employee productivity and performance. As such, in FY2025/26 we continued to roll out the programme, aimed at strengthening the participants' mental (psychological, emotional and social) wellbeing.

3. CADET programme

In carrying out our mandate, we have a social contract with the people of Lesotho, as their trusted custodians of public revenue funds, to protect their interests and safeguard those funds. To live up to this, we understand that we need to exhibit certain traits and conduct ourselves in a way that is fitting of a tax official. Therefore, employees participated in the CADET programme, aimed at instilling patriotism, discipline, service excellence and professionalism.

PERFORMANCE BY **CAPITAL** *continued*

Social and Relationship Capital

Corporate Social Investment and Responsibility

RSL views Corporate Social Investment and Responsibility (CSIR) as an integral component of its broader mandate and sustainability agenda, with a focus on creating measurable social, environmental and economic impact in communities across the country.

During the reporting period, RSL implemented several CSI initiatives aligned to national development priorities and stakeholder needs. In support of education, health and gender equity, RSL distributed a year's supply of sanitary towels to more than 900 girls across 14 schools nationwide. This intervention aimed to promote menstrual health management, improve school attendance, and reduce barriers affecting girls' education.

Through a drive to recognise and honour excellence, RSL presented awards for outstanding performance to graduates of institutions of higher education. The students were from the National University of

Lesotho (NUL), Limkokwing University of Creative Technology (LUCT), Botho University and Centre of Accounting Studies (CAS) and were recognised in the fields of information technology, economics, taxation and accounting.

Recognising the importance of youth economic empowerment, RSL collaborated with strategic partners to finance five start-up businesses owned by young entrepreneurs, supporting enterprise development, innovation, and job creation. RSL also supported capacity development within the media sector through the provision of training programmes designed to strengthen reporting standards and professional skills. In addition, the organisation financed annual media excellence awards, recognising outstanding journalism and promoting quality reporting.

These initiatives demonstrate that RSL's CSI approach extends beyond philanthropic contributions and is strategically aligned with its mandate, sustainability priorities and stakeholder expectations.





Natural Capital

ESG policy implementation

RSL contributed to a cleaner Lesotho through distribution of garbage bins to mitigate the effects of littering. Our staff contribute periodically to state-led environmental initiatives. We are in the process of safely disposing mobile scanners with harmful environmental effects. At Headquarters, efforts were made to separate garbage into its different categories, such as glass, paper, plastic and to facilitate recycling, re-use and reducing waste.

Plastic levy administration

RSL, in collaboration with the Ministry of Environment and Forestry, introduced the Plastic Levy, aimed at discouraging and minimising the use of plastic shopping bags in favour of reusable shopping bags. M9.74 million was collected in FY2025/26. The impact of introducing the Plastic Levy to reduce plastic usage is yet to be determined.

Tree planting and environmental stewardship

As part of its environmental stewardship efforts, RSL led a nationwide tree-planting initiative that resulted in the planting of over 22,000 trees in various locations, contributing to biodiversity conservation, climate resilience, and environmental awareness.



Services

Services Lesotho

- 65** Governance framework
- 66** Board of Directors
- 73** Board Committees
- 74** Executive Committee
- 76** Key Board decisions in the year and how they affected the capitals
- 77** How our remuneration framework is linked to value creation

Revenue Services Lesotho



Revenue
Services



12 Governance

“

RSL is funded through public resources and entrusted to deliver an essential public service. As such, the Board of Directors plays a vital role in ensuring transparent reporting on financial and operational performance; it is accountable to Parliament through the Ministry of Finance and Development Planning. This section is about the decisions the Board takes and the capitals those decisions shape.

”

Governance framework

RSL is committed to the highest standards of corporate governance, ethical leadership, accountability, transparency and responsible stewardship in the execution of its mandate. The organisation recognises that sound corporate governance is fundamental to institutional sustainability, stakeholder confidence, operational effectiveness and the delivery of long-term public value. RSL's governance framework is guided by applicable legislation, principles of good governance and the organisation's strategic direction under the Lesokoana Strategy. It ensures that decision-making processes support operational resilience, ethical conduct, stakeholder inclusivity and effective risk management.

Our governance is anchored in two complementary instruments. The Mohlomi Corporate Governance Code is the applicable governance code for entities operating in Lesotho, and we apply its principles as our primary frame of reference. We also align with the King IV Report on Corporate Governance for South Africa (2016) as a regional benchmark to test our practices against a widely adopted standard and to support peer comparability with revenue administrations and public-sector entities elsewhere in the SADC region. Our application of both codes informs how the Board structures its work, how authority delegates through Executive Management, and how we account upwards to Parliament and the Minister of Finance and Development Planning, and outwards to the Basotho we serve.

In FY2025/26, the Board and Management continued to strengthen governance structures, policies, systems and oversight mechanisms to ensure alignment between strategy execution, operational performance, stakeholder expectations and sustainable development priorities. We remain committed to continuously strengthening our governance framework to enhance accountability, advance ethical leadership and embed sustainability into organisational decision-making.

The organisation will continue to prioritise:

- effective Board oversight and strategic execution;
- ethical leadership and values-based culture;
- robust risk management and internal controls;
- digital transformation and innovation;
- stakeholder inclusivity and transparency;
- environmental and social sustainability; and
- Human Capital development and organisational resilience.

Through these ongoing efforts, RSL seeks to reinforce public trust, improve institutional performance and deliver sustainable value to all stakeholders while fulfilling its national mandate responsibly and effectively.

GOVERNANCE *continued*

Board of Directors

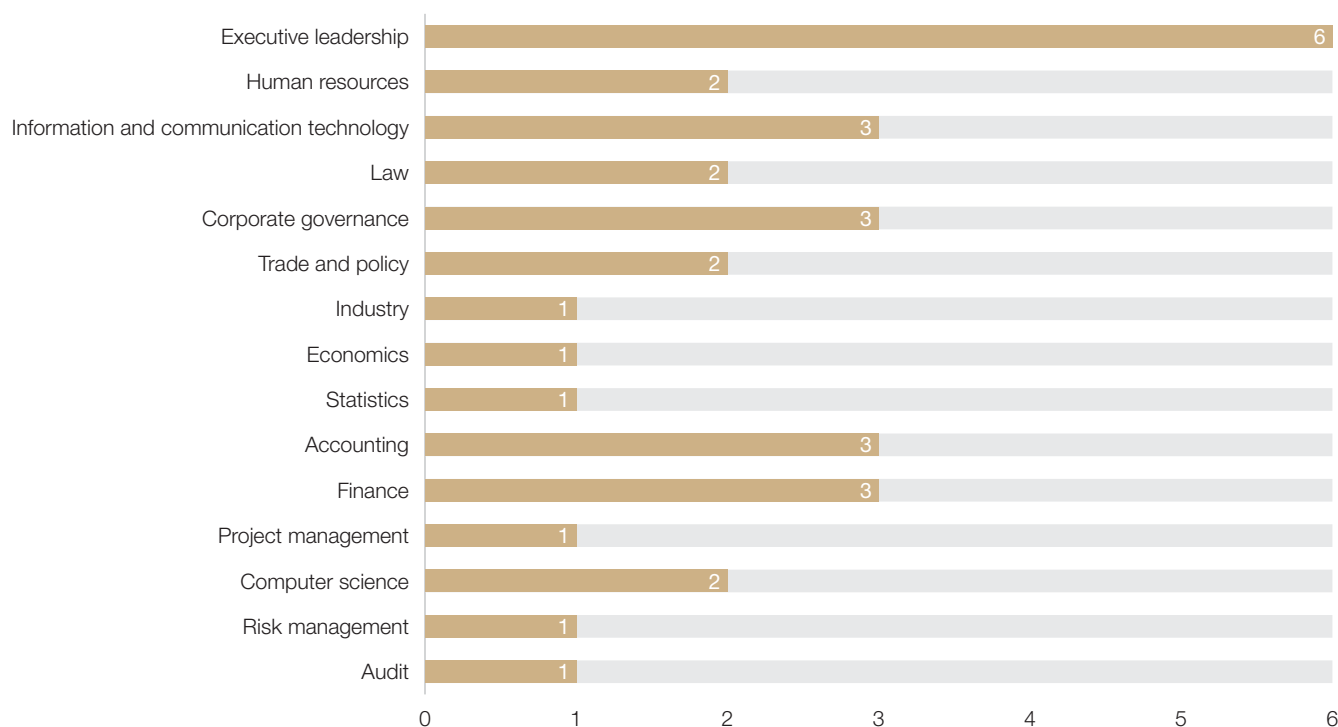
The Board of Directors provides strategic leadership and oversight to the organisation and remains accountable for ensuring that RSL fulfils its mandate effectively, responsibly and sustainably.

The Board exercises oversight over strategy implementation, financial management, risk governance, internal control systems, policy direction, ethics management and organisational performance. It operates through established governance structures and management

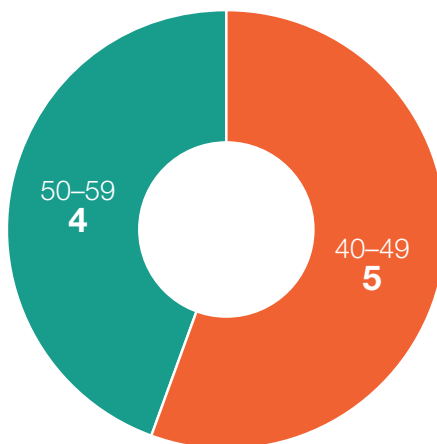
processes designed to support effective decision-making, accountability and oversight across all operational areas.

Management is responsible for implementing the strategic direction approved by the Board, executing operational plans, managing risks, maintaining effective internal controls and ensuring compliance with applicable laws, regulations and policies.

Skills



Age



Adv. Lindiwe Sephomolo
Board Chairperson



Tsireletso Mojela
Director



Libako Leisanyane
Director



Mathabo Mokoko
Commissioner General



Matumelo Ralebakeng
Director



Rakokoana Makoa
Acting Commissioner General



Mamonaheng Koenane
Director



Morongoenyane Nyakane
Director



Dr. Lerato Lerato
Director



GOVERNANCE *continued*

Board of Directors *continued*

Advocate Lindiwe Sephomolo KC (54)

(Association of Lesotho Employers and Business)

Board Chairperson

Appointed: 6 November 2023

- Chief Executive Officer of the Association of Lesotho Employers and Business (ALEB).
- Appointed to the RSL Board in 2015 and served as the Chairperson of the Human Resource and Remuneration Committee (HRRC) and a member of the Information and Communication Technology Committee (ICTC).
- Advocate of the Courts of Lesotho, a specialist in labour law, a seasoned negotiator and a policy professional with over 25 years' experience.
- Passionate about business development and trade. Her postgraduate studies included courses in labour law, trade and policy, lobbying and advocacy and corporate governance.
- Active spokesperson for employers at national, regional and international levels.



