Vision

A provider of reliable potable water and safe sewerage services to all residents in urban areas of Lesotho

Mission Statement

To supply customers with potable water and with environmentally safe wastewater disposal services through efficient innovative processes, and highly motivated and competent staff.
Corporate Profile

Water and Sewerage Company (WASCO) serves over 300,000 people in the urban centres with potable water. The Company provides safe drinking water to approximately 47,559 postpaid connections, plus approximately 400 public standpipes. There are also more than 3,317 domestic prepaid connections, and more than 3,898 communal pre-paid card holders. The Company also serves the many industries and commercial premises, particularly in Maseru namely; Nien Hsing, C&Y, Global Garment and Lesotho Brewing Company, which use about 40% of the water produced. In total 60% of the water produced is used in industries and commerce.

WASCO has over 4,000 customers who are connected to the sewerage system. Over and above the said connections, the Company operates a tanker service which serves more than 8,000 registered customers in all the urban centres of the country. The emptying service is provided to households and businesses in areas that have a reticulated water supply but do not have access to piped sewerage. The tankers are used to empty septic and conservancy tanks including VIP toilets. The service is run by private companies in Maseru, TY and Roma and WASCO in the other centres.

On average, water production for the city of Maseru is 60 mega litres per day. Maseru residential and industrial customers obtain their water mainly from the Caledon (Mohokare) river, which is supplemented by water from the Maqalika dam when river levels are low and when there is high turbidity in the river.
Board of Directors

Dr. Percy Mangoaela
Chairman

Mrs. 'Mammako Molapo

Mr. Nthli Matete

Mrs. 'Mamonaheng Ramonaheng

Mr. Lebohang Mofammere

Mrs. Refile Tali
Chief Executive
Senior and Middle Management

Mrs. ‘Mamathe Makhaola
Chief Executive Officer
Director of Engineering

Mrs. ‘Mamot’soane ‘Musa
Director of Finance
CA (Lesotho)

Mr. Lira Mohosho
Director of Operations and Maintenance
B.Civil Eng.

Mrs. ‘Mamojela Koneshe
Director of Strategic Services and Human Resources
MA- Industrial Relations and Human Resource
MIDDLE MANAGEMENT

Mr. Sekhonyana Sekhonyana
Assistant to The Chief Executive
MSc. Economics

Mr. Pheello Masoabi
Manager Legal Affairs
LLB

Ms. Pulane Pitso
Chief Internal Auditor
BA. Economics and Accounting

Mrs. Lineo Moqasa
Public Relations Manager
MA-CCMS

Mr. Bright Pita
Information and Communications Technology Manager
Hons. Computer Systems

STRATEGIC SERVICES and HUMAN RESOURCES

Mrs. Bohlokoa Sibolla
Human Resources Manager
Industrial Psychology (Hons.)

ENGINEERING

Mr. Thelejane Thelejane
Manager Projects Planning and Studies
BSc (Hons.) Hydrogeology

Ms. Palesa Monongoaha
Project Manager MWWP
MSc. Environmental Eng.

Mr. Neo Bohloa
Manager Engineering Design
Civil Eng. (Hons.)

Mr. Lebakeng Phooko (a.i)
Manager Contracts Administration
BA Civil Eng. (Environment)

FINANCE

Ms. Mponeng Nyabela
Financial Systems Manager
General Accountant - (Lesotho)

Mrs. ‘Mamakula Foulo
Financial Accounting Manager
BCom (Hons.) Accounting

Mr. Ts’ukulu Phafoli
Shared Services Manager
Human Resource Management
and Development Planning
MA

Ms. Tselane Mohapi
Credit Controller
Registered Accountant

Mrs. Lerato Mokuoane
Stores Accounting Manager
CA (Lesotho)

Mr. Chabeli Machake
Financial Modelling Manager
BCom. (Hons.)

Ms. Mariam Rats’iu
Metering and Customer Care Manager
BCom. (Accounting)

OPERATIONS

Mrs. Ponts’o Tau
Manager Network and Distribution
Civil Eng.

Mr. Letlama Jobo
Manager Sewage
BSc. Civil Eng.

Mr. Fako Khoanyane
Manager Maintenance and Production
BSc. Electro-Mechanical Eng.

Mr. Toloko Ramaema
Regional Manager South
BTech. Civil Eng.

Mr. Matjeketjeke Mokhesi
Regional Manager North
Btech. Civil Eng.

Ms. ‘Mapaseka Makhaba
Laboratory Manager
BSC MSc. Economics
Chairman’s Statement

The Company has this year demonstrated some growth in performance especially regarding achievement of some key goals and objectives. Expansion of Water and Sewerage services is one of the key objectives. I am pleased to inform our shareholders and customers that new water connections completed were 3.6% above the target but only 40.6% of the planned sewer connections were completed.

At WASCO, we look to the future and are prepared to go against the trend, if need be. It is always the customer who comes first - that is why we continuously seek to expand water and sewerage services to broaden our service coverage. But we aim to do even better - which means continuing to grow at a profitable rate and acting in a responsible manner as a member of society.

Although the economic environment remains challenging, financial highlights point towards a business that is gradually beginning to deliver long-term financial performance. In the year in review, revenue collection was 30.7% above the set target. This was realised due to an increase in new connections and increased consumption in the manufacturing sector as some factories resumed production following the extension of the AGOA agreement. Total generation of income is dominated by billing income which is 86% of the income collected followed by water connection fees at 8.3% while sewer connection is the lowest generator of income contributing just 0.23% of the total income.

However, the Board believes that the Company must have strategies that will become increasingly relevant in reducing debt age which remains to be a serious challenge because in 2012/13 the plan was to reduce debt age from 180 days to 170 days but in the last quarter of the year the debt age had climbed to 228 days.

The Performance Committee of the Board continues to oversee our performance and produced a report which shows that WASCO experienced a mixed year regarding...
implementation of set goals. A few of the set goals and objectives were attained but most were not. This is due to insufficient human and financial resources as well as lack of capacity in some areas. Firstly in improving customer complaints and also failed to adhere to the set targets regarding adherence to service level standards.

The Company’s governance arrangements continue to be reviewed annually to ensure we develop and improve our governance structures and practices taking into account the regulatory requirements of Lesotho Electricity and Water Authority (LEWA). Helping to shape an environment conducive to good governance is an important investment for the Company; as such the Board Performance Management System and Risk Management Framework will be developed in the following years. The performance report also sets out the developments in the year which include continued improvement of processes and controls, including IT systems, to meet the service level standards and decentralisation of the billing and customer service systems.

It is in all our interests that WASCO not only has a successful present, but, even more importantly, a promising future. This is however, undermined by a number of challenges. These include migration into the urban areas; a phenomenon which has let to unprecedented demand for water and sewerage services, which overshadows the Company’s potential. The existing infrastructure of treatment plants, distribution systems and water storage systems do not have the capacity to accommodate the excess demand. The drying up of raw water sources due to climate change is another major challenge that the Company faces. The Urban and Peru Urban Water Supply and Five Towns Projects will improve infrastructural developments to address the issue of increased demand for water and sewerage services. The Metolong Dam on the other hand is expected to serve as another source of water in the near future.

Reflecting on the achievements of 2012/13, let me express my thanks and appreciation to my fellow Members of the Board, our Chief Executive Officer, senior executives and to all the other employees around the Country. Notwithstanding the current challenges, I remain confident about the future success of our business which will continue to deliver sustainable and equitable growth in the years ahead; in the best interests of our shareholders and other stakeholders.

Percy Mangoaela
Chairman
It has been another strong year for WASCO as we continued to make giant steps in preparing to adapt to the difficult regulatory environment. We succeeded in improving customer service by attending to 90 percent of the customer complaints in the year in review and increased adherence to service level standards by 85 percent. However, a lot has yet to be achieved in this regard as we have to adhere to the Regulator’s quality of supply and service standards especially by improving means of getting valuable feedback from our customers and developing custom made messages that address the unique needs and interests of a myriad of customers.

Another key performance area that we made notable strides in is improvement of stakeholder relations initiative. In order to ensure measurable stakeholder management the Company began consultations with various stakeholders in preparation to develop the first Communication Policy. The kick off was successful and by the end of the year the draft had been completed. This is a remarkable milestone that will pave the way for us to improve relations with our customers and other valued stakeholders. Information dissemination and awareness campaigns through various means of communication tools such as the corporate newsletter, radio programmes, public gatherings and the website were effectively carried out.

Mrs. 'Mamathe Makaola

It is true that since WASCO was registered as a company in 2010 under the then Companies Act of 1967 which is now repealed and substituted with the now Companies Act NO 18 of 2011, we are still not where we want to be. Indeed a lot has been achieved to pave the way for us to be a viable company especially in improving management of our assets. As a result we have engaged in a robust campaign to constantly acquire the property both movable and immovable. Immovable property includes fixed assets in all areas of operations.

To safeguard its fixed assets the legal section ensures that it acquires leases and servitudes for WASCO’s fixed assets. Every year the legal team has to apply for leases at Land Administration Authority for the newly acquired sites. Land Administration Authority has to process these applications and issue WASCO with leases. In applying for a lease the following documents are prepared at the initiative of the legal section; site survey reports, proof of ownership documents, memorandum and articles of association of WASCO and the requisite power of attorney. These documents are prepared together with the lease application forms and landholdings declaration forms obtainable at LAA and submitted.
Inter-alia the legal section also contributes to the debt collection by instituting legal proceedings against defaulting customers to improve debt management and ultimately, the financial position of the Company.