Mrs. Tšireletso Mojela (58)

(Ministry of Trade, Industry & Small Business)

Deputy Chairperson

Appointed: 6 November 2023

- Appointed to the RSL Board in 2015 and served on both the FAC and the Human Resource and Remuneration Committee. She is currently serving a second term on the RSL Board.
- She has served on numerous other boards, including as Chairperson of the Basotho Enterprises Development Corporation (BEDCO) and the Lesotho Land Administration Authority (LAA).
- She has extensive experience in trade and industry development issues and strategic planning, her previous roles include Director of Industry, Chief Industry Development Officer and Deputy Director of the Lesotho Manufacturers Association.
- She is currently the Deputy Principal Secretary at the Ministry of Trade and Industry.
- In her position as Business Counsellor at the Business Advisory and Promotion Services Centre, she provided training and advisory services to small businesses.
- Throughout her career, Mrs. Mojela has demonstrated a commitment to enhancing industry operations, supporting economic development and fostering international trade relations.



Mrs. Libako Leisanyane (59)

(Ministry of Finance and Development Planning)

Member

Appointed: 6 November 2023

- Appointed Deputy Chairperson of the LRA Board in November 2017.
- She is also on the Board of the Lesotho Petroleum Fund, and previously served as Chair of the Audit and Risk Committee on the Council of Lerotholi Polytechnic.
- Mrs. Leisanyane has extensive experience in economics, statistics and corporate governance.
- She is currently the Director of the Department of Macroeconomic Policy and Management in the Ministry of Finance.



Mrs. Mathabo Mokoko (46)

(Commissioner General of RSL until 7 November 2025)

Member

Appointed: 1 September 2023

- Commissioner General of the Revenue Services Lesotho until November 2025.
- Admitted Advocate of the High Court and Court of Appeal of Lesotho.
- Member of the Law Society of Lesotho.
- She has worked previously as a Practising Advocate at a Private Law Firm, taught Taxation as a Part-Time Lecturer at the University of Lesotho as well.
- She served in several roles at Revenue Services Lesotho (RSL) and the Lesotho Revenue Authority (LRA), as the Legal Officer, Legal Officer Law Interpretation and as a Senior Manager – Policy Procedures and Law Interpretation.
- She worked at the United Nations Head Quarters in New York as the Inter-Regional Advisor on International Tax Matters.
- She also served as the Head Legal and Board Secretary at the Water and Sewerage Company in Lesotho.
- She worked for Vodacom Lesotho as the Manager Legal Affairs and later as the Company Secretary.
- Mrs. Mokoko is a passionate leader, who invests in the development and wellbeing of leaders and upcoming leaders.



Mrs. Matumelo Rebecca Ralebakeng (48)

(Central Bank of Lesotho)

Member

Appointed: 6 November 2023

- Mrs. Ralebakeng is a Chartered Accountant (CA – L) and holds ACCA qualification and MSc in Professional Accountancy from the University of London.
- She is an experienced finance professional and Director of Finance at the Central Bank of Lesotho, where she oversees the Finance Department.
- Prior to this she served as Head Accounting and Senior Accountant.
- Her professional career includes working at Financial Intelligence Unit (FIU), Lesotho Institute of Accountants and Lesotho Revenue Authority.
- She has served in various oversight roles including serving as the President of the Lesotho Institute of Accountants and Council Chairperson, member of Audit Committee at Macroeconomic and Financial Management Institute of Eastern and Southern Africa (MEFMI), Current Chairperson of the Audit Committee of Alliance for Financial Inclusion (AFI) and Alternate Chairperson of the Lehakoe Recreation and Cultural Centre (LRCC) Oversight Committee.



GOVERNANCE *continued*

Board of Directors *continued*

Mr. Rakokoana Makoa (49)

(Acting Commissioner General)

Member

Appointed: 7 November 2025

- Mr. Makoa served as RSL's Chief Information Officer for four years, before being appointed as Commissioner Client Services and Head of Customs on 1 January 2024.
- With almost two decades of experience in tax and customs revenue administration, Mr. Makoa has expertise in IT, project management, and strategy development.
- He was very instrumental in the design and implementation of modernised business processes and technological capabilities of RSL for both tax and customs.
- He worked as a part-time expert at the IMF from 2017 to 2019, supporting tax reform and modernisation initiatives in Seychelles and Mozambique, and has a wealth of experience in software development, digital transformation and project management.
- Mr. Makoa holds a Master's degree in Technology Management, an Honours in Management of Technology from the University of Pretoria, South Africa, and a Bachelor's Degree in Computer Science and Physics from the National University of Lesotho.
- He is certified in the governance of enterprise IT by the Information Systems Audit and Control Association (ISACA) and currently serves on the Board of the African Customs Policy Network.



Mrs. Mamonaheng Koenane (43)

(Lesotho Chamber of Commerce and Industry)

Member

Appointed: 6 November 2023

- Mrs. Koenane has a background in Computer Science and a wealth of international experience and expertise.
- She holds a Higher Diploma in Computer Science from Griffith College, Dublin, and a BSc (Hons) in Financial Economics and Computer Science from the University College Cork, Ireland.
- She worked in the European tech and start-up communities for over 15 years, where she gained valuable experience in Ireland, Denmark, Germany and Portugal.
- Mrs. Koenane is multilingual, proficient in German and Portuguese, and a native speaker of Sesotho and English.
- Her commitment to advancing education and technology in Lesotho is evident in the various initiatives she has spearheaded. She founded the Impact School in Lesotho, introducing advanced technology programs such as electronics, coding, robotics, space technology, and the Robot Operating System (ROS), the first of its kind in the country.
- She established Holberton School, Lesotho, a collaboration with Holberton School in Silicon Valley, providing in-demand computer science and software engineering programmes to local youth.
- She serves as the Ambassador for Lesotho at Mission ShakhSAT, a pioneering initiative to construct the world's first lunar satellite built by 108 students from 108 different countries.
- She has been a panellist at the UN's Workshop on Space Technology and is an active participant in the Space Generation Advisory Council.
- She serves on the Steering Committee for the Lesotho Research and Network (LesREN), contributing to the strategic direction of research and education in the country.
- She has been invited by the Ministry of Information, Communication, Science, Technology & Innovation to review and validate key national documents: The National Digital Policy and the Digital Transformation Strategy.



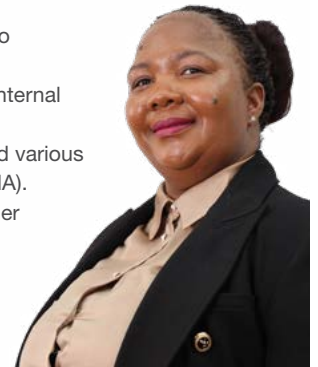
Ms. Morongoenyane Florinah Nyakane (43)

(Lesotho Institute of Accountants (LIA))

Member

Appointed: 6 November 2023

- Ms. Nyakane is an experienced finance professional with a background in accounting and external and internal auditing.
- She has exceptional strategic financial planning, governance, risk management and control environment and holds a Bachelor of Commerce in Accounting and an ACCA qualification.
- Ms. Nyakane is currently pursuing her Certified Internal Auditor (CIA) certification and is committed to continuous professional development and excellence in the finance sector.
- She has held several key positions during her career, and currently, she is Head of the Division, the Internal Audit Department at the Central Bank of Lesotho.
- She is actively involved in professional associations, having served as a Council Member and chaired various committees at the Lesotho Institute of Accountants (LIA) and Institute of Internal Auditors Lesotho (IIA).
- Her involvement in developing the Mohlomi Code, a governance framework for Lesotho, highlights her commitment to ethical standards and best practices in the financial industry.
- Ms. Nyakane possesses exceptional leadership and supervisory abilities. With extensive experience in accounting and auditing systems, she has honed her expertise through professional training in accounting, auditing, fraud, ethics, governance, risk management, information technology and business continuity management.



Dr. Lerato Lerato (51)

(Private sector)

Member

Appointed: 6 November 2023

- Dr. Lerato has been involved in governance and advisory roles throughout his career.
- He has been a member of the Risk and Information Technology Governance Committee at the Central Bank of Lesotho since 2018, served on the 11th Council of the National University of Lesotho from 2009 to 2012 and has been served on the university's ICT Steering Committee. His contributions extend to evaluating IT curricula and consulting for ICT directorship appointments.
- Dr. Lerato holds a PhD in Electronics from the University of Stellenbosch, and an MSc Eng (Electrical) from the University of Cape Town. He is a Senior Lecturer in Computer Science at the National University of Lesotho, where he teaches courses in VoIP communications, machine learning, and multimedia systems.
- Prior to his academic career, Dr. Lerato was a Speech Scientist and Software Developer at Intellecta Voice and Mobile in Johannesburg, where he designed speech technology components for Interactive Voice Response (IVR) systems.
- He was awarded the 2010 African Union-TWAS National Young Scientist Award (Lesotho) and the best academic paper at the Southern Africa Telecommunication Networks and Applications Conference (SATNAC) in 2002.
- Dr. Lerato is a published author, whose extensive research has significantly advanced the field of electronics and computer science.



GOVERNANCE *continued***Board of Directors** *continued*

MEMBERS	ATTENDANCE	MEMBER FOR THE FULL PERIOD
Adv. L. Sephomolo KC (Chairperson)	17/17	Yes
Mrs. T. Mojela (Deputy Chairperson)	15/17	Yes
Mrs. L. Leisanyane	16/17	Yes
Mrs. M. Ralebakeng	16/17	Yes
Mrs. M. Koenane	15/17	Yes
Ms. M. Nyakane	17/17	Yes
Dr. L. Lerato	16/17	Yes
Mrs. M. Mokoko	08/17	No
Mr. R. Makoa	04/17	No



Board Committees

Information and Communications Technology Committee

MEMBERS	ATTENDANCE	MEMBER FOR THE FULL PERIOD
Dr. L. Lerato (Chairperson)	4/4	Yes
Mrs. T. Mojela	4/4	Yes
Mrs. M. Koenane	4/4	Yes
Ms. M. Nyakane	4/4	Yes
Mrs. M. Mokoko	3/4	No
Mr. R. Makoa	1/4	No

Human Resource and Remuneration Committee

MEMBERS	ATTENDANCE	MEMBER FOR THE FULL PERIOD
Mrs. T. Mojela (Chairperson)	6/6	Yes
Mrs. L. Leisanyane	6/6	Yes
Mrs. M. Koenane	6/6	Yes
Mrs. M. Ralebakeng	6/6	Yes
Mrs. M. Mokoko	4/6	No
Mr. R. Makoa	2/6	No

Finance and Audit Committee

MEMBERS	ATTENDANCE	MEMBER FOR THE FULL PERIOD
Mrs. L. Leisanyane (Chairperson)	10/10	Yes
Mrs. M. Ralebakeng	10/10	Yes
Ms. M. Nyakane	10/10	Yes
Dr. L. Lerato	10/10	Yes
Mrs. M. Mokoko	7/10	No
Mr. R. Makoa	3/10	No

GOVERNANCE *continued*

Executive Committee

Mr. Rakokoana Makoa (49)

Commissioner Client Services

Appointed: 1 January 2024

- Mr. Makoa served as RSL's Chief Information Officer for four years, before being appointed as Commissioner Client Services and Head of Customs on 1 January 2024.
- With almost two decades of experience in tax and customs revenue administration, Mr. Makoa has expertise in IT, project management and strategy development. He was very instrumental in the design and implementation of modernised business processes and technological capabilities of RSL for both tax and customs.
- He worked as a part-time expert at the IMF from 2017 to 2019 supporting tax reform and modernisation initiatives in Seychelles and Mozambique, and has a wealth of experience in software development, digital transformation and project management.
- Mr. Makoa holds a Master's degree in Technology Management, an Honours in Management of Technology from the University of Pretoria, South Africa, and a Bachelor's Degree in Computer Science and Physics from the National University of Lesotho.
- He is certified in the governance of enterprise IT by the Information Systems Audit and Control Association (ISACA) and currently serves on the Board of the African Customs Policy Network.