In addition, in the year in review, we planned to increase service coverage by installing 6000 new water and sewerage network connections and we manage to complete 6476, 7.9 percent more than the target. We were also able to meet the set target regarding reduction of Non Revenue Water (NRW). The target for 2012/13 was to reduce NRW from 32 to 29 percent and the end of year figure for NRW was 29 percent. With regards to capital investment projects, the Maseru Waste Water Project intended to reduce pollution of water resources currently used to supply Maseru with potable water including the Maqalika Reservoir and the Caledon River continued to be implemented with the completion of wastewater treatment plant at Agric College. The construction works for Masowe waste water treatment plant were also completed in March 2013.

Despite the achievements, our efforts are slowed down by a number of challenges. Unprecedented growth of urbanisation and industrial development in the lowlands especially the capital city are the key challenges which are over stretching our resources. These, coupled with the outdated and dilapidated water supply infrastructure have slowed down our efforts of ensuring that every citizen in the designated urban areas of Lesotho have access to clean water and environmentally friendly sanitation services. In mitigating these challenges, we have intensified efforts in ensuring that we continue to achieve our mandate by engaging in a number of capital investment project aimed at increasing our service area coverage and rehabilitating the existing network infrastructure. To this end, over the course of the financial year, the Company successfully commenced the implementation of Five-Towns project that will see extension of water supply services in the towns of Botha-Bothe, Leribe, Mafeteng, Mohale’shoek and Qacha’snek. The project design was completed and approved by March, the Contractor had been identified. In addition, the Urban and Peri Urban project funded by the Millennium Challenge Cooperation under the watchful eye of the local agency MCA-Lesotho was also implemented and 70% of construction was completed by end of the year in review.

All aspects of the Company’s performance results from the efforts of over 550 men and women who share a vision of providing; ‘reliable potable water and safe sewerage services to all residents in urban areas of Lesotho’. It is their ingenuity and commitment alongside our continued investment in development projects that allow us to seize the opportunities that our changing world presents and to face the future with confidence.
During the period, annual targets were set against the strategic plan 2012-2015, which was on its first year of implementation and performance monitoring against these targets was done on a quarterly basis. Quarterly reports against the targets were produced and presented to the Performance Committee of the Board, and subsequently to the Board.

In an effort to improve operational efficiency, a new water application process was reviewed and automated for Maseru. The Human Resource Management Information System was identified as one of the systems that needed to be revamped and a decision was made to replace the old system with the new one that would cut across both payroll and general HR related processes. The procurement process to acquire a new system started in the last quarter of the financial year with the implementation of the system to kick off during 2013/14. A helpdesk system that would enable efficient ICT support services to all staff was also put in place, though the actual operationalisation of the system spilled over into the 2013/14 financial year.

To strengthen human resource management and performance management, a plan was to review the organizational structure of the Company during the first year of implementation of the Strategy, following the establishment of WASCO in 2011. The exercise was meant to come up with a more relevant and well aligned structure, which will assist the Company to meet its current and future business requirements.
The initiative was put on hold as a result of high staff turnover, whereby the Company lost all leadership positions for various reasons. This hindered service delivery and flow of planned activities, as without leadership, it becomes a challenge to implement the desired strategies and achieve the set/required goals. The exercise will take place during 2013/14 even though the initial procurement process to source the appropriate Consultant started in the last quarter.

Notwithstanding the human resource challenges that the Company faced, efforts were made to improve and build staff capacity in different areas including customer care, whereby all front line staff were subjected to refresher training on customer care, which is very essential to WASCO as a service oriented organization. They were provided, specifically, with skills on how to handle and assist different types of customers, but most importantly the skill to be able to provide guidance to the customers on the processes to be followed, for them to be able to access water and sewerage services. Performance Management System guidelines were also reviewed during the year for user friendliness and smooth implementation. The revised guidelines were rolled out to all levels of staff to capacitate them in preparation for the implementation of the System during 2013/14. In order to maintain a healthy and productive workforce, a number of staff wellness programs and activities took place and those included specific support to staff who have declared their HIV status, commemorating the International World AIDS Day whereby people living with HIV were invited to provide live testimony to positive living with the virus, encouraging voluntary counseling and testing, collaborating with various organizations and individuals to sensitize staff on all chronic illnesses, as well as participating in recreational and sporting activities organized locally and internationally.
Introduction

The mandate of Engineering, planning and development division is to provide WASCO with engineering expertise in all the Engineering projects that are being implemented in order to ensure that standards and specifications are adhered to. The division has four sections which are:

- **Projects Planning and studies Section:** Provides professional support to undertake projects and maintenance of infrastructure in an economically/financial viable manner. This is realised from a regularly revised capital investment programme/Infrastructure Master plan. The section is also entrusted to develop and ensure Maintenance of capital investment programme, GIS and hydraulic model.

- **Contract Administration Section:** Administers externally funded projects to ensure attainment of objectives, adherence to schedules, fulfilment of conditions of contract and control of costs and disbursement.

- **Engineering Design Section:** Plans, designs and supervises the implementation of in-house projects in accordance to WASCO Design Guidelines and International Standards and ensure that implementation is as per the recommended designs and specifications. Over and above this tasks, the section is also mandated to survey and produce quotations for new water and sewerage house connections.

- **Environment Section:** Ensures that all the construction/engineering activities and Operations of WASCO are executed in an environmentally friendly and acceptable manner as per the Environment Act.

Contracts Administration Section

WASCO has implemented several projects during the reporting year which are geared towards the development of water sources, increase in storage capacities, and extension of reticulation system to provide access of water to all the people living within the urban centres of Lesotho. The Projects are not only meant to provide increased access to water but also to maintain the long term financial sustainability of the company by facilitating more people for connections hence, revenue increase. The projects which were carried out during this reporting year are at different stages of implementation.

**Completed Projects**

1. **Maseru Peri-Urban Water Supply Project Phase II**

   This project was financed by BADEA, OPEC, and Government of Lesotho to the tune of approximately 105 million Maloti. The objective of this project was to expand/extent the water supply service to the peri-urban areas of Maseru North-East and Maseru South West. North-East area includes: Khobotsoana, Ha-Bobojane, Ha Tsosane, Sekamaneng, Koalabata, Sekhutlong, Ha-
Tsiu, and Ts’enola. The South-west area includes: Ha-Ratjomose, Ha-Tsolo, Ha-Lesia, Ha-Tikoe, and lower lying parts of Ha-Rats’oana, Ha-Chala, and Ha-Seleso.

The project was completed in June, 2011, and estimated population of 40,000 people are already benefiting. The defects liability period expired in June, 2012.

2. Tikoe-Thetsane Water Supply Project

The project was solely financed by the Government of Lesotho, and it was aimed at providing 20million liters of potable water per day to Tikoe and Thetsane Industrial estates, mainly for industrial use.

The project was completed and commissioned in December, 2011. Its defects liability period ended in December 2012.

On-going Projects

1. Urban and peri urban water supply project

The project is funded by Millennium Challenge Corporation and it is implemented by Millennium Challenge Account – Lesotho on behalf of WASCO. It is aimed at reducing unaccounted for water by replacing the old asbestos cement pipelines and rehabilitating the existing water treatment plants, and reservoirs as well as expanding water services by extending the reticulation network and constructing new reservoirs. The project is divided into five base packages which are;

- **Package 1 (Maseru and Mazenod):** The construction includes replacement of old asbestos cement in areas like Hoohllo, Maseru west, Europa, CBD, and reticulation extensions to Lesia, Qoaling, Khubetoana, Thetsane, Ratjomose, and Mazenod. Construction started in May 2011 and was completed in December, 2012. The contract is currently on defects liability period that is expiring in December, 2013.

- **Package 2 (Semonkong):** It includes construction of new water treatment works, reservoirs of varying capacities, pump stations, and the reticulation network of varying diameters. The construction commenced in August 2012 and is expected to end in July, 2013.

- **Package 3 (Mafeteng, Mohale’s Hoek, Quthing, and Qacha’s Nek):** It includes the rehabilitation of the existing water treatment works, pump stations, and reticulation network as well as the construction of reticulation networks to the new villages that had no water supply. The construction works commenced in August, 2012 and are expected to be completed in August, 2013.
2. Maseru wastewater project – Medium Term Works

The project is intended to contribute towards the Government of Lesotho efforts to reach the Millennium Development Goal of halving the number of people without access to sanitation by 2015. The total expected number of beneficiaries is 100,000, 36,000 will benefit from VIP latrines, and 74,000 to connection to the sewer line in the areas of Mabote, Ntširele, Maqalika, Leco-op and MASOWE.

Over and above the above stated access related achievements of the project, this project is also expected to achieve the following impacts:

- Reduction in the pollution of water resources currently used to supply Maseru with potable water and these include the Maqalika Reservoir and the Caledon River.
- Reduction in the treatment costs for potable water
- Improvement in the health status of the people living in and around Maseru.