Mrs. Ninie Manneheng Mopeli (56)

Commissioner Core Operations

Appointed: 1 September 2019

- Mrs. Mopeli has over 20 years of Executive Leadership experience, 12 of which have been with RSL, in the positions of Chief Corporate Services Officer, Commissioner Business Enablement and Commissioner Operations Support, prior to her appointment as Commissioner Core Operations in September 2019.
- Prior to joining RSL, she occupied senior positions in state-owned entities, and both private and development sectors (UN, construction, municipality, energy and utilities).
- Due to her experience in Risk Management, Governance, FIDIC Contracts Management and Financial Management, she served on the Audit and Finance Sub-Committees of the Lesotho Highlands Development Authority and Metolong Authority.
- She is a Certified Director (Cert.Dir) with the Institute of Directors of South Africa (IoDSA), a Chartered Public Relations Practitioner with the Public Relations Institute of Southern Africa (PRISA) and a Certified Mediator with Conflict Dynamics.

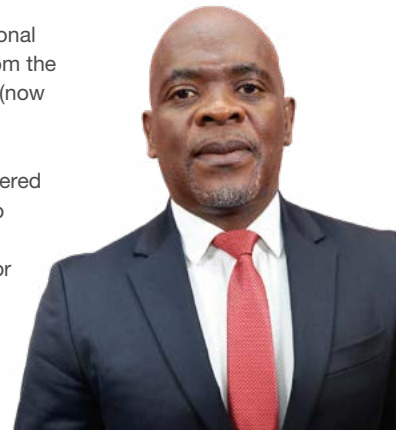


Mr. Obed 'Nete (57)

Commissioner Business Enablement

Appointed: 11 November 2019

- Mr. 'Nete is a Chartered Accountant (CA(SA)). He holds a Bachelor of Science from the National University of Lesotho, a Masters of Commerce (South African and International Taxation) from the University of Johannesburg, a BCom Honours (Accounting) from Rand Afrikaans University (now University of Johannesburg) and a BCom (Accounting) from the University of Cape Town.
- As a requirement for his CA(SA) accreditation, he served the South African Institute of Chartered Accountants, completed his TOPP articles with Standard Bank Group and was seconded to Standard Bank, London, for three months.
- Mr. 'Nete was a tax manager for STANLIB Ltd and worked for Standard Bank Group in senior finance roles in Lesotho and Standard Bank Africa Head Office in Johannesburg for over eight years. He then joined Standard Bank South Africa, Personal and Business Banking Credit Division as Senior Credit Manager responsible for the Diners Club personal credit portfolio. He was appointed as Head of Finance for Liqhobong Mine in August 2016 before joining RSL in November 2019 as Commissioner Business Enablement Division.



Mrs. Mpono Mosaase (50)

Commissioner Operations Support

Appointed: 1 November 2024

- Mrs. Mosaase is a strategic leader and a recognised authority on enterprise risk management, governance and institutional reform.
- She has over 28 years of experience. She served as a risk management coordinator and planning, monitoring and evaluation expert for the Southern African Development Community (SADC) Secretariat and Chief Risk Officer for the Central Bank of Lesotho, before being appointed as the Commissioner, Operations Support at RSL, where she leads a future-focused portfolio that delivers policy advice and turns technology, data, education and enforcement into the bedrock of resilient national revenue performance.
- Working in close collaboration with multilateral organisations such as the World Bank, IMF and the European Union, Mrs. Mosaase has driven strategy and policy development, capital-markets reform and organisational resilience amongst other in the organisations she has worked for.
- Her career spans agriculture, central banking, regional integration and tax administration, where she has consistently aligned complex, multi-stakeholder initiatives with national and regional development goals.
- Known for converting technical complexity into clear, actionable insight, she is a trusted leader on strategic foresight, ethical leadership and risk culture.
- A passionate mentor and coach, particularly to those aspiring to senior leadership, Mrs. Mosaase is a visionary with an entrepreneurial mindset, and possesses an ability to inspire collaborative, high-performing teams.
- Mrs. Mosaase is a member of the Institute of Directors Lesotho, Institute of Directors South Africa and the Institute of Risk Management - UK. She holds a Master's Degree in International and Development Economics from the Australian National University, as well as a Bachelor of Economics from the National University of Lesotho.



GOVERNANCE *continued*

Key Board decisions in the year and how they affected the capitals

A Board's role is most adequately described by the decisions it actually makes and by the consequences those decisions have for value creation. In the table below, we set out the principal decisions the Board took during the year and identify, for each, the capitals it shapes. Each affects more than one, and a few create deliberate

trade-offs between capitals or across time horizons. The intent of this disclosure is to show what the Board did, why it did so, and which of our six capitals will be different as a result, in order to make the link between governance and value creation visible.

BOARD DECISION	CAPITALS IMPACTED	DETAILS	DATE
Approval of the Revised Code of Ethics	   	This embeds and incorporates corporate values from the Lesokoana Strategy into the Revised Code of Ethics.	24/04/2025
Approval of The Cloud Migration Strategy	  	This strategy aims to improve operational resilience, scalability, cybersecurity, service continuity, digital agility and technology sustainability. The strategy addresses critical risks associated with obsolete infrastructure, limited scalability, security vulnerabilities and service disruptions.	05/08/2025
Approval of The Human Capital Management Policy	  	This policy is aimed at modernising people management practices, aligning organisational culture and workforce management with the Lesokoana Strategy and improving employee attraction and retention.	05/08/2025
Approval of The Facilities Management and Maintenance Policy	   	This policy aims to strengthen operational continuity, health and safety compliance, risk mitigation, cost efficiency and the overall user experience within RSL facilities.	05/08/2025
Approval of The Revised Supply Chain Management Policy	  	This policy seeks to align procurement and supply chain processes with current legislation, governance best practices, organisational objectives and risk management principles.	05/08/2025
Approval of The Training and Development Policy	  	This policy aims to foster continuous learning, build institutional capability, support innovation and align employee development with strategic objectives.	30/10/2015

BOARD DECISION	CAPITALS IMPACTED	DETAILS	DATE
Approval of The Revised Transport Policy	   	This intends to strengthen accountability, safety, operational efficiency, cost-effectiveness, business continuity, and ESG integration in transport management.	05/02/2026
Approval of the 2026/27 Business Plan and Budget	     	These support implementation of the third year of the Lesokoana Strategy and ensure alignment between strategic priorities, operational plans and resource allocation.	24/03/2026

Leadership and executive oversight

In FY2025/26, the Board took a decision to terminate the contract of the Commissioner General in the exercise of its governance mandate and oversight responsibilities. Subsequent to the termination, the former Commissioner General instituted legal proceedings challenging, among other matters, the procedural propriety of the dismissal.

The matter remained pending before the courts as at the end of the financial year under review. In the interim, the Board appointed an Acting Commissioner General to ensure continuity of leadership, operational stability and uninterrupted execution of the organisation's statutory mandate.

The Board recognises that matters relating to executive leadership transitions and ongoing litigation may have governance, operational, reputational and stakeholder confidence implications. Accordingly, the Board continued to exercise oversight over the management of associated risks and obtained such legal and professional advice as it considered necessary in the circumstances.

In view of the pending judicial proceedings, the organisation has refrained from commenting on the substantive merits of the dispute beyond what is necessary for purposes of transparent governance reporting. The Board remains committed to respecting judicial processes and upholding principles of procedural fairness, accountability and good governance.

Financial governance and audit matters

The organisation received a qualified audit opinion in the prior financial year relating principally to the accounting treatment of accruals and the calculation of severance pay.

In view of the differing interpretation RSL had to that of the office of the Auditor General regarding and following constructive engagements with the Auditor General's Office on the matter, an agreement was reached that the issue of interpretation on the calculation of severance pay be referred to the courts for judicial determination in order to obtain legal clarity and certainty.

During the year, the Board and management continued to monitor and assess the implications of the matter on financial reporting, provisions, liabilities and related disclosures, and to ensure that corrective or mitigating actions are taken to deal with the qualified audit opinion related to treatment of accruals.

The Board emphasises that the existence of the interpretive dispute does not detract from the organisation's commitment to sound financial governance, transparent reporting and constructive engagement with oversight institutions. The referral of the matter for judicial determination reflects the organisation's commitment to resolving complex statutory interpretation issues through appropriate lawful processes.

Ethical leadership and organisational culture

RSL recognises ethical leadership as a cornerstone of sustainable governance and institutional credibility. In FY2025/26, the Board approved a Revised Code of Ethics aimed at embedding and institutionalising the corporate values articulated under the Lesokoana Strategy. The revised Code strengthens the organisation's commitment to integrity, accountability, professionalism, transparency and responsible conduct across all levels of the organisation.

The organisation continued to prioritise ethical awareness and values-based leadership through sustained engagement initiatives involving employees and senior leadership. Particular focus was placed on creating a shared understanding of organisational values and expected ethical behaviours to ensure consistency in the application of governance principles throughout the organisation.

How our remuneration framework is linked to value creation

The RSL remuneration framework is designed to attract and retain critical talent while reinforcing high performance by aligning rewards with desired behaviours and organisational goals. It emphasises external and internal equity and links remuneration directly to individual and collaborative efforts. The remuneration framework aims to motivate employees, enhance engagement and differentiate rewards based on performance both at individual and organisational levels.

79 Combined assurance framework

79 Internal audit



13 Combined assurance and internal audit

“

The report you are reading depends on the assurance behind it. Here we show you how that assurance is built.

”

Combined assurance framework

RSL adopts the Five Lines of Assurance Model, with active oversight and participation by the Board and its Committees in strengthening governance, risk management and control processes.

Internal audit

Internal Audit assists RSL to create, protect and sustain value by providing independent, risk-based assurance and strategic insights that ensure strong governance, effective risk management and sound internal controls. The division reports to the Commissioner General for administrative purposes, and functionally to the Finance and Audit Committee, a subcommittee of the Board. Following the implementation of the revised Global Internal Audit Standards (GIAS) in January 2025, the Internal Audit focused on updating and enhancing its Charter to ensure full alignment with the new requirements. The Charter also aligns with the Mohlomi Corporate Governance Code.

The independence and objectivity of the Internal Audit Department were maintained throughout the year and further strengthened through regular and constructive engagement between Internal Audit and the Finance and Audit Committee.