The project has thus far implemented and completed one works contract for the construction of a 7.2ML activated sludge wastewater treatment plant at Agric College. These works were completed in October, 2011, and the plant is now on defects liability period of 12 months. This plant will receive wastewater from the areas covered by the network including the new referral hospital currently being built at Lepereng. Several other health institutions will also benefit including the National Health Training Centre, Senkatana Hospital, and Mohlomi Hospital, the proposed Referral Laboratory and Blood Bank and the Makoanyane barracks. This will remove a massive pollution load into the Maqalika reservoir as wastewater from these facilities currently enters the Maqalika Reservoir from the Sebaboleng dam.

The works contract for Masowe waste water treatment works was completed in March, 2013 and it is currently on defects liability period of a year. However, WASCO received additional funds to resume with the second phase of the treatment works, which mainly includes the construction of the third compact tank. These works are to commence in April, 2013.

The laying of the sewer lines was completed, and the contractor is now attending to the defective works. The contract has been extended to December, 2013. The civil works for the three pump stations under this contract are completed, and the installation of the electromechanical equipment is also complete.

3. Hydraulic Model Project

The project is aimed at developing the hydraulic model for Maseru distribution network including Metolong Water Supply programme. It is financed by the World Bank under The Lesotho Water sector improvement programme. The project is currently in progress and is expected to be completed by October, 2013.

Future Projects

1. 5 Towns Water Supply Project

The Project is aimed at increasing the access levels to water in the urban Centres by improving and extending the transmission and reticulation Systems. It is going to cover Butha Buthe, Hlotse, Mafeteng, Mohales‘Hoek, and Qachas‘Nek. The project is financed by BADEA, OFID, and Government of Lesotho. The project is currently at the Design phase.
Production and distribution

During the first 3 quarters of the year production and transmission of water was a major problem for northern parts of Maseru, Butha Buthe and Hlotse. This had led to frequent and prolonged water outages in the mentioned areas. Thanks to completion of Millenium Challenge Cooperation (MCC) financed intervention of dedicated pumping main to northern parts of Maseru, augmentation and refurbishment of production and pumping facilities at both Butha Buthe and Leribe, the situation started to improve during the last quarter. On the systems side, new methods of close monitoring and reporting were introduced to improve on accountability of not only production staff but all within the division. With implementation of these two interventions we saw an improvement in terms of reliability of supply.

Despite the MCC intervention the age and hence condition of water production and distribution facilities remain a challenge especially with the high rate of urbanisation and increasing water demand being experienced in recent years.

Service coverage

The expansion and extension of Water and Sanitation (sewerage) coverage remains one of the Wasco’s key objectives. In the financial year 2012/13, the plan was to extend the water and sewerage network by installing 6000 new water connections. By the 31st March 2013, there were about 7896 applications made and paid for. For the year, 6476 connections, 7.9 percent above the targeted 6000 were completed. These are only 82 percent of the total applications of new connections and the remaining 1420 (18 percent) reflects a need for capacity and resources to attend to the customer’s demands effectively and efficiently.

Diagram 1 below presents the number of water applications per quarter against the number of connections completed and the total for financial year 2012/13.

With regard to the Sewerage connections, 180 new connection were in plan for the year. The total number of applications was 160 at the end of the year and the number of connections completed is 73, making 45.6 percent of the total applications and just 40.6 percent of the planned connections. This backlog of paid up yet not effected connections again highlights the need to build capacity.

Quality of product

Improvement in the quality of water and sewerage services provided to customers also stands as a priority as it proves good service delivery and will attract more customers. The passing rate for the biological samples was set at 97 percent for the 2012/13 financial year. The end of year figure is 94 percent, 3 percent lower than the set target. The failure to meet this target was a result of frequent water outages and high manganese content which both affected the quality of water.

The turbidity passing rate was set at 95 percent and a 96 percent pass was achieved for the year. It should however be noted that some areas/centres did not meet the turbidity target during the course of the year as a result of frequent water supply disruptions.
On the other hand, the effluent quality target for the year was at 10 - 30 percent (average 20 percent) for the Chemical Oxygen Demand (COD) and 20 - 40 percent (average 30) for the Suspended Solids. The end of year figure achieved for COD is 8 percent while Suspended Solids achieved 28 percent and these are below the targeted averages for effluent quality. It has become apparent that most or all of the waste-water treatment plants have gone past their design life hence not performing well and therefore, an assessment for their adequacy is in pipeline.

**Non-revenue Water**

Reducing Non-Revenue Water (NRW) will to a large extend help the company to contain and minimise losses. The target for 2012/13 was to reduce NRW from 32 to 29 percent. The end of year figure is 29 percent and was achieved through among others, defining the network zones in manageable bits and this was implemented in the Northern parts of Maseru. This helps reduce losses that may come as a result of illegal connections and irregular flows that result from leakages. The target was also achieved at the back of precautionary measures of installing overflow valves in some reservoirs and to some extend a reduction in the amount of time taken to attend to bursts and leakages.

It is worth noting that a reduction in the earthworks during roads construction, especially in Maseru, which in the past led to breaking and cutting of pipes has also contributed in the decline in water losses.
**Finance Division**

### Financial performance

The financial performance for the financial year 2012/13, as regards profitability, has improved. The Authority has ended up with an overall net profit amounting to M7.8m as compared to net loss amounting to M 12.4m in the previous financial year 2011/12.

The overall turnover has increased from the figure M 139.7m in 2011/12 to a figure of M 157.76 in the year 2012/13 and this is a growth of 13%.

Factors which contributed to this growth include among others the tariff review of which was effected in April 2012. However, new service connections are concerned, there was a decrease of 27% with an income figure of M15.88m for 2012/2013 as compared to the figure of M21.73 for the previous year. This decline has been due to few reticulation extension projects being completed in the previous year.

The operating costs for the year ended March 2013 stood at M161.75m, resulting in an operating loss of M3.99m compared to operating loss of M10.59m in the previous year. The major portion of the operating expenses relate to Power, Chemicals, Reticulation & Plant Maintenance, connection costs, depreciation and manpower costs, as could be expected in this type of business.

### Financial position

#### Fixed assets

There has been a positive increase of M0.47m in the fixed assets during the year ended March 2013. The additions are mainly because of some completed projects in the year under review.

There are however some on-going projects which put the Work-In-Progress (WIP) figure at M172.11m. The bulk of the WIP figure is in respect of the following projects can be summarised as follows:

- **Urban and Peri-Urban Project (M130.75m)**, financed by:
  a) MCC  M115.53m
  b) GOL M15.23m
- **Maseru Waste Water Medium Term Project (M34.23m)** financed by:
  a) European Union, M27.18m
  b) European Investment Bank, M0.42m
  c) GOL, 6.63m
- **Five Towns Water Supply Project, M4.28m NB**
  Expenditure incurred not paid
- **Internally Financed Projects = M2.85m**
Net current assets

The Net Current Asset position of the Authority has positively moved to a figure of M38.01m at the end of the reporting period, with the current asset figure standing at M130.82m against the current liabilities of M92.81m. The net current asset figure has improved from a figure of M19.30m in the previous year. This shows a positive result to addressing the threat to the liquidity position of the company a factor which has made management look deeper into strategies which could be employed to remedy the situation. A set target has been agreed upon under the Performance Agreement signed with the GOL, that 97% of billing should be matched with the amounts collected each month. Disconnected accounts still pose a problem as a major portion of the debtors does not repay their debts and do not subsequently officially arrange for the services to be reinstated. Concerted efforts were made to follow up on the disconnected customers and to encourage them to pay the outstanding debts.

The domestic pre-paid meters have impacted positively in enabling WASCO’s customers to monitor their consumption of water and also to identify leakages as the system has the features to detect usage of water throughout on a 24 hour basis. Other additional pay-points for prepaid system in Maseru have been engaged, being Pick n pay, Luna Blu and Gateway filling station. This is in addition to the other two namely Engen Filling Station at Lake Side and Pioneer Filling station near Shoprite LNDC Centre. In Hlotse all public standpipes were converted from post paid to pre paid as an attempt to minimise the incidence of non - payment of debts by some selected committees which have been operating post-paid standpipes and for Government Houses at Hlotse.

The Company continues to invest in short term investments such as Money Markets, which yield higher returns than other investment instruments available in the local financial markets. This is part of a strategy to build reserves that will become available for capital expenditure programme.

Tariffs for the year under review were adjusted by an application of 6.9%, commencing in April 2013. A complete review of tariffs was last done on 2008/2009, since then tariffs have been increasing by the inflation rate. The revised tariffs are in line with a new tariff policy that is being developed by the office of the Commissioner of Water. This is necessary as the cost per unit continues to surpass the current average tariff levels.

WASCO posted a net profit of M7.79m at the end of the financial year under review.