Management interference in Internal Audit activities was minimal, and the Internal Audit confirms that it operated independently in the execution of its mandate, in line with the Internal Audit Charter and applicable professional standards.

During FY2025/26, five key strategic and operational risks were



managed through the combined assurance approach to ensure that risks were effectively mitigated and that RSL's strategic objectives were achieved. These risks included:

- credit and loss returns from taxpayers;
- cyber-attacks;
- threats to the lives and safety of employees;
- low data quality; and
- procurement risks.

Across these key risk areas, all lines of assurance demonstrated effective collaboration and coordination in providing oversight, monitoring and assurance activities. As a result, adequate and extensive assurance was provided to the Board regarding the effectiveness of controls and the management of these critical risks during the year. While areas requiring improvement were identified, particularly relating to the timely implementation of audit recommendations, the existing governance, risk management and internal control processes provided a reasonable basis for supporting accountability, operational effectiveness, compliance and achievement of RSL's strategic objectives.

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AUDITED ANNUAL FINANCIAL STATEMENTS

14 Financial statements

Directors' statement of responsibility and approval

The Board of Directors of the Revenue Services Lesotho (RSL) is required to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is the Board's responsibility to ensure that the financial statements fairly present the state of affairs of the RSL at the end of the financial year and the results of its operations and cash flows for the year then ended, and in conformity with International Financial Reporting Standards (IFRS) and in the manner required by the Lesotho Revenue Authority Act No, 14 of 2001 (As amended).

The financial statements are prepared in accordance with the IFRS and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Board of Directors acknowledges that it is ultimately responsible for the system of internal controls established by the RSL and places considerable importance on maintaining a strong control environment. To enable it to meet these responsibilities, the Board sets standards for internal controls aimed at reducing the risk of error or loss in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the RSL and all employees are required to maintain the highest ethical standards in ensuring the RSL's business is in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the RSL is on identifying, assessing, managing and monitoring all known forms of risks across the RSL. While operating risk cannot be fully eliminated, the RSL endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviours are applied and managed within predetermined procedures and constraints.

The Board is of the opinion that the system of internal control provides reasonable assurance that the financial records may be relied on for the presentation of the financial statements. However, any system of internal financial control can only provide reasonable assurance and not absolute assurance against material misstatement or loss.

The Board has reviewed the RSL's cash flow forecast for the year to 31 March 2026 and is satisfied that the RSL has access to adequate resources to continue in operational existence for the foreseeable future. This is based on the understanding that the Minister of Finance will secure adequate funding for the RSL to meet its operational needs. The external Auditors are responsible for independently reviewing and reporting on the RSL's financial statements.

The financial statements have been prepared on the going concern basis, and were approved by the Board of Directors on 30 June 2026 and signed on its behalf by:

Board Chairman

Acting Commissioner General

AUDITED ANNUAL FINANCIAL STATEMENTS *continued*

Directors' Report

1. Nature of business

Revenue Services Lesotho (RSL) is a semi-autonomous statutory body established by an Act of Parliament in terms of the Lesotho Revenue Authority Act No. 14 of 2001 (As amended). The RSL is charged with the mandate of a) assessing and collecting tax on behalf of the Government, and b) administering and enforcing the revenue laws, which include the Customs and Excise, Income Tax and Value Added Tax. The RSL therefore collects inland taxes, duties and excise on behalf of the Government of Lesotho and transfers the said to the GOL on a weekly basis.

For financial reporting purposes, the financial statements of the RSL are reported as RSL Own Accounts. The RSL Own Accounts cover those operational revenues, such as funding received from Government, which are managed by RSL and utilised in running the Organisation. The amounts in the collection accounts which were not transferred to the GOL accounts as at 31 March 2026 are included as part of cash and cash equivalents and as liability i.e. amounts to be remitted to GOL. The purpose of the distinction is to facilitate, among other things, the assessment of the administrative efficiency of RSL in achieving its mandate.

2. Financial performance

The recurring expenditure for the year amounted to M650,951,805 (2025 M632,566,600). The RSL incurred capital expenditure of M62,855,176 (2025 M53,304,754) on property, plant and equipment. Full details of the financial results are set out on pages 86 to 109.

3. Cashflow for the year

Own Cash and cash equivalents at the end of the financial year were M698,131,544 (2025 M502,262,220). A detailed statement of cash flows is on page 89.

4. Transfer of Fixed Assets to the RSL by Government

The Memorandum of Understanding between the Government of Lesotho (Ministry of Finance and Development Planning) and the Revenue Services Lesotho provided for the transfer of all assets (non-movable and movable) free of charge, previously held by the Departments for Customs and Excise, Sales Tax and Income Tax to the Revenue Services Lesotho. These assets have been revalued by Lethola Cost Associate.

5. Corporate governance issues

Corporate Governance:

In compliance with good corporate governance principles, the RSL has operated and maintained the following Board Committees: Finance and Audit Committee, Human Resource and Remuneration Committee and Information and Communications Technology Committee.

Social Responsibility:

The RSL is totally committed to putting back into the community it serves. This is done through the implementation of its Corporate Social Responsibility programme.

6. Board and Committees

Composition of the 8th RSL Board and Board Committees: 1 April 2025 to 31 March 2026

Board of Directors

Member

Adv. Lindiwe Sephomolo KC (Chairman)
Mrs. Tsireletso Mojela (Deputy Chairman)
Mrs. Libako Leisanyane
Dr. Lerato Lerato
Mrs. Rebecca Ralebakeng

Mrs. Mamonaheng Koenane
Ms. Morongoenyane Nyakane
Mrs. Mathabo Mokoko – to November 2025
Mr. Rakokoana Makoa – from November 2025

AUDITED ANNUAL FINANCIAL STATEMENTS *continued*

Directors' Report *continued*

Information and Communication Technology Committee

Member

Dr. Lerato Lerato (Chairman)
Ms. Morongoenyane Nyakane
Mrs. Mamonaheng Koenane

Mrs. Tsireletso Mojela
Mrs. Mathabo Mokoko – to November 2025
Mr. Rakokoana Makoa – from November 2025

Human Resource and Remuneration Committee

Member

Mrs. Tsireletso Mojela (Chairman)
Mrs. Libako Leisanyane
Mrs. Mamonaheng Koenane

Mrs. Rebecca Ralebakeng
Mrs. Mathabo Mokoko – to November 2025
Mr. Rakokoana Makoa – from November 2025

Finance and Audit Committee

Member

Mrs. Libako Leisanyane (Chairman)
Ms. Morongoenyane Nyakane
Dr. Lerato Lerato

Mrs. Rebecca Ralebakeng
Mrs. Mathabo Mokoko – to November 2025
Mr. Rakokoana Makoa – from November 2025

7. Bankers

The following financial institutions were the bankers of the RSL during the year:

Business address	Postal address
Standard Lesotho Bank	Lesotho Bank Building, Kingsway, Maseru
Nedbank	Head Office 115-117 Griffith Hill Kingsway Street P.O. Box 1001 Maseru 100
First National Bank	Pioneer Road Maseru
Lesotho Post Bank	Post Office Building, Kingsway Road, Maseru, Lesotho

8. Investment Managers

The following financial institution was the investment manager of the RSL during the year:

Business address

Stanlib Lesotho
Ground Floor,
MCG Office Park

9. Business and postal address of The RSL

Ground Floor, Government Complex
P. O. Box 1085
Maseru 100

10. Auditors

The auditors of the RSL are:

Moteane, Quashie and Associates
Chartered Accountants & Management Consultants
Plot 582 Hoohlo,
Cnr. Kingsway,
Maseru, Lesotho

Report on the audit of the financial statements of Revenue Services Lesotho

FOR THE YEAR ENDED 31ST MARCH 2026

Unqualified Opinion

Moteane, Quashie and Associates, under Section (24) (1) of the Audit Act, have audited the financial statements of Revenue Services Lesotho (RSL) set out on pages 86 to 108, which comprise the Statement of Financial Position as at 31st March 2026, Statement of Profit or Loss and Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended and notes to the financial statements comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of RSL as at 31st March 2026, and its financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS) and in the manner required by Lesotho Revenue Authority Act 2004.

Basis for Unqualified Opinion

I conducted my audit in accordance with International Standards of Supreme Audit Institutions (ISSAI). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of RSL in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), together with the ethical requirements that are relevant to my audit of the financial statements in Lesotho, and I have fulfilled my other ethical responsibilities in accordance with the requirements of IESBA Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial statements of the current period. There were no key matters identified during the course of the audit.

Emphasis of Matter – Severance Pay Provision

We draw attention to Note 8.1 to the financial statements concerning the provision for severance pay as at 31 March 2026. As disclosed in the note, the interpretation of the basis for computing the severance pay obligation is currently the subject of proceedings before court. Management has recognised a provision based on its assessment of the obligation and the interpretation is considered appropriate as at the reporting date. The ultimate amount of the obligation may, however, be affected by the final determination of the court. Our opinion is not modified in respect of this matter.

Responsibilities of Management and those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal controls as management determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing RSL's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate RSL or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the financial reporting process.

Report on the audit of the financial statements of Revenue Services Lesotho *continued*

FOR THE YEAR ENDED 31ST MARCH 2026

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISSAI, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- a) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- b) Obtain an understanding of internal controls relevant to the audit to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of RSL's internal controls.
- c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- d) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Revenue Services Lesotho's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report.

However, future events or conditions may cause RSL to cease to continue as a going concern.

- e) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them, all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my audit report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

'MATHABO GAIL MAKENETE (MS.)

DATE: 10th SEPTEMBER 2026

AUDITOR-GENERAL

AUDITED ANNUAL FINANCIAL STATEMENTS *continued*

Statement of financial position

AS AT 31 MARCH 2026

		2026	2025
	Notes	March M	March M
ASSETS			
Tangible Assets			
Property, Plant and Equipment	2.1	345,453,298	321,882,667
Intangible Assets			
Software	2.2	162,176,685	206,500,000
Intangible assets under Development	2.2	215,647,732	188,539,923
Right-of-Use Assets			
Rented Property	2.3	16,112,118	29,178,578
Current Assets			
Accounts Receivable	3	3,827,940	2,943,754
Bank and Cash	4	300,528,617	337,012,236
Collections Bank Account Balances	5	397,602,928	165,249,985
Total Current Assets		701,959,485	505,205,974
Total assets		1,441,349,318	1,251,307,141
CAPITAL AND LIABILITIES			
Capital and Reserves			
Accumulated Surplus		569,469,170	352,518,269
Revaluation Gain		700,323	221,645,492
Total Capital and Reserves		570,169,492	574,163,760
Non-current Liabilities			
GOL projects funding (Grants)	6	181,276,260	169,333,917
Trust account	7	9,285,220	8,120,746
Provisions for Terminal Benefits	8.1	87,793,956	85,784,027
LTMP AfDB	9	98,843,987	98,714,376
LTMP AfDB Supplementary Loan	9	51,367,709	37,706,917
Right of Use Liability	9	16,112,118	29,178,578
		444,679,249	428,838,561
Current liabilities			
Provision for leave pay	8.2	4,652,977	5,111,240
Current Liability Gratuity		5,742,655	903,848
Collections Account balances Remittable	5	397,602,928	165,249,985
Reconciling Items Amount		–	2,539,645
Accounts Payable and Accruals	10	18,502,017	74,500,101
Total Current Liabilities		426,500,576	248,304,819
Total capital and liabilities		1,441,349,318	1,251,307,141

AUDITED ANNUAL FINANCIAL STATEMENTS *continued*

Statement of comprehensive income

FOR THE YEAR ENDED 31 MARCH 2026

		2026	2025
	Notes	March M	March M
INCOME			
Operating Income			
Government funding		587,307,811	630,888,370
Interest received		22,247,172	19,944,186
Tollgate fees Income		11,683,434	6,908,700
Plastic Levy		681,864	–
Fidelity Guarantee Claim		–	441,000
Storage income		6,376	38,011
Commission received		419,371	412,054
Other income		1,413,922	1,089,813
Amortisation Project Funds	16	1,830,782	1,835,039
Total Operating Income		625,590,732	661,557,173
EXPENDITURE			
Staff related expenses		412,209,952	419,476,053
Administration expenses		215,264,880	181,771,862
Compliance Costs		16,297,191	22,757,616
Vehicle running costs		7,179,783	8,561,069
Total expenditure		650,951,805	632,566,600
(Deficit)/Surplus for the period		(25,361,074)	28,990,574

AUDITED ANNUAL FINANCIAL STATEMENTS *continued*

Statement of changes in capital and reserves

FOR THE YEAR ENDED 31 MARCH 2026

	Notes	Accumulated Surplus M	Revaluation Gain M	Total Equity M
Balance as at 31st March 2023		56,706,021	–	56,706,021
Prior year adjustment		19,884,207	–	19,884,207
Surplus for the period		121,733,934	–	121,733,934
Revaluation Reserve		–	123,742,492	123,742,492
Balance as at 31st March 2024		198,324,162	123,742,492	322,066,654
Opening Balance as at 01st April 2024		198,324,162	123,742,492	322,066,654
Prior year adjustment		1,461,041	–	1,461,041
Surplus for the period		28,990,574	–	28,990,574
Revaluation reserve		–	221,645,492	221,645,492
Closing Balance as at 31 March 2025		228,775,777	345,387,984	574,163,761
Opening Balance as at 01st April 2025		228,775,777	345,387,984	574,163,761
Prior year adjustment	15	20,666,483	–	20,666,483
(Deficit) for the period		(25,361,074)	–	(25,361,074)
Gain on Revaluation		–	700,323	700,323
Balance as at 31 March 2026		224,081,186	346,088,306	570,169,492

AUDITED ANNUAL FINANCIAL STATEMENTS *continued*

Cash flow statement

FOR THE YEAR ENDED 31 MARCH 2026

		2026	2025
	Notes	March M	March M
CASH FLOWS FROM OPERATING ACTIVITIES			
Deficit for the year		(25,361,074)	28,990,574
Adjustments for item not involving cash movement:			
Interest (received)/paid		(22,247,172)	(19,944,186)
Depreciation		68,938,830	24,779,135
(Decrease) /Increase in provisions		6,390,472	13,505,904
Prior year adjustments	15	20,666,483	1,461,041
(Gain)/Loss on fixed asset disposal		(969,632)	(700,108)
Surplus /(Deficit) before changes in working capital		47,417,907	48,092,360
(Increase)/Decrease in accounts receivable		(884,187)	(1,257,005)
(Decrease) /Increase in accounts payable		(57,813,786)	107,148,719
(Decrease)/Increase in Collection accounts		232,352,943	(174,844,440)
Net cash inflow from operating activities		221,072,877	(20,860,365)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		22,247,172	19,944,186
Purchase of property, plant and equipment		(62,654,268)	(95,613,438)
Movement from PPE to Operating Costs		–	(51,074)
Proceeds on disposal of assets		579,863	636,711
Net cash outflow from investing activities		(39,827,233)	(75,083,616)
CASH FLOWS FROM FINANCING ACTIVITIES			
GOL capital funding		11,942,342	5,503,991
Funds Account		1,164,474	1,032,071
		13,106,816	6,536,062
Increase/(Decrease) in cash and cash equivalents		195,869,324	(89,407,919)
Cash and cash equivalents at beginning of the year		502,262,220	591,670,139
Cash and cash equivalents at end of the period		698,131,544	502,262,220

AUDITED ANNUAL FINANCIAL STATEMENTS *continued*

Accounting policies

Statement of accounting policies

FOR THE YEAR ENDED 31 MARCH 2026

1.0 Business Activity

Revenue Services Lesotho (RSL) is a semi-autonomous statutory body established by an Act of Parliament in terms of the Lesotho Revenue Act No: 14 of 2001 (As amended). RSL is charged with the mandate of a) assessing and collecting tax on behalf of the Government, and b) administering and enforcing the revenue laws, which include the Customs and Excise, Income Tax and Value Added Tax. The RSL therefore collects inland taxes, duties and excise on behalf of the Government of Lesotho and transfers the said to the GOL on a weekly basis.

1.1 Accounting policies

The Annual Financial Statements incorporate the principal accounting policies set out below:

1.2 Basis of Preparation

Statement of compliance

The financial statements are consistent with International Financial Reporting standards (IFRS), as adopted by the International Accounting Standards Board and in compliance with the Lesotho Revenue Act No: 14 of 2001 (As amended). However, The RSL is currently executing the Lesotho Tax Modernisation Project (LTMP) funded by AfDB and the Government of Lesotho (GoL). The accounting principle applied on the LTMP transactions is the Cash basis as required by IPSAS.

Basis of measurement

The financial statements have been prepared on the historical cost basis.

Functional and presentation currency

These financial statements are presented in Maloti, which is the RSL's functional currency. All financial information presented in Maloti has been rounded to the nearest loti.

Use of estimates and Judgements

The preparation of the financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

Judgements

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are included in the following note:

- Note 2.1 – Plant and equipment (useful lives)

Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the RSL's next financial statements are included in the notes.

Measurement of fair value

A number of the RSL's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. The RSL has established a control framework with respect to the measurement of fair values. When measuring the fair value of an asset or a liability, the RSL uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

AUDITED ANNUAL FINANCIAL STATEMENTS *continued*

Accounting policies *continued*

Statement of accounting policies *continued*

FOR THE YEAR ENDED 31 MARCH 2026

1.2 Basis of Preparation *continued*

Measurement of fair value continued

Level 1 Quoted prices (unadjusted) in active markets for identified assets or liabilities.

Level 2 Inputs other than quoted prices included under Level 1 that are observable for the asset or liability, either directly (i.e. As prices) or indirectly (i.e. Derived from prices).

Level 3 Inputs from assets and liabilities that are not based on observable market data (on-observable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. The RSL recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about assumptions made in measuring fair values is included in note 15.5

1.3 New standards, amendments and interpretations not yet effective and not earlier adopted by The RSL

A number of new standards and amendments to standards and interpretations issued but not yet effective for the 30 March 2026 year and have not been applied in preparing these financial statements. The service intends to adopt and apply these standards on their respective effective dates.

Amendments to IAS 21 'The effects of changes in Foreign Exchange Rates' – Lack of Exchangeability (Amendments to IAS 21)	Annual periods beginning on or After 1 January 2025 (Published August 2023)	An entity is impacted by the amendment when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations.
Amendment to IFRS 9, "Financial Instruments" and IFRS 7, "Financial Instruments: Disclosures" -Classification and Measurements of Financial Instruments	Annual periods: beginning on or after 1 January 2026 (Published May 2024)	The amendments Clarify the requirements for the timing of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system Clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion Add new disclosures for certain instruments with contractual terms that can change cash flows (such as some instruments with features linked to the achievement of environment. Social and governance (ESG) targets): and Make updates to the disclosures for equity instruments designated at Fair Value through Other Comprehensive Income (FVOCI)
IFRS 18, 'resentation and Disclosure in Financial Statements'	Annual periods beginning on or after 1 January 2027 (Published April 2024)	The objective of IFRS 18 is to set out requirements for the presentation and disclosure of information in general purpose financial statements (financial Statements) to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses IFRS 18 replaces IAS 1 'Presentation of Financial Statements' and focuses on updates to the statements or profit or loss with the focus on the structure of the statement of profit or loss: required disclosures in the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements (that is, managements-defined performance measures): and enhanced principles on aggregation and disaggregation which apply to the primary financial statements and note in general. Many of the other existing principles in ISA 1 are retained, with limited changes. IFS 18 will not impact the recognition or measurement of items in the financial statements, but it might change what an entity reports as its 'Operating profit or loss'

AUDITED ANNUAL FINANCIAL STATEMENTS *continued*

Accounting policies *continued*

Statement of accounting policies *continued*

FOR THE YEAR ENDED 31 MARCH 2026

2 Property, plant and equipment

Owned assets recognition and measurement

Items of property, plant and equipment are stated at cost, or deemed cost, less accumulated depreciation and impairment losses. Where parts of an item of furniture and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and is recognised net within other income in profit or loss.

Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that future economic benefits associated with the expenditure will flow to the RSL.

Depreciation

Depreciation is charged to comprehensive income on the straight-line basis over the estimated useful lives of each part of the relevant asset.

Rate of depreciating assets

The rates that assets are depreciated at on a monthly basis are as follows:-

Category	Useful Life (in years)
Tangible Assets	
Motor vehicles	5
Furniture & fittings	10
Office equipment	3 to 7
Specialised Equipment	5
Security Measures	5 to 10
Bins and Containers	5
Emergency Equipments	5 to 20
Buildings	50

The residual value, if not insignificant, is re-assessed annually on tangible assets.

Category	Useful Life (in years)
Intangible Assets	
Software(PRSM/ETPM and ASYCUDA)	5

The residual value, if not insignificant, is re-assessed annually.

Impairment

The carrying amount of the RSL's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If there is any indication that an asset may be impaired, its recoverable amount is estimated. The recoverable amount is the higher of its net selling price and its value in use.

In assessing value in use, the expected future cash flows from the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

AUDITED ANNUAL FINANCIAL STATEMENTS *continued*

Accounting policies *continued*

Statement of accounting policies *continued*

FOR THE YEAR ENDED 31 MARCH 2026

3 Financial instruments

Non-derivative financial assets

The RSL initially recognises loans and receivable deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the RSL becomes a party to the contractual provisions of the instrument.

The RSL derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial assets are transferred. Any interest in transferred financial assets that is created or retained by the RSL is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the RSL has a legal right to offset the amounts and intends either to settle on a net basis or to realise the assets and settle the liability simultaneously.

The RSL has the following non-derivative financial assets:

Trade and other receivables.

Trade and other receivables are financial assets with fixed determinable payments that are not quoted on an active market. Such assets are recognised initially at fair value plus any directly attributed transactions costs. Subsequent to initial recognition trade and other receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the RSL's cash management are included as part of cash and cash equivalents for the purposes of the statement of cash flows.