Consumption as per category

Amount of Water Sales for 2011/12 and 2012/13

<table>
<thead>
<tr>
<th>Category</th>
<th>2011/12</th>
<th>2012/13</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business</td>
<td>13,523,032</td>
<td>16,994,243</td>
</tr>
<tr>
<td>Domestic</td>
<td>22,234,356</td>
<td>26,898,007</td>
</tr>
<tr>
<td>Industries</td>
<td>20,815,361</td>
<td>26,272,417</td>
</tr>
<tr>
<td>Government</td>
<td>11,832,321</td>
<td>11,855,967</td>
</tr>
<tr>
<td>Other</td>
<td>3,806,421</td>
<td>4,512,183</td>
</tr>
<tr>
<td>TOTAL</td>
<td>72,211,492</td>
<td>86,532,816</td>
</tr>
</tbody>
</table>

Domestic category has continued to contribute significantly to the realisation of the reported income levels, with 31% of the sales revenue accruing from this customer category. Other recognisable contributors to revenue are the industries sector and the Business sector which respectively accounted for 30% and 20% of the total sales during the year ended March 2013.
Nature of business
To provide adequate potable water and safe disposal of waste water to every stakeholder in the urban centres of Lesotho

Board of Directors
Chairman
Dr. Metsing Mangoaela

Members
Mrs. Mammako Molapo
Mrs. Mamonaheng Ramonaheng
Mr. Lebohang Mofammere
Mr. Ntahli Matete

Chief Executive
Mr. Lerotholi Mathealira (From 1 April 2013)
Mr. L. Mohoso (From 1 March to 30 June 2012)
Mrs. Mamathe Makhaola (From 1 July 2012 to March 2013)

Secretary
Mr. Sekhonyana Sekhonyana (From 28 January 2012)

Business Address
Water and Sewerage Company
Off Moshoeshoe Road
Industrial Area
Hoohlo Maseru

Postal Address
P.O. Box 426 Maseru 100

Bankers
Standard Lesotho Bank
NedBank Lesotho

Auditors
Moteane, Quashie & Associates for Auditor General
Private Bag A169, Maseru 100
Statement of Board of Directors
for the year ended 31 March 2013

DIRECTORS STATEMENT OF RESPONSIBILITY AND APPROVAL

The Board of Directors 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 its responsibility to ensure that the financial statements fairly present the state of affairs of the company at the end of the financial year and the results of its operations and cash flows for the year ended, and in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the financial statements.

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

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

The Board of Directors 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 provide only reasonable assurance and not absolute assurance against material misstatement or loss.

The Board of Directors has reviewed WASCO’s cash flow forecast and budgets for the year to 31 March 2014, and is satisfied that WASCO has, or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on WASCO’s financial statements.

The financial statements set out on pages 29 to 47 were approved by the Board of Directors and are signed on its behalf by:-

[Signature]
Chairman

[Signature]
Chief Executive Officer
Report of the Directors
for the year ended 31 March 2013

The Board of Directors presents its report which forms part of the audited financial statements for the year ended 31 March 2013. Water and Sewerage Authority was changed to Water and Sewerage Company (Proprietary) Limited (WASCO) by WASCO Act 13 of 2010 which is an act to establish the Water and Sewerage Company (Proprietary) Limited and to provide the vesting of assets, liabilities, rights and obligations of Water and Sewerage Authority in the company.

Nature of Business
To provide adequate potable water and safe disposal of waste water to every stakeholder in the urban centres of Lesotho. The nature of the company’s business has not changed during the year under review.

Shareholders
The authorised and issued share capitals remain unchanged. Lesotho Government holds 1 000 ordinary shares of M1 each and is the sole shareholder.

Operating Results
The profit on ordinary activities for the year amounted to M4 696 million (2012: M9 313 million). Full details of the financial results are set out on pages 29 to 47.

Subsequent Events
The Board of Directors is not aware of any matters or circumstances arising since the end of the year or otherwise dealt with in this report or annual financial statements, that would have a significant effect on the operations of WASCO or the results of its operations.

Going Concern
We draw attention to the fact that at 31 March 2013, the Company had an accumulated loss of M56 814 million. The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. The Board of Directors is satisfied that WASCO has, or has access to adequate resources to continue in operational existence for the foreseeable future.
REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF LESOTHO WATER AND SEWERAGE COMPANY FOR THE YEAR ENDED 31 MARCH 2013

Moteane, Quashie and Associates Chartered Accountants, under Section 15(1) of the Audit Act 1973, have audited the accompanying financial statements of Lesotho Water and Sewerage Company which comprise the balance sheet as at 31 March 2013 and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 28 to 47.

Director’s responsibility for the financial statements

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

Auditor’s responsibility

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

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

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

Basis for adverse opinion

The introduction of a new computerised billing and general ledger systems in 2009/10 have resulted in numerous errors in both customer and general ledger accounts. As of the date of my audit report, management was still in the process of rectifying the system deficiencies and correcting the errors in the Bank balance, Accounts Payable, Revenue and Accounts Receivable figures included in the statement of financial position and statement of comprehensive income of 31 March 2013. As a result, I issued qualified opinion on the financial statements relating to these preceding years.

1. The Standard Lesotho Bank account had non-reconciled credits of M4.92 Million and non-reconciled debits amounting M3.72 million. Included in this are non-reconciling items amounting to M1.25 million fraudulently transferred out of the bank by former employee. Another bank account had duplications amounting to M1.97 million while an account used to record Unknown Debits and Credits had a balance of M4.91 million. Due to the nature of these items used in reconciliations of bank accounts, I was unable to verify the accuracy of cash balances presented in the financial statements.
2. The receivable Age Analysis has M88.82 million figure which differs from financial statements amount of M89.86 million by M1.04 million. Accounts receivables amounting to M1.09 million was included in the financial statements even though these debtors no longer exist. Therefore, I was unable to satisfy myself of the accuracy of the Accounts Receivables balance shown in the financial statements.

3. Non-Current Assets include movements amounting M48.89 million for Work in Progress that did not have any journals or supporting documents.

4. Loans and Grants – European Investment Bank confirmed loan balance of M90.24 million which differs from the financial statements balance of M87.37 million by M2.87 million. Also included in the financial statements are loans of M30.957 million and grants of M57.94 million for which no independent confirmation was received. Therefore, I was unable to satisfy myself of the accuracy of the Loans and Grants balances shown in the financial statements.

5. Included in the financial statements are Accounts payable with debit balance of M1.46 million and credit balance of M0.52 million that could not be supported with any documentation. Therefore, I was unable to satisfy myself of the accuracy of the Accounts Payable balance presented in the financial statements.

6. IAS 37 Provision, Contingent Liabilities and Contingent Assets requires that provisions are measured at the best estimate (including risks and uncertainties) of the expenditure required to settle the present obligation. The Provision for Severance Pay of M13.31 million shown in the financial statements was understated by M0.96 million resulting to misstatement of provisions.

7. IAS 2 requires that inventories should be measured at lower of cost or net realisable value. Inventories amounting to M2.5 million were included in the financial statements at a cost higher than realisable value.

As a result of these matters, I was unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded Trade Receivables, Bank, Revenue, Accounts Payables and the elements of making up the statement of comprehensive income, statement of changes in equity, tax and cash flow statement.

I further draw attention to the non-inclusion of the bank balances of WASCO Projects department of M5.8 million in the financial statements of the company. Under International Financial Reporting Standards, the financial statements of WASCO Projects department should have been incorporated as it is under management of the company. The effects of the failure to consolidate have not been determined.

**Adverse opinion**

Because of the significance of the matters described in the Basis for Adverse Opinion paragraphs, the financial statements do not fairly present in all material respects the financial position of the company at 31 March 2013 and the results of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Lesotho Water & Sewerage Company Act 2011.

LUCY L. LIPHAFA (Mrs)
AUDITOR GENERAL
30 April 2014
Statement of Financial Position
as at 31 March 2013

<table>
<thead>
<tr>
<th>Notes</th>
<th>2013 M’000</th>
<th>2012 M’000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-current assets</td>
<td>1 174 200</td>
<td>1 131 867</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>3</td>
<td>1 174 200</td>
</tr>
<tr>
<td>Current assets</td>
<td>130 818</td>
<td>123 506</td>
</tr>
<tr>
<td>Inventory</td>
<td>4</td>
<td>10 055</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>5</td>
<td>71 434</td>
</tr>
<tr>
<td>Short-term investments</td>
<td>6</td>
<td>13 452</td>
</tr>
<tr>
<td>Bank and cash</td>
<td>7</td>
<td>35 877</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td>1 305 018</td>
<td>1 225 373</td>
</tr>
<tr>
<td><strong>CAPITAL AND LIABILITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital and Reserves</td>
<td>1 060 857</td>
<td>995 133</td>
</tr>
<tr>
<td>Share Capital</td>
<td>8</td>
<td>1</td>
</tr>
<tr>
<td>GOL funding</td>
<td>9</td>
<td>389 381</td>
</tr>
<tr>
<td>GOL Grant</td>
<td>10</td>
<td>736 616</td>
</tr>
<tr>
<td>Accumulated funds</td>
<td>11</td>
<td>(56 852)</td>
</tr>
<tr>
<td>Reserves</td>
<td>12</td>
<td>(8 289)</td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td>151 356</td>
<td>156 038</td>
</tr>
<tr>
<td>Provisions for severance pay</td>
<td>13</td>
<td>13 311</td>
</tr>
<tr>
<td>Long-term loans</td>
<td>14</td>
<td>138 045</td>
</tr>
<tr>
<td>Current Liabilities</td>
<td>92 805</td>
<td>104 202</td>
</tr>
<tr>
<td>Bank</td>
<td>7</td>
<td>26 674</td>
</tr>
<tr>
<td>Accounts payable</td>
<td>15</td>
<td>66 131</td>
</tr>
<tr>
<td><strong>TOTAL CAPITAL AND LIABILITIES</strong></td>
<td>1 305 018</td>
<td>926 377</td>
</tr>
</tbody>
</table>
Statement of Comprehensive Income
for the year ended 31 March 2013