Non-derivative financial liabilities

Non-derivative financial liabilities are recognised initially on the trade date at which the RSL becomes a party to the contractual provisions of the instrument. The RSL derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The RSL has the following non-derivative financial liabilities: loans and borrowings, and trade and other payables, accruals and collection accounts at their nominal value. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

Impairment

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be reliably measured.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount owing to the RSL on terms that the RSL would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, the disappearance of an active market for a security.

The RSL considers evidence of impairment for receivables at both a specific and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

AUDITED ANNUAL FINANCIAL STATEMENTS *continued*

Accounting policies *continued*

Statement of accounting policies *continued*

FOR THE YEAR ENDED 31 MARCH 2026

3 Financial instruments *continued*

Impairment continued

In assessing collective impairment, the RSL uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected as an allowance account against receivables. Interest on impaired assets continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of the impairment to decrease, the decrease in impairment loss is reversed through profit or loss.

a. Income

Income comprises the fair value of the consideration received or receivable for services in the ordinary course of the RSL's activities.

The RSL recognises income when the amount of income can be reliably measured, it is probable that future economic benefits will flow to the RSL and specific criteria have been met for each of the RSL's activities as described below. The amount of revenue is not considered to be reliably measured until all contingencies relating to the transaction have been resolved. The RSL bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Income comprises of funds received from the Government of Lesotho, interest on investments, storage income, grants and commission received during the period. Income is accounted for using the accrual basis of accounting and taking into the terms of relevant agreements. The GoL funded some of the projects which the RSL needed to implement in the current financial year whereas some needed donor assistance.

b. Provisions

Provisions are recognised when the RSL has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will occur, and where a reliable estimate can be made of the amount of the obligation. Where the effect of discounting is material, provisions are discounted.

c. Finance income and finance costs

Interest income is recognised as it accrues in profit or loss, using the effective interest rate method.

Finance costs comprise interest expense on borrowings. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

d. Employee benefits

Short term employee benefits

The costs of all short term employee benefits are recognised during the year in which the employee renders related service. The provision for employee entitlements to wages, salaries, and annual sick leave represents the amount which the organisation has a present obligation to pay as a result of employees' services provided to the balance sheet date. The provisions have been calculated at undiscounted amounts based on wage and salary rates.

Long term employee benefits

The RSL is bound to two long term benefits:

- The severance pay entitlement provided by Section 136 of the Labour Act No.3 of 2024.
- The gratuity granted to contract staff on completion of their contracts.

The respective provisions for the above employees, entitlements have been accounted for progressively under non-current liabilities at undiscounted amounts.

Gratuity payable within 12 months has been accounted for under current liabilities.

AUDITED ANNUAL FINANCIAL STATEMENTS *continued*

Accounting policies *continued*

Statement of accounting policies *continued*

FOR THE YEAR ENDED 31 MARCH 2026

e. Foreign Currency Foreign currency translation

Transactions in foreign currencies are translated to the functional currency at exchange rates at the date of the transaction.

Monetary assets and liabilities denominated in foreign currency at the reporting date are translated to the functional currency at the exchange rate at that date.

The foreign currency differences arising on translation are recognised in profit or loss.

f. Border Post Refurbishment

These are funds that the Government of Lesotho has set aside for the refurbishment of other Border Posts. The money has been deposited into the RSL's accounts as it is the one which is leading the refurbishment project. The refurbishment costs have been capitalised as work in progress in the assets, and the funds received are treated as capital injection.

g. Government Grant/assistance

Government Grants/Assistance are recognised when there is reasonable assurance that the entity will comply with the attached conditions, these grants are amortised over the useful lives of the respective assets.

Property, plant and equipment acquired from the proceeds of grants are depreciated in accordance with the RSL's property, plant and equipment accounting policy. Grants utilised to acquire property, plant and equipment are initially recognised as deferred grant and subsequently recognised in the statement of comprehensive income on a systematic and rational basis over the useful lives of the assets. Grants received to defray operating expenditure are recognised in the statement of comprehensive income when the expenditure has been incurred.

h. Financial Risk Management

The Board Members have overall responsibility for the establishment and oversight of the RSL's risk management framework.

The RSL's risk management policies are established to identify and analyse the risks faced by the RSL, to set appropriate risk limits and controls, and to monitor risk and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the RSL's activities. The RSL, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board Members oversee how management monitors compliance with the RSL's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the RSL.

The RSL has exposure to the following risks from its use of financial instruments:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. RSL is exposed to credit-related losses in the event of non-performance by counterparties to financial instruments as follows:

Cash and cash equivalents – all deposits and cash balances are placed with reputable financial institutions.

Staff debts are recovered in terms of the applicable policy and procedures directly from the employee's salary

The RSL does not have significant credit risk exposure.

Liquidity risk

Liquidity risk is the risk that the RSL will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The RSL manages its liquidity to ensure it is able to meet expenditure requirements. This is achieved through prudent liquidity risk management which includes maintaining sufficient cash resources. Since the RSL is funded through Government subvention, it does not regard the liquidity risk to be high.

AUDITED ANNUAL FINANCIAL STATEMENTS *continued*

Accounting policies *continued*

Statement of accounting policies *continued*

FOR THE YEAR ENDED 31 MARCH 2026

h. Financial Risk Management *continued*

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the RSL's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency Risk

Currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. The RSL may utilise foreign currencies in its operations and consequently may be exposed to exchange rate fluctuations that have an impact on cash flows and financing activities. However, at year-end there were no significant foreign currency exposures.

Interest rate risk

Financial Instruments that are sensitive to interest rate risk are bank balances and cash. A 1% increase in interest rates would result in an additional surplus for the year while a decrease in interest rates by a similar margin would result in an equal opposite effect.

i. Leases

Determining whether an arrangement contains a lease

At inception of an arrangement, the RSL determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the RSL the right to control the use of the underlying asset.

At inception or upon re-assessment of the arrangement, the RSL separates payments and other considerations required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the RSL concludes, in the case of a finance lease, that it is impracticable to separate the payments reliably, an asset and corresponding liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently, the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the RSL's incremental borrowing rate.

Leased assets

Leases of property, plant and equipment that transfer to the RSL substantially all of the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognised in the RSL's statement of financial position.

Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance element is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

AUDITED ANNUAL FINANCIAL STATEMENTS *continued*

Notes to the financial statements

FOR THE YEAR ENDED 31 MARCH 2026

2.1 Tangible Assets

	2026			2025		
	Cost M	Accumulated Depreciation M	Carrying Amount M	Cost M	Accumulated Depreciation M	Carrying Amount M
OWNED ASSETS						
Land	187,069,278	–	187,069,278	187,069,278	–	187,069,278
Motor Vehicles	14,740,181	(10,002,148)	4,738,033	14,740,181	(8,784,622)	5,955,558
Furniture and Fittings	19,448,213	(14,381,714)	5,066,499	17,411,924	(13,907,743)	3,504,181
Office Equipment	77,447,055	(66,260,237)	11,186,818	75,997,771	(65,125,287)	10,872,484
Specialised Equipment	44,092,952	(35,301,168)	8,791,783	38,763,953	(34,889,855)	3,874,098
Security Measures	4,273,983	(1,561,990)	2,711,993	4,212,733	(1,599,831)	2,612,902
Buildings	146,004,027	(80,239,067)	65,764,960	146,004,027	(77,987,383)	68,016,644
Bins and Containers	2,026,322	(280,188)	1,746,134	1,773,970	(608,662)	1,165,308
Emergency equipment	13,828,645	(6,525,113)	7,303,532	13,805,370	(6,647,230)	7,158,140
MANAGED ASSETS						
Work-In-Progress						
Border Refurbishment – Asset Clearing	19,183,437	–	19,183,437	6,478,853	–	6,478,853
Security Measures – Asset Clearing	2,430,826	–	2,430,826	2,415,948	–	2,415,948
Office Equipment – Asset Clearing	373,867	–	373,867	5,685,666	–	5,685,666
Motor Vehicle Asset Clearing	(50,000)	–	(50,000)	(50,000)	–	(50,000)
Office Furniture – Asset Clearing	14,283	–	14,283	14,283	–	14,283
RSL Social Club	199,907	–	199,907	100	–	100
Specialised Equipment - Asset Clearing	–	–	–	3,127,803	–	3,127,803
Renovations	177,690	–	177,690	161,328	–	161,328
Bins and Containers – Asset Clearing	355,043	–	355,043	–	–	–
Border Refurbishment	4,928,917	–	4,928,917	4,933,881	–	4,933,881
LRA Housing	18,190,633	–	18,190,633	4,455,462	–	4,455,462
Assets Work in Progress	2,232,554	–	2,232,554	4,430,749	–	4,430,749
Assets WIP Asset Clearing	3,037,109	–	3,037,109	–	–	–
	560,004,922	(214,551,625)	345,453,298	531,433,280	(209,550,613)	321,882,667

AUDITED ANNUAL FINANCIAL STATEMENTS *continued*

Notes to the financial statements *continued*

FOR THE YEAR ENDED 31 MARCH 2026

2.1 Tangible Assets *continued*

The carrying amounts of property, plant, and equipment can be reconciled as follows:

	2026					
	Carrying Amount at 04/01/2025 M	Additions during the year M	Disposal/reclassification during the year M	Depreciation for the year M	Revaluation of Assets M	Carrying Amount at 31/03/2026 M
OWNED ASSETS						
Land	187,069,278	–	–	–	–	187,069,278
Motor Vehicles	5,955,558	–	–	1,217,525	–	4,738,033
Furniture and Fittings	3,504,181	2,036,289	–	473,971	–	5,066,499
Office Equipment	10,872,484	3,720,380	1,729,875	5,135,921	–	11,186,818
Specialised Equipment	3,874,098	3,000	5,325,998	411,314	–	8,791,783
Security Measures	2,612,902	61,250	–	(37,841)	–	2,711,993
Buildings	68,016,644	–	–	2,251,684	–	65,764,960
Bins and Containers	1,165,308	267,776	–	(328,474)	(15,424)	1,746,134
Emergency equipment	7,158,141	–	–	570,355	715,746	7,303,532
Border Refurbishment – Asset Clearing	6,478,853	12,699,620	4,964	–	–	19,183,437
Security Measures – Asset Clearing	2,415,948	14,879	–	–	–	2,430,826
Office Equipment – Asset Clearing	5,685,666	–	(5,311,799)	–	–	373,867
Motor Vehicle Asset Clearing	(50,000)	–	–	–	–	(50,000)
Office Furniture – Asset Clearing	14,283	56,994	(56,994)	–	–	14,283
RSL Social Club	100	142,813	56,994	–	–	199,907
Specialised Equipment asset clearing	3,127,803	–	(3,127,803)	–	–	–
Renovations	161,328	16,363	–	–	–	177,690
Bins and Containers - Asset Clearing	–	355,043	–	–	–	355,043
MANAGED ASSETS						
Work-in-Progress:						
Border Refurbishment	4,923,749	(4,964)	–	–	–	4,918,785
LRA Housing	4,455,462	13,735,171	–	–	–	18,190,633
Asset WIP asset Clearing	–	73,672	2,963,437	–	–	3,037,109
Assets Work in Progress	4,430,749	–	(2,198,195)	–	–	2,232,554
	321,882,667	33,183,249	(618,486)	9,694,455	700,323	345,453,298

AUDITED ANNUAL FINANCIAL STATEMENTS *continued*

Notes to the financial statements *continued*

FOR THE YEAR ENDED 31 MARCH 2026

2.1 Tangible Assets *continued*

The carrying amounts of property, plant, and equipment can be reconciled as follows:

						2025
	Carrying Amount at 04/01/2023 M	Additions during the year M	Disposal/ reclassifi- cation during the year M	Depreciation for the year M	Movement between Asset types M	Carrying Amount at 31/03/2025 M
OWNED ASSETS						
Land	184,238,882	–	–	–	2,830,396	187,069,278
Motor Vehicles	7,149,916	130,750	–	1,325,108	–	5,955,558
Furniture and Fittings	1,200,801	2,680,503	–	377,124	–	3,504,181
Office Equipment	4,500,427	9,958,394	242,460	3,828,798	–	10,872,484
Specialised Equipment	3,883,127	–	135,829	8,276	(136,581)	3,874,098
Security Measures	97,824	–	–	164,650	2,679,729	2,612,902
Buildings	70,269,058	–	–	2,252,414	–	68,016,644
Bins and Containers	–	362,816	–	63,883	866,376	1,165,308
Emergency equipment	794,228	1,016,816	–	620,686	5,967,782	7,158,141
Border Refurbishment - Asset Clearing	5,902,559	576,294	–	–	–	6,478,853
Security Measures – Asset Clearing	1,889,271	526,677	–	–	–	2,415,948
Office Equipment – Asset Clearing	577,060	5,494,547	(385,941)	–	–	5,685,666
Motor Vehicle Asset Clearing	(50,000)	–	–	–	–	(50,000)
Office Furniture – Asset Clearing	54,218	(39,935)	–	–	–	14,283
RSL Social Club at cost	–	100	–	–	–	100
Specialised Equipment asset clearing	–	3,127,803	–	–	–	3,127,803
Renovations	–	161,328	–	–	–	161,328
MANAGED ASSETS						
Work-In-Progress:						
Border Refurbishment	4,923,749	10,132	–	–	–	4,933,881
LRA Housing	160,883	4,294,579	–	–	–	4,455,462
Assets Work in Progress	1,705,788	2,724,961	–	–	–	4,430,749
	287,297,792	31,025,765	(7,652)	8,640,939	12,207,701	321,882,667

AUDITED ANNUAL FINANCIAL STATEMENTS *continued*

Notes to the financial statements *continued*

FOR THE YEAR ENDED 31 MARCH 2026

2.2 Intangible Assets

2.2.1 Software

	2026			2025		
	Cost M	Accumulated Depreciation M	Carrying Amount M	Cost M	Accumulated Depreciation M	Carrying Amount M
OWNED ASSETS						
Software (ETPM) 1/PSRM	159,539,600	34,553,710	124,985,890	161,700,000	2,695,000	159,005,000
Software (EDRMS) 2	6,195,000	1,344,027	4,850,973	6,300,000	105,000	6,195,000
Software (ASYCUDA) 3	41,300,000	8,960,178	32,339,822	42,000,000	700,000	41,300,000
Software Clearing	–	–	–	–	–	–
	207,034,600	44,857,915	162,176,685	210,000,000	3,500,000	206,500,000

The carrying amounts of Intangible assets can be reconciled as follows:

						2026
	Carrying Amount at 04/01/2020 M	Additions during the year M	Disposal/ reclassi- fication during the year M	Depreciation for the year M	Movement between Asset types M	Carrying Amount at 31/03/2024 M
OWNED ASSETS						
Software (ETPM) 1/PSRM	159,005,000	534,600	–	34,553,710	–	124,985,890
Software (EDRMS) 2	6,195,000	–	–	1,344,027	–	4,850,973
Software (ASYCUDA) 3	41,300,000	–	–	8,960,178	–	32,339,822
Software Clearing	–	–	–	–	–	–
	206,500,000	534,600	–	44,857,915	–	162,176,685

The carrying amounts of Intangible assets can be reconciled as follows:

						2025
	Carrying Amount at 04/01/2020 M	Additions during the year M	Disposal/ reclassi- fication during the year M	Depreciation for the year M	Movement between Asset types M	Carrying Amount at 31/03/2021 M
OWNED ASSETS						
Software 1/PSRM	–	161,700,000	–	2,695,000	–	159,005,000
Software (EDRMS) 2	–	6,300,000	–	105,000	–	6,195,000
Software (ASYCUDA) 3	–	42,000,000	–	700,000	–	41,300,000
Software Clearing	–	–	–	–	–	–
	–	210,000,000	–	3,500,000	–	206,500,000

AUDITED ANNUAL FINANCIAL STATEMENTS *continued*

Notes to the financial statements *continued*

FOR THE YEAR ENDED 31 MARCH 2026

2.2 Intangible Assets *continued*

2.2.2 Development Costs

	2026			2025		
	Cost M	Accumulated Depreciation M	Carrying Amount M	Cost M	Accumulated Depreciation M	Carrying Amount M
OWNED ASSETS						
Tax Modernisation at cost	25,701,077	–	25,701,077	26,410,594	–	26,410,594
LTMP Counterpart at cost	25,515,191	–	25,515,191	25,515,191	–	25,515,191
Oracle Upgrade at cost	98,907,221	–	98,907,221	98,907,221	–	98,907,221
Tax Modernisation at cost SL	40,143,313	–	40,143,313	37,706,917	–	37,706,917
EDRMS Upgrade at cost	6,284,809	–	6,284,809	–	–	–
eInvoicing – Asset Clearing	18,295,749	–	18,295,749	–	–	–
e-Payments	800,373	–	800,373	–	–	–
Total	215,647,732	–	215,647,732	188,539,923	–	188,539,023

The carrying amounts of Development costs can be reconciled as follows:

						2026
	Carrying Amount at 04/01/2025 M	Additions during the year M	Disposal/ reclassi- fication during the year M	Depreciation for the year M	Movement between Asset types M	Carrying Amount at 31/03/2026 M
OWNED ASSETS						
Tax Modernisation at cost	26,410,594	–	–	–	(709,517)	25,701,077
LTMP Counterpart at cost	25,515,191	–	–	–	–	25,515,191
Oracle Upgrade at cost	98,907,221	–	–	–	–	98,907,221
Tax Modernisation at cost SL	37,706,917	2,436,396	–	–	–	40,143,313
EDRMS Upgrade at cost	–	6,284,809	–	–	–	6,284,809
eInvoicing - Asset Clearing	–	18,295,749	–	–	–	18,295,749
e-Payments	–	800,373	–	–	–	800,373
Total	188,530,923	27,817,327	–	–	(709,517)	215,647,732

The carrying amounts of Intangible assets can be reconciled as follows:

						2025
	Carrying Amount at 04/01/2025 M	Additions during the year M	Disposal/ reclassification during the year M	Depreciation for the year M	Movement between Asset types M	Carrying Amount at 31/03/2025 M
OWNED ASSETS						
Tax Modernisation at cost	25,646,255	764,339	–	–	–	26,410,594
LTMP Counterpart at cost	25,107,955	407,236	–	–	–	25,515,191
Oracle Upgrade at cost	98,907,221	–	–	–	–	98,907,221
Tax modernisation at cost SL	16,599,502	21,107,415	–	–	–	37,706,917
Total	166,260,934	22,278,989	–	–	–	188,539,923

AUDITED ANNUAL FINANCIAL STATEMENTS *continued*

Notes to the financial statements *continued*

FOR THE YEAR ENDED 31 MARCH 2026

2.3 Right of use assets (rental)

The carrying amounts of Right of Use assets can be reconciled as follows:

						2026
	Carrying Amount at 04/01/2024	Additions during the year	Disposal/reclassification during the year	Depreciation for the year	Movement between Asset types	Carrying Amount at 31/03/2026
RENTED ASSETS						
	29,178,578	1,320,000	–	14,386,460	–	16,112,118
Total	29,178,578	1,320,000	–	14,386,460	–	16,112,118

The carrying amounts of Right of Use assets can be reconciled as follows:

						2025
	Carrying Amount at 04/01/2024	Additions during the year	Disposal/reclassification during the year	Depreciation for the year	Movement between Asset types	Carrying Amount at 31/03/2025
RENTED ASSETS						
	–	41,632,055	–	12,453,477	–	29,178,578
Total	–	41,632,055	–	12,453,477	–	29,178,578

3. Accounts receivable

	2026	2025
	March M	March M
Deposit	897,798	897,798
Prepayments	1,928,151	1,374,187
Accrued income	968,655	531,854
Accounts receivable	27,237	133,814
Other debtors	6,100	6,100
	3,827,940	2,943,753

AUDITED ANNUAL FINANCIAL STATEMENTS *continued*

Notes to the financial statements *continued*

FOR THE YEAR ENDED 31 MARCH 2026

4. Bank and cash

	2026	2025
	March M	March M
LRA Operating account	(29,454,478)	8,246,676
88 day deposit account - Nedbank	10,203,793	19,158,755
Other short term deposits	105,448,904	128,809,981
LRA Call account	7,405,624	59,807
Money Market	188,445,631	165,173,791
Border refurbishment project account	16,304	–
Tax Modernisation Counter Part	2,407,685	866,619
LTMP Counter Current	27,234	28,735
Non Tax Revenue Project	6,147,684	6,150,198
Cash on hand	617,550	519,333
Mascon development Fund	9,262,686	7,998,339
	300,528,617	337,012,235

5. Collection accounts

	2026	2025
	March M	March M
LRA VAT refund account	294,970,133	19,119,016
VAT current account	44,384,817	17,020,582
Income Tax call account	–	1,389,290
Income Tax current account	1,083,487	8,915,934
Income Tax refund account	4,744,266	8,898,667
Toll Fees Current account	10,959,805	9,364,786
Mpesa Refund Account	424,495	–
Mpesa and Ecocash account	247,275	5,825,162
	356,814,278	70,533,437
Alcohol and tobacco levy	15,561	64,575
Gaming	8,235	989,456
Plastic levy	7,942	–

	2026	2025
	March M	March M
SACU accounts		
Current account	40,756,911	46,320,028
Customs call account	–	47,342,489
	40,756,911	93,662,517
Net Balance	397,602,928	165,249,985

The above accounts represent monies collected on behalf of GOL and SACU and their transferred to the respective institutions.

AUDITED ANNUAL FINANCIAL STATEMENTS *continued*

6. GOL Capital Injection and projects funding

The Memorandum of Understanding between the Government of Lesotho (Ministry of Finance) and the Revenue Services Lesotho provided for the transfer of all assets (non-movable and movable) free of charge, previously held by the Departments for Customs and Excise, Sales Tax and

Income Tax to the Revenue Services Lesotho. These assets have been revalued by Lethola Cost Associate.