<table>
<thead>
<tr>
<th>Notes</th>
<th>2013  M'000</th>
<th>2012  M'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>19</td>
<td>157 756</td>
</tr>
<tr>
<td>Manpower costs</td>
<td></td>
<td>(69 327)</td>
</tr>
<tr>
<td>Depreciation</td>
<td></td>
<td>(14 767)</td>
</tr>
<tr>
<td>Stock adjustment</td>
<td></td>
<td>(496)</td>
</tr>
<tr>
<td>Reticulation and Plant maintenance</td>
<td></td>
<td>(7 684)</td>
</tr>
<tr>
<td>New connections</td>
<td></td>
<td>(7 956)</td>
</tr>
<tr>
<td>Other expenses</td>
<td>19</td>
<td>(61 516)</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td></td>
<td><strong>(161 746)</strong></td>
</tr>
<tr>
<td>Operating Profit/(Loss)</td>
<td>17</td>
<td>(3 990)</td>
</tr>
<tr>
<td>Net interest received/(charged)</td>
<td></td>
<td>8 686</td>
</tr>
<tr>
<td>Net profit before taxation</td>
<td>19</td>
<td>4 696</td>
</tr>
<tr>
<td>Taxation</td>
<td>2.13</td>
<td>-</td>
</tr>
<tr>
<td>Profit/(Loss) for the year</td>
<td></td>
<td>4 696</td>
</tr>
<tr>
<td>Prior year adjustment</td>
<td>16</td>
<td>3 092</td>
</tr>
<tr>
<td><strong>Profit/(Loss) at end of year</strong></td>
<td></td>
<td><strong>7 788</strong></td>
</tr>
</tbody>
</table>
Statement of changes in Capital and Reserves
for the year ended 31 March 2013

<table>
<thead>
<tr>
<th></th>
<th>GOL Funding</th>
<th>GOL Grant</th>
<th>Share Capital</th>
<th>Reserves</th>
<th>Accumulated Surplus/ (Deficit)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>M'000</td>
<td>M'000</td>
<td>M'000</td>
<td>M'000</td>
<td>M'000</td>
<td>M'000</td>
</tr>
<tr>
<td>Balance at 31 March 2012</td>
<td>386 063</td>
<td>681 998</td>
<td>1</td>
<td>(8 289)</td>
<td>(64 6409)</td>
<td>995 133</td>
</tr>
<tr>
<td>Net profit for the year</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>4 696</td>
<td>4 696</td>
</tr>
<tr>
<td>Prior Year adjustments</td>
<td>-</td>
<td>-</td>
<td>1</td>
<td>-</td>
<td>3 092</td>
<td>3 092</td>
</tr>
<tr>
<td>GOL funding</td>
<td>3 318</td>
<td>54 618</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>57 936</td>
</tr>
<tr>
<td>Grant amortised</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Balance at 31 March 2013</td>
<td>389 381</td>
<td>736 616</td>
<td>1</td>
<td>(8 289)</td>
<td>56 852</td>
<td>1 060 857</td>
</tr>
</tbody>
</table>
## Cash Flow Statement
for the year ended 31 March 2013

<table>
<thead>
<tr>
<th></th>
<th>2013 M’000</th>
<th>2012 M’000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CASH GENERATED FROM OPERATING ACTIVITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Profit before interest charges</td>
<td>5 315</td>
<td>(2 892)</td>
</tr>
<tr>
<td>Adjustment for:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>14 767</td>
<td>14 586</td>
</tr>
<tr>
<td>Adjustments</td>
<td>-</td>
<td>9 754</td>
</tr>
<tr>
<td>(Profit)/Loss on fixed assets disposal</td>
<td>-</td>
<td>(4)</td>
</tr>
<tr>
<td>Provision for severance pay</td>
<td>768</td>
<td>1 261</td>
</tr>
<tr>
<td>Write offs &amp; adjustments</td>
<td>496</td>
<td>27</td>
</tr>
<tr>
<td>Prior year adjustment</td>
<td>3 092</td>
<td>(3 087)</td>
</tr>
<tr>
<td>Interest income</td>
<td>(9 305)</td>
<td>(7 702)</td>
</tr>
<tr>
<td></td>
<td><strong>15 133</strong></td>
<td><strong>11 943</strong></td>
</tr>
<tr>
<td><strong>Changes in working capital:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Decrease/ (Increase) in inventory</td>
<td>(2 287)</td>
<td>(1 938)</td>
</tr>
<tr>
<td>Decrease/ (Increase) in receivables</td>
<td>7 141</td>
<td>(17 676)</td>
</tr>
<tr>
<td>(Decrease)/Increase in payables</td>
<td>(3 093)</td>
<td>(3 871)</td>
</tr>
<tr>
<td>Cash generated from operations</td>
<td>16 894</td>
<td>(11 542)</td>
</tr>
<tr>
<td></td>
<td>(619)</td>
<td>(6 421)</td>
</tr>
<tr>
<td></td>
<td><strong>16 275</strong></td>
<td><strong>(17 963)</strong></td>
</tr>
<tr>
<td><strong>CASH UTILISED IN INVESTING ACTIVITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase of tangible fixed assets</td>
<td>(67 189)</td>
<td>(112 287)</td>
</tr>
<tr>
<td>Proceeds from sale of fixed assets</td>
<td>-</td>
<td>4</td>
</tr>
<tr>
<td>Interest received</td>
<td>9 305</td>
<td>7 702</td>
</tr>
<tr>
<td></td>
<td><strong>(57 884)</strong></td>
<td><strong>(104 581)</strong></td>
</tr>
<tr>
<td><strong>CASH FROM FINANCING ACTIVITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase in GOL contribution/grant</td>
<td>57 936</td>
<td>62 112</td>
</tr>
<tr>
<td>Increase/ (Decrease) in long term liabilities</td>
<td>(5 450)</td>
<td>41 694</td>
</tr>
<tr>
<td></td>
<td><strong>52 486</strong></td>
<td><strong>104 106</strong></td>
</tr>
<tr>
<td><strong>Net Movement for the Year</strong></td>
<td><strong>10 877</strong></td>
<td><strong>(18 438)</strong></td>
</tr>
<tr>
<td>Cash and Cash Equivalent at Beginning of Year</td>
<td>11 778</td>
<td>30 216</td>
</tr>
<tr>
<td><strong>Cash and Cash Equivalents at End of Year</strong></td>
<td><strong>22 655</strong></td>
<td><strong>11 778</strong></td>
</tr>
</tbody>
</table>
Notes to the Financial Statements
for the year ended 31 March 2013

1. BACKGROUND

The Lesotho Water Sewerage and Company (Proprietary) Limited (WASCO) was established under the Lesotho Water and Sewerage Company Act No. 13 of 2011 (as amended). Under this act WASCO acquired all assets and liabilities, rights and obligations of Water and Sewerage Authority (WASA) established by Water and Sewerage Order No. 29 of 1991 with effect from 1 September 2011.

2. ACCOUNTING POLICIES

2.1 Basis of Preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements have been prepared on the historical cost basis as modified by the revaluation of land and buildings available-for-sale financial assets and financial liabilities (including derivatives instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying WASCO’s accounting policies. Although these estimates are based on management’s best knowledge of current events and actions actual results ultimately may differ from those estimates.

2.2 Standards and amendments effective in 2013

In the current year WASCO has adopted all relevant new and revised Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for accounting periods beginning on 1 January 2013. The adoption of these new and revised Standards and Interpretations has not resulted in any changes to WASCO’s accounting policies as the effect of first time adoption of International Financial Reporting Standards did not have a material impact on WASCO’s amounts for the current or prior years.

2.3 Property, plant and equipment

The cost of an item of property plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to WASCO and the cost of the item can be measured reliably. Costs include costs incurred initially to acquire or construct an item of property plant and equipment and costs incurred subsequently to add to replace part of or service it. If a replacement cost is recognised in the carrying amount of an item of property plant and equipment the carrying amount of the replaced part is derecognised. The initial estimate of the cost of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property plant and equipment. Expenditure on capital projects or acquisitions up to M10 000 is charged to the statement of comprehensive income as operating costs with the exception of printers. Expenditure values shown for works in the course of construction comprise materials labour transport and attributable overheads. On commissioning the total cost is capitalised and depreciated over the appropriate useful life.

Depreciation is calculated by a charge to the statement of comprehensive income to write off the cost or amount of the valuation of property plant and equipment including capitalised leased assets over their expected useful lives. Each part of an item of property plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately. Depreciation normally commences in the financial year following commissioning although vehicles and other assets with a short useful life are depreciated from the date of acquisition. The gain or loss arising from the depreciation of an item of property plant and equipment is included in profit or loss when the item is depreciated. The gain or loss arising from the derecognition of an item of property plant and equipment is determined as the difference between the net disposal proceeds if any and the carrying amount of the item.
Summary of Significant Accounting Policies (continued)

Freehold land is not depreciated. For other assets depreciation is provided on a straight line basis over the estimated useful/economic life for each group of assets which are principally as follows:-

- Buildings, offices houses: 30 - 50 years
- Specialised operational structures: 15 - 40 years
- Plant and Machinery: 8 - 15 years
- Vehicles: 5 years
- Office equipment, including computers: 3 - 6 years

Revaluation of fixed assets

The fixed assets comprising of Land and Buildings, Structures Plant and Machinery other assets were revalued by Lesotho Lands and Property Consultants towards the financial year ended March 2008. The revaluations have been incorporated into the Company’s accounts. Expenditure on maintaining the operating capacity of the network is charged as an operating cost.

Reticulation

The transfer value for reticulation assets shown in the fixed assets statement is the valuation determined on the basis of depreciation replacement cost by Quantum Consultants (Lesotho) (Pty) in August 1991.

Depreciation is provided on a straight line basis over the estimated useful/economic life of the reticulation assets, which has been estimated at 50 years.

Other assets

Other assets, which include buildings, operational structures, plant and equipment, are shown at either the valuation determined on the basis of depreciated replacement cost by Quantum Consultants in August 1991, or at cost if acquired after August 1991.

2.4 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell and value in use. For the purposes of assessing impairment assets are carried at the lowest levels for which there are separately identifiable cash flow (cash generating units).

2.5 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the provision of services in the ordinary course of WASCO’s activities.

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

Income

Revenue comprises the billed value of water, sewerage services rendered, and collection for water and sewer connections. The revenue is recognised upon performance of services.

Revenue from rendering services is recognised by reference to the completion of the specific transaction assessed as the basis of the actual service provided as a proportion of the total services provided when it is probable that the economic benefits associated with a transaction will flow to WASCO and the amount of revenue, and associated costs incurred or to be incurred can be measured reliably.
Interest income
Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, WASCO reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest on impaired loans is recognised either as cash is collected or on a cost-recovery basis as conditions warrant.

Dividend income
Dividend income is recognised when the right to receive payment is established.

2.6 Inventories
Inventories are stated at the lower of cost and net realisable value. Cost is determined using the First-in-first-out method. Costs comprises direct materials and where applicable, overheads that have been incurred in bringing the inventories to their present location and condition, excluding borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses. Where necessary, provision is made for obsolete, slow moving and defective inventories.

2.7 Financial assets
WASCO classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Assets in this category are classified as current assets.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when WASCO provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the financial position date. These are classified as non-current assets. Loans and receivables are included in trade and other receivables in the statement of financial position.

Available-for-sale financial assets
Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the financial position date.

Purchases and sales investments are recognised on the trade-date – the date on which WASCO commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and WASCO has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets at fair value through profit and loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the financial assets at fair value through ‘profit or loss’ category is included in the statement of comprehensive income in the period in which they arise.
Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity. When securities classified available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the statement of comprehensive income as gains and losses from investment securities.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), WASCO establishes fair value by using valuation techniques. These include the use of recent arm’s length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and the option pricing models refined to reflect the issuer’s specific circumstances.

WASCO assesses at each financial position date whether there is objective evidence that a financial asset is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the statement of comprehensive income. Impairment losses recognised in the statement of comprehensive income on equity instruments are not reversed through the statement of comprehensive income.

2.8 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

2.9 Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that WASCO will not be able to collect all amounts due according to the original terms of the receivables. Significant reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of comprehensive income. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the statement of comprehensive income.

2.10 Accounts payable

Accounts payable comprise trade accounts payable and accruals. These are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.11 Liabilities and provisions

WASCO recognises liabilities, including provisions, when it has a present legal or constructive obligation as a result of past events; and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Where WASCO expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

WASCO recognises a provision for onerous contracts when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under the contract.
Restructuring provisions comprise lease termination penalties and employee termination payments, and are recognised in the period in which WASCO becomes legally or constructively committed to payment. Costs related to the ongoing activities of WASCO are not provided in advance.

2.12 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless WASCO has an unconditional right to defer settlement of the liability for at least 12 months after the financial position date.

2.13 Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the financial position date.

WASCO was granted autonomous status on 1st April 1992 and as such is liable for Corporation Tax at the applicable rate, on its assessed taxable profit.

It is expected that no liability to taxation will arise for the year based on the reported results of the previous years.

2.14 Government grants

Capital based government grants are included within deferred income in the statement of financial position and credited to profit over the estimated useful economic lives of the assets to which they relate. Revenue based government grants are credited to profit in the period in which the expenditure to which they relate is incurred.

2.15 Dividend distribution

Dividend distribution to WASCO’s shareholder is recognised as a liability in the financial statements in the period.

2.16 Leases

Leases of property, plant and equipment where WASCO has substantially all the risks and rewards of ownership are classified as finance lease. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges are included in other long-term payables. The interest element of the finance cost is charged to the statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term.

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.
2.17 Financial risk management

Financial risk factors
WASCO’s activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest risk, cash flow interest-rate risk and price risk), credit risk and liquidity risk. WASCO’s overall risk management programme focuses on the unpredictability of the financial markets and seeks to minimise potential adverse effects on its financial performance. WASCO currently does not use derivative financial instruments to hedge certain risk exposures.

Market risk
From time to time WASCO is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities. Foreign exchange risk arises when future commercial transactions, recognised assets and liabilities are denominated in a currency that is not WASCO’s functional currency. As at 31 March 2011, WASCO was not exposed to any foreign currency exchange risk.

Price risk
WASCO is exposed to equity securities price risk because of an investment held by it and classified in the Statement of financial position at fair value and profit or loss transferred to the statement of comprehensive income. This asset is an investment in Standard Bank Money Market.

Cash flow and fair value interest rate risk
As WASCO has no significant interest-bearing assets, its income and operating cash flows are substantially independent of changes in market interest rates. WASCO’s interest-rate risk arises from long-term borrowings. Borrowings issued at variable rates expose WASCO to cash flow interest-rate risk. Borrowings issued at fixed rates expose WASCO to fair value interest-rate risk. WASCO is not exposed to fair value interest rate risk because all its borrowings (note 13) are at variable rates. WASCO does not consider the exposure to cash flow interest rate risk as significant; therefore it currently does not have formal mechanisms to mitigate this risk.

Credit risk
Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to commercial and residential customers, including outstanding receivables and committed transactions. For banks and commercial institutions, only high credit quality parties are accepted. If commercial customers are independently rated, these ratings are used. If there is no independent rating, risk control assesses the credit quality of the customer taking into account its financial position, past experience and other factors. Sales to customers are settled in cash. See note 5 for further disclosure on credit risk. Management does not expect any losses from non-performance by these counterparties.

WASCO does not do credit vetting for new customers since it is an essential service. Overdue accounts are disconnected for non-payment after 60 days from the statement due date as per the policies and procedures.

Liquidity risk
Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, WASA’s management aims to maintain flexibility in funding by keeping committed credit lines available.

The table below analyses WASA’s financial liabilities into relevant maturity rations based on the remaining period at the balance date to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cashflows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.
2.17 Financial risk management (continued)

<table>
<thead>
<tr>
<th></th>
<th>Less than 1 year M’000</th>
<th>Between 1 and 5 years M’000</th>
<th>Over 5 years M’000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>At 31 March 2013</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Borrowings</td>
<td>-</td>
<td>19 709</td>
<td>118 336</td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>66 131</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>At 31 March 2012</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Borrowings</td>
<td>-</td>
<td>20 000</td>
<td>123 495</td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>66 244</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

2.17 Critical accounting estimates and assumptions (continued)

Capital risk management

WASCO’s objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Consistent with others in the industry, WASCO monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including ‘current and non-current borrowings’ as shown in the Statement of financial position) less cash and cash equivalents. Total capital is calculated as ‘equity’ as shown in the statement of financial position plus net debt.

During 2013, WASCO’s strategy, which was unchanged from 2012, was to maintain a low gearing ratio of not more than 40%. The gearing ratios at 31 March 2013 and 2012 were as follows:

<table>
<thead>
<tr>
<th></th>
<th>2013 M’000</th>
<th>2012 M’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total borrowings (note 14) includes bank overdraft</td>
<td>164 719</td>
<td>178 473</td>
</tr>
<tr>
<td>Total equity</td>
<td>1 060 857</td>
<td>945 443</td>
</tr>
<tr>
<td>Total capital (total borrowings plus equity)</td>
<td>1 198 905</td>
<td>1 138 628</td>
</tr>
<tr>
<td>Gearing ratio</td>
<td>13.7%</td>
<td>15.6%</td>
</tr>
</tbody>
</table>

Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market rate that is available to WASCO for similar financial instruments.

2.18 Employee benefits

Terminal benefits are payable whenever an employee’s employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. WASCO recognises termination benefits when it is demonstrably committed either to terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy.
2.19 Critical accounting estimates and assumptions

WASCO makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. There were no critical accounting estimates that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

Provision of impairment of trade receivables
WASCO considers all trade receivable balances that have been outstanding for over two years as impaired. WASCO applies this policy consistently and its management is of the view that, even though this is an accounting estimate, it is the best estimate of the amount that may not be recovered from its customers. Refer to note 5 for disclosure on the provision for impairment of trade receivables.