GOL is currently funding the LTMP (Lesotho Taxpayer Modernisation Project) which will form part of Government grants upon completion of the project. The grants are amortised on a monthly basis per the lifespan of the capitalised asset categories.

					2026
	Opening Balance M	Additions M	Reversal of Funds during the year M	Amortisation Charge during the year M	Closing Balance M
Reconciliations of GOL – 2026					
GOL Project funding	169,333,917	13,772,338	787	(1,830,782)	181,276,260
	169,333,917	13,772,338	787	(1,830,782)	181,276,260

					2025
	Opening Balance M	Additions M	Reversal of Funds during the year M	Amortisation Charge during the year M	Closing Balance M
Reconciliations of GOL – 2025					
GOL Project funding	163,829,927	7,339,030	–	(1,835,039)	169,333,917
	163,829,927	7,339,030	–	(1,835,039)	163,333,917

7. Trust Account(Rental income Mascon)

This is rental income received from the Maseru Station and Container Terminal site(MASCON). Ministry of Works and LRA agreed to charge one of the occupants of the site rent. The rent is put in a trust account which will be used to develop that site.

				2026
	Opening Balance M	Additions M	Usage during the year M	Closing Balance M
Reconciliations of Trust Account - 2026				
Mascon Trust Account	8,120,746	1,164,474	–	9,285,220
	8,120,746	1,164,474	–	9,285,220

				2025
	Opening Balance M	Additions M	Usage during the year M	Closing Balance M
Reconciliations of Trust Account - 2025				
Mascon Trust Account	7,088,675	1,032,071	–	8,120,746
	7,088,675	1,032,071	–	8,120,746

AUDITED ANNUAL FINANCIAL STATEMENTS *continued*

Notes to the financial statements *continued*

FOR THE YEAR ENDED 31 MARCH 2026

8. Reconciliations of Provision – 2026

					2026
	Opening Balance M	Additions M	Payments made during the year M	Adjustments (Over)/Under provisions M	Closing Balance M
8.1 Long Term Liability – Gratuity	31,035,718	17,955,384	2,471,682	247,556	40,529,210
Severance pay	54,748,308	14,545,224	6,226,391	15,802,396	47,264,746
Current Liability – Gratuity	903,848	43,775	947,623	–	5,742,655
Total	86,687,874	32,544,383	9,645,696	16,049,952	93,536,610
					2026
	Opening Balance M	Additions M	Payments made during the year M	Adjustments (Over)/Under provisions M	Closing Balance M
8.2 Leave	5,111,240	1,309,218	1,017,650	749,831	4,652,977
Total	5,111,240	1,309,218	1,017,650	749,831	4,652,977

9. Reconciliations of Provision – 2025

					2025
	Opening Balance M	Additions M	Payments made during the year M	Adjustments (Over)/Under provisions M	Closing Balance M
9.1 Long Term Liability – Gratuity	24,058,898	16,732,837	9,328,947	427,070	31,035,718
Severance pay	48,590,356	11,858,277	4,211,130	1,489,195	54,748,308
Current Liability – Gratuity	903,848	–	–	–	903,848
Total	73,553,102	28,591,114	13,540,077	1,916,265	86,687,874
9.2 Leave	4,740,108	14,496,354	583,215	13,542,007	5,111,240
Total	4,740,108	14,496,354	583,215	13,542,007	5,111,240

AUDITED ANNUAL FINANCIAL STATEMENTS *continued*

Notes to the financial statements *continued*

FOR THE YEAR ENDED 31 MARCH 2026

10. Long term Liability

	2026	2025
	March M	March M
LTMP AfDB	98,843,987	98,714,376
Right of Use Liability	16,112,118	29,178,578
LTMP AfDB Supplementary Loan	51,367,709	37,706,917
	166,323,814	165,599,871

11. Accounts payable and accruals

	2026	2025
	March M	March M
Creditors	4,019,576	12,284,204
Accruals	9,641,001	29,930,885
Salary Control	(5,019)	8,432
Other creditors	4 846 459	32,276,580
	18,502,017	74,500,101
	184,825,831	240,099,972

12. Contingent Liabilities

Pending legal matters

Over the past several years, a number of individuals have filed lawsuits against the Revenue Services Lesotho in relation to various matters. Management has assessed the potential liability arising from these pending cases and estimates the total exposure at M22.04 million as at 31 March 2026.

13. (Deficit)/Surplus for the year

	2026	2025
	March M	March M
Surplus/(Deficit) for the year is stated after charging the following:		
Depreciation	54,552,370	12,140,939
Board fees and expenses	3,426,689	2,651,908
	57,979,058	14,792,847

14. Material related party transactions

Government of Lesotho

	2026	2025
	March M	March M
Government Funding	587,307,811	630,888,370
Board fees and expenses	3,426,689	2,651,908
	590,734 500	633,540,278

AUDITED ANNUAL FINANCIAL STATEMENTS *continued*

Notes to the financial statements *continued*

FOR THE YEAR ENDED 31 MARCH 2026

15. Financial instruments

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

15.1 Currency risk

At the balance sheet date there were no balances that were exposed to exchange rate fluctuations.

15.2 Interest rate risk

The Authority does not limit its risk in respect of interest rate changes. Accordingly, interest rate fluctuations will directly impact on the Authority's results. At the balance sheet date, however, there were no significant balances that were exposed to interest rate fluctuations.

15.3 Credit risk

No collateral is required in respect of financial assets. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. At the balance sheet date there were no concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

Fair Values

The fair values of all financial instruments are substantially identical to the carrying amounts reflected in the balance sheet.

15.4 Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of any netting agreements:

				2026
	Carrying Amount M	Contractual Cash Flows M	Within 1 year M	Between 2 and 5 years M
31 March 2026				
Financial Liabilities				
Borrowings	–	–	–	–
Trade and other payables	257,587,365	257,587,365	257,587,365	–
	257,587,365	257,587,365	257,587,365	–

				2025
	Carrying Amount M	Contractual Cash Flows M	Within 1 year M	Between 2 and 5 years M
31 March 2025				
Financial Liabilities				
Borrowings	–	–	–	–
Trade and other payables	384,292,125	384,292,125	384,292,125	–
	384,292,125	384,292,125	384,292,125	–

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at a significantly different amount.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2026	2025
	M	M
Loan and receivables	3,827,940	2,943,754
Cash and cash equivalents	698,131,544	502,262,220
	701,959,484	505,502,974

AUDITED ANNUAL FINANCIAL STATEMENTS *continued*

Notes to the financial statements *continued*

FOR THE YEAR ENDED 31 MARCH 2026

15. Financial instruments *continued*

15.5 Fair values

The fair values of all financial instruments are substantially identical to the carrying amounts reflected in the balance sheet.

The fair value of financial assets and financial liabilities together with the carrying amounts shown in the statement of financial position, are as follows:

	2026			
	Carrying Amount M	Contractual Cash Flows M	Within 1 year M	Between 2 and 5 years M
31 March 2026				
Financial Liabilities				
Borrowings	–	–	–	–
Trade and other payables	257,587,365	257,587,365	257,587,365	–
	257,587,365	257,587,365	257,587,365	–
	Carrying Amount M	Contractual Cash Flows M	Within 1 year M	Between 2 and 5 years M
31 March 2025				
Financial Liabilities				
Borrowings	–	–	–	–
Trade and other payables	384,292,125	384,292,125	384,292,125	–
	384,292,125	384,292,125	384,292,125	–

16. Prior year adjustments M20,666,483

Being reversal of severance pay provision and correction of software depreciation charge adjustment which was double counted after correction of the revaluation date.

17. Grants amortised

RSL capitalised the projects that were government funded namely ETPM, ASYCUDA, EDRMS and Border Refurbishment (Caledonspoort Border) which were under work in progress before they were capitalised, and the monies received are being amortised over the useful lives of the assets, below relates to current year charge

	M
Category	
Amortisation charge monthly (Apr-25 to March-26)	1,830,782
Total	1,830,782

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ABBREVIATIONS

Glossary of terms

Terms and abbreviations used in this report

ACCA	Association of Chartered Certified Accountants
AfDB	African Development Bank
AFFAL	Agents of Foreign Firms Association of Lesotho
AFI	Alliance for Financial Inclusion
AGOA	African Growth and Opportunity Act
AI	Artificial Intelligence
ASYCUDA	Automated System for Customs Data
ATAF	African Tax Administration Forum
BAL	Bankers Association of Lesotho
BEDCO	Basotho Enterprises Development Corporation
CAS	Centre of Accounting Studies
CATA	Commonwealth Association of Tax Administrators
CIA	Certified Internal Auditor
CSI	Corporate Social Investment
CSIR	Corporate Social Investment and Responsibility
eNPS	Employee Net Promoter Score
ERM	Enterprise Risk Management
ESAAMLG	Eastern and Southern Africa Anti-Money Laundering Group
ESG	Environmental, Social and Governance
EXCO	Executive Committee
FAC	Finance and Audit Committee
FIU	Financial Intelligence Unit
GDP	Gross Domestic Product
GIAS	Global Internal Audit Standards
GoL	Government of Lesotho
GRC	Governance, Risk, and Compliance
HRRC	Human Resource and Remuneration Committee
ICTC	Information and Communications Technology Committee
IFRS	International Financial Reporting Standards
IIA	Institute of Internal Auditors Lesotho
IMF	International Monetary Fund
IPSAS	International Public Sector Accounting Standards
ISACA	Information Systems Audit and Control Association
IT	Information Technology
KPI	Key Productivity Indicator
LAA	Land Administration Authority
LCA	Lesotho Communications Authority
LesREN	Lesotho Research and Network
LHWP II	Lesotho Highlands Water Project II
LIA	Lesotho Institute of Accountants
LRA	Lesotho Revenue Authority
LRCC	Lehakoe Recreation and Cultural Centre
LRF	Lesotho Regulators Forum

Glossary of terms

Terms and abbreviations used in this report

LTMP	Lesotho Taxpayer Modernisation Project
LUCT	Limkokwing University of Creative Technology
MASCON	Maseru Station and Container Terminal Site
MCC	Millennium Challenge Compact
MEFMI	Macroeconomic and Financial Management Institute of Eastern and Southern Africa
MOU	Memoranda of Understanding
NSDP II	National Strategic Development Plan II
NUL	National University of Lesotho
OBFC	One-Stop Business Facilitation Centre
OCI	Other Comprehensive Income
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
PAYE	Pay as You Earn
PRISA	Public Relations Institute of Southern Africa
PSRM	Process Safety and Risk Management
ROS	Robot Operating System
RSL	Revenue Services Lesotho
SACU	Southern African Customs Union
SADC	Southern African Development Community
SATNAC	Southern Africa Telecommunication Networks and Applications Conference
SLB	Standard Lesotho Bank
TADAT	Tax Administration Diagnostic Tool
TIN	Taxpayer Identification Number
UNCTAD	UN Conference on Trade and Development
UNDP	United Nations Development Programme
US	United States
US GAAP	United States Generally Accepted Accounting Principles
USAID	United States Agency for International Development
USSD	Unstructured Supplementary Service Data
VAT	Value Added Tax
Y-O-Y	Year-on-Year

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