Review of useful lives
WASCO depreciates items of property, plant and equipment based on the useful lives of those items.

The useful lives of the items are management’s best estimates. The useful lives are disclosed in accounting policy 2.3 and they are reasonable in management’s view. These useful lives determine the amount of depreciation recognised in the statement of comprehensive income each year. (refer to note 2.16)

Income taxes
Judgment is required in determining whether WASCO is liable for tax or not. There may be transactions and calculations for which the ultimate tax determination may be uncertain. WASCO recognises liabilities for anticipated tax based on estimates of whether additional taxes will be due. Where final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

2.20 Contingent liabilities

WASCO discloses a contingent liability where:
- it has a possible obligation arising from past events; the existence of which will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of WASCO, or
- it is not probable that an outflow or resources will be required to settle an obligation; or
- the amount of the obligation cannot be measured with sufficient reliability.

2.21 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which WASCO operates ("the functional currency"). The financial statements are presented in Maloti ("M"), which is the functional and presentation currency of WASCO.

2.22 Comparative figures

Where necessary comparative figures of WASCO have been restated to conform to the current reporting format. The comparative year transactions cover the period traded as WASA up to 31 August 2011 and then as WASCO from 1 September 2011.

2.23 Rounding

All items are shown to the nearest one thousand Maloti, therefore a - in the column indicates either no transaction or totals of less than five hundred Maloti.
### Notes to the Financial Statements (continued)

#### 3. Property, plant and equipment

<table>
<thead>
<tr>
<th>FOR THE YEAR ENDED 31 MARCH 2013</th>
<th>2013</th>
<th></th>
<th></th>
<th>2012</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cost</td>
<td>Accumulated depreciation</td>
<td>Carrying amount</td>
<td>Cost</td>
<td>Accumulated depreciation</td>
<td>Carrying amount</td>
</tr>
<tr>
<td><strong>Owned assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land &amp; buildings</td>
<td>29 745</td>
<td>(4 002)</td>
<td>25 743</td>
<td>29 698</td>
<td>(3 285)</td>
<td>26 413</td>
</tr>
<tr>
<td>Specialised operational structures</td>
<td>141 572</td>
<td>(37 109)</td>
<td>104 463</td>
<td>141 449</td>
<td>(33 597)</td>
<td>107 852</td>
</tr>
<tr>
<td>Reticulation</td>
<td>255 570</td>
<td>(89 284)</td>
<td>166 286</td>
<td>254 098</td>
<td>(84 217)</td>
<td>169 881</td>
</tr>
<tr>
<td>Plant &amp; machinery</td>
<td>32 042</td>
<td>(12 480)</td>
<td>19 562</td>
<td>28 263</td>
<td>(9 707)</td>
<td>18 556</td>
</tr>
<tr>
<td>Motor vehicles</td>
<td>17 080</td>
<td>(13 608)</td>
<td>3 472</td>
<td>16 276</td>
<td>(11 891)</td>
<td>4 385</td>
</tr>
<tr>
<td>Office equipment &amp; furniture</td>
<td>18 828</td>
<td>(5 963)</td>
<td>12 865</td>
<td>7 980</td>
<td>(4 983)</td>
<td>2 997</td>
</tr>
<tr>
<td>Assets in construction</td>
<td>841 217</td>
<td>-</td>
<td>841 217</td>
<td>801 783</td>
<td>-</td>
<td>801 783</td>
</tr>
<tr>
<td><strong>Suspense</strong></td>
<td>592</td>
<td>-</td>
<td>592</td>
<td>-</td>
<td>592</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1 336 646</td>
<td>(162 456)</td>
<td>1 174 200</td>
<td>1 279 547</td>
<td>(147 679)</td>
<td>1 131 867</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>FOR THE YEAR ENDED 31 MARCH 2013</th>
<th>Transfer to balance</th>
<th>Open adjustment</th>
<th>Carrying amount at end</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Owned assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land &amp; buildings</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Specialised operational structures</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reticulation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Plant &amp; machinery</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Motor vehicles</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Office equipment &amp; furniture</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Assets in construction</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Suspense</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note:
The assets of Water and Sewerage Authority have been not been endorsed by Registrar of Deeds as transferred to Water and Sewerage Company (Pty) Ltd as required by Section 6 (2) of the Water and Sewerage Company Act No. 13 of 2011.
3. Property, plant and equipment (continued)

![Image of a page from a document]![Image of a page from a document]

### 3. Property, plant and equipment (continued)

#### FOR THE YEAR ENDED 31 MARCH 2012

<table>
<thead>
<tr>
<th>Owned assets</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Accumulated Carrying amount</td>
<td>Accumulated Carrying amount</td>
</tr>
<tr>
<td></td>
<td>Cost</td>
<td>depreciation</td>
</tr>
<tr>
<td>Owned assets</td>
<td>$2012</td>
<td>$2011</td>
</tr>
<tr>
<td>Land &amp; buildings</td>
<td>$29,698</td>
<td>$(3,285)</td>
</tr>
<tr>
<td>Specialised operational structures</td>
<td>$141,449</td>
<td>$(33,597)</td>
</tr>
<tr>
<td>Reticulation</td>
<td>$254,098</td>
<td>$(84,217)</td>
</tr>
<tr>
<td>Plant &amp; machinery</td>
<td>$28,263</td>
<td>$(9,707)</td>
</tr>
<tr>
<td>Motor vehicles</td>
<td>$16,276</td>
<td>$(11,891)</td>
</tr>
<tr>
<td>Office equipment &amp; furniture</td>
<td>$7,980</td>
<td>$(4,983)</td>
</tr>
<tr>
<td>Assets in construction</td>
<td>$801,783</td>
<td>–</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Amount at beginning of period</th>
<th>Transfer to completed projects</th>
<th>Addition</th>
<th>Disposal Cost</th>
<th>Accumulated depreciation</th>
<th>Depreciation of period</th>
<th>Carrying amount at end of period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Owned assets</td>
<td>$1,279,547</td>
<td>$(147,680)</td>
<td>$1,131,867</td>
<td>$1,168,760</td>
<td>$(134,589)</td>
<td>$1,034,170</td>
</tr>
</tbody>
</table>

---

**Notes to the Financial Statements (continued)**
Notes to the Financial Statements (continued)

4. Inventory

<table>
<thead>
<tr>
<th></th>
<th>2013 M'000</th>
<th>2012 M'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost</td>
<td>10 096</td>
<td>7 859</td>
</tr>
<tr>
<td>Provision for obsolete stock</td>
<td>(91)</td>
<td>(91)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>10 005</strong></td>
<td><strong>(7 768)</strong></td>
</tr>
</tbody>
</table>

5. Accounts payable

<table>
<thead>
<tr>
<th>Description</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade debtors</td>
<td>85 763</td>
<td>66 377</td>
</tr>
<tr>
<td>Less: Provision for doubtful debts</td>
<td>(22 628)</td>
<td>(6 588)</td>
</tr>
<tr>
<td><strong>Net trade accounts receivable</strong></td>
<td><strong>63 135</strong></td>
<td><strong>59 789</strong></td>
</tr>
<tr>
<td>Miscellaneous debtors</td>
<td>5 663</td>
<td>6 663</td>
</tr>
<tr>
<td>Postal services</td>
<td>210</td>
<td>200</td>
</tr>
<tr>
<td>Sanitations unit</td>
<td></td>
<td>111</td>
</tr>
<tr>
<td>Shoprite services</td>
<td>1 111</td>
<td>2 319</td>
</tr>
<tr>
<td>Pick and Pay</td>
<td>95</td>
<td></td>
</tr>
<tr>
<td>Roma drought emergency</td>
<td></td>
<td>317</td>
</tr>
<tr>
<td>Staff housing loan</td>
<td>240</td>
<td>229</td>
</tr>
<tr>
<td>Staff travel imprest</td>
<td>159</td>
<td>230</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td></td>
<td>610</td>
</tr>
<tr>
<td>Prepaid insurance</td>
<td>(50)</td>
<td>(662)</td>
</tr>
<tr>
<td>Other debtors</td>
<td>871</td>
<td>74</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>71 434</strong></td>
<td><strong>68 982</strong></td>
</tr>
</tbody>
</table>

The fair values of trade and other receivables are as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade receivables</td>
<td>63 135</td>
<td>59 789</td>
</tr>
<tr>
<td>Sundry debtors</td>
<td>8 299</td>
<td>9 193</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>71 434</strong></td>
<td><strong>68 982</strong></td>
</tr>
</tbody>
</table>

The above values of trade and other receivables approximate fair value. There is no concentration of credit risk with respect to trade receivables, as the Company has a large number of customers regionally dispersed. The Company’s historical experience in collection of accounts receivables falls within the recorded allowances. Due to these factors, management believes that no additional credit risk beyond amounts provided for collection losses is inherent in the Company’s trade receivables. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Company does not hold any collateral as security.

As of 31 March 2013 trade receivables of M22628000 (2012: M6 589 000) were impaired and provided for. The amount of the provision was M22 628 000 as of 31 March 2013 (2012:M6 589 000). The individually impaired receivables mainly relate to Domestic and Non-domestic accounts mostly disconnected for non-payment.
5. **Accounts receivable (continued)**

<table>
<thead>
<tr>
<th></th>
<th>2013 M'000</th>
<th>2012 M'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 1 April</td>
<td>6 589</td>
<td>6 589</td>
</tr>
<tr>
<td>Provision for receivables impairment</td>
<td>16 039</td>
<td>-</td>
</tr>
<tr>
<td>At 31 March</td>
<td>22 628</td>
<td>6 589</td>
</tr>
</tbody>
</table>

The creation and release of provision for impaired receivables have been included in other expenses in the statement of comprehensive income. Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash. The other classes within trade and other receivables do not contain impaired assets.

6. **Short-term investments**

<table>
<thead>
<tr>
<th>Investment Type</th>
<th>2013 M'000</th>
<th>2012 M'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standard Lesotho Bank Income Fund Accounts</td>
<td>1 132</td>
<td>1 068</td>
</tr>
<tr>
<td>WASCO Income Account</td>
<td>-</td>
<td>9 300</td>
</tr>
<tr>
<td>Standard Lesotho Bank Money Markets</td>
<td>7 600</td>
<td>15 091</td>
</tr>
<tr>
<td>Central Bank Treasury Bills</td>
<td>4 720</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>13 452</strong></td>
<td><strong>24 459</strong></td>
</tr>
</tbody>
</table>

7. **Bank and cash**

<table>
<thead>
<tr>
<th>Account Type</th>
<th>2013 M'000</th>
<th>2012 M'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standard Lesotho Bank Call Accounts</td>
<td>7 930</td>
<td>1 338</td>
</tr>
<tr>
<td>Cashiers</td>
<td>155</td>
<td>191</td>
</tr>
<tr>
<td><strong>Sub-total</strong></td>
<td><strong>8 085</strong></td>
<td><strong>1 529</strong></td>
</tr>
<tr>
<td>Lesotho Bank Current Account (note.)</td>
<td>27 792</td>
<td>19 768</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>35 877</strong></td>
<td><strong>21 297</strong></td>
</tr>
</tbody>
</table>

7.1 **Overdraft**

<table>
<thead>
<tr>
<th>Account Type</th>
<th>2013 M'000</th>
<th>2012 M'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standard Lesotho Bank Current Account</td>
<td>5 214</td>
<td>19 429</td>
</tr>
<tr>
<td>Other Balances</td>
<td>21 460</td>
<td>15 459</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>26 674</strong></td>
<td><strong>34 978</strong></td>
</tr>
</tbody>
</table>

*Note: A sweeping facility has been put in place to ensure that short-term current accounts cash deficits are immediately corrected.*

8. **Share capital**

<table>
<thead>
<tr>
<th>Class</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Authorised</td>
<td>1</td>
<td>-</td>
</tr>
<tr>
<td>1 000 shares of M1 each</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Issued and fully paid</td>
<td>1</td>
<td>-</td>
</tr>
<tr>
<td>1 000 shares of M1 each</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Notes to the Financial Statements (continued)

9. Government of Lesotho funding

Government contribution to WASCO representing the valuation of net assets of the former Water and Sewerage Branch (as specified in the Second Schedule of the Lesotho Water and Sewerage Company Order of 1991) at 1st April 1992, plus projects under construction, funded by the Government of Lesotho on behalf of WASCO.

<table>
<thead>
<tr>
<th></th>
<th>2013 M’000</th>
<th>2012 M’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance brought forward</td>
<td>386 063</td>
<td>376 063</td>
</tr>
<tr>
<td>Additions during the year</td>
<td>3 318</td>
<td>10 000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>389 381</strong></td>
<td><strong>386 063</strong></td>
</tr>
</tbody>
</table>

10. Government of Lesotho grant

GOL grant represents debt forgiveness by the GOL analysed as follows:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at 1st April</td>
<td>681 998</td>
<td>629 885</td>
</tr>
<tr>
<td>Industrialisation loan</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>W-I-P</td>
<td>677 947</td>
<td>532 264</td>
</tr>
<tr>
<td>Completed projects</td>
<td>4 051</td>
<td>97 621</td>
</tr>
<tr>
<td>Additions during the year</td>
<td>-</td>
<td>61 078</td>
</tr>
<tr>
<td>Amortisation: Completed projects</td>
<td>(8 965)</td>
<td>(8 965)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>736 616</strong></td>
<td><strong>681 998</strong></td>
</tr>
</tbody>
</table>

Note:
The interest on Long-term loans cancelled by Government of Lesotho, was capitalised at the time of cancellation with the intention of amortising it according to the useful life of the financed assets. Due to the difficulty of apportioning the accumulated interest to the various projects which the loans financed, the interest was charged to the Statement of comprehensive income in total at the end of March 2007.

11. Accumulated deficit

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at 1st April</td>
<td>(64 640)</td>
<td>(52 240)</td>
</tr>
<tr>
<td>Net profit/(loss) for the year</td>
<td>4 696</td>
<td>(9 313)</td>
</tr>
<tr>
<td>Prior year adjustment (Note 16.)</td>
<td>3 092</td>
<td>(3 087)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>(56 8520)</strong></td>
<td><strong>(64 640)</strong></td>
</tr>
</tbody>
</table>

12. Reserves

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revaluation reserve</td>
<td>(8 876)</td>
<td>(8 876)</td>
</tr>
<tr>
<td>Prior year adjustment</td>
<td>458</td>
<td>458</td>
</tr>
<tr>
<td>General reserve</td>
<td>129</td>
<td>129</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>(8 289)</strong></td>
<td><strong>(8 289)</strong></td>
</tr>
</tbody>
</table>

13. Provision for severance pay

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total</strong></td>
<td><strong>11 281</strong></td>
<td><strong>12 543</strong></td>
</tr>
</tbody>
</table>
Notes to the Financial Statements (continued)

14. Long term liabilities

14.1 Standard Lesotho Bank loan
A loan advanced by the Standard Lesotho Bank to finance the Pre-paid system project. The loan is payable over a period of thirty six months at an interest rate of 12% per annum. Repayment of the loan will commence upon completion of the project.

14.2 Standard Lesotho Bank loan
A loan advanced by the Standard Lesotho Bank to finance the purchase of two excavators. The loan is payable over a period of sixty months at an interest rate of 12% per annum

14.3 Maseru Waste Water - EIB
A loan advanced by European Investment Bank to finance the Sewer reticulation system & construction of treatment plant the repayment of the loan for each tranche shall be paid by 40 Semi-annual installments.

14.4 IDA - WSIP loan
A subsidiary agreement between Kingdom of Lesotho & WASCO for financing Lesotho Water sector improvement project. The loan is payable over the period of 25 years including grace period of seven years. The interest is charged at 2% p.a

14.5 Nedbank - loan
A loan advanced by Nedbank Lesotho to enable WASCO to finance the supply of clean water to the Maseru North East Areas (Maseru Peri-Urban Project). The loan is payable over the period of ninety six (96) equal monthly installments and payable on the 15th day of each succeeding month. Interest rate is subject to fluctuations in prime

15. Accounts payable and accruals

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>M'000</td>
<td>M'000</td>
</tr>
<tr>
<td>Accrued expenses</td>
<td>2 516</td>
<td>1 719</td>
</tr>
<tr>
<td>Customers’ deposits</td>
<td>6 495</td>
<td>5 905</td>
</tr>
<tr>
<td>Due to contractors</td>
<td>27 394</td>
<td>34 766</td>
</tr>
<tr>
<td>Interest payable to the government</td>
<td>17 503</td>
<td>18 539</td>
</tr>
<tr>
<td>Provision for severance pay</td>
<td>1 479</td>
<td>1 394</td>
</tr>
<tr>
<td>Trade creditors</td>
<td>(1 464)</td>
<td>(1 471)</td>
</tr>
<tr>
<td>Vat payable</td>
<td>772</td>
<td>122</td>
</tr>
<tr>
<td>Gratuity provision</td>
<td>7 231</td>
<td>7 502</td>
</tr>
<tr>
<td>Goods received not invoiced</td>
<td>4 884</td>
<td>-</td>
</tr>
<tr>
<td>Income Tax deducted</td>
<td>1 939</td>
<td>88</td>
</tr>
<tr>
<td>Other payables</td>
<td>293</td>
<td>3 401</td>
</tr>
<tr>
<td>Medical Aid Insurance</td>
<td>(636)</td>
<td>(326)</td>
</tr>
<tr>
<td>Withholding tax (Trade creditors)</td>
<td>(267)</td>
<td>(228)</td>
</tr>
<tr>
<td>WASCO Staff Welfare Fund</td>
<td>(307)</td>
<td>(409)</td>
</tr>
<tr>
<td>Salaries and wages</td>
<td>(1 701)</td>
<td>(1 838)</td>
</tr>
<tr>
<td></td>
<td>66 131</td>
<td>69 224</td>
</tr>
</tbody>
</table>
16. Prior year adjustable

<table>
<thead>
<tr>
<th>Description</th>
<th>2013 M’000</th>
<th>2012 M’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Un-reconciled differences in Reserves</td>
<td>3 092</td>
<td>(3 087)</td>
</tr>
<tr>
<td>(Audited balance vs Trial balance)</td>
<td>3 092</td>
<td>(3 087)</td>
</tr>
</tbody>
</table>

17. Risk management

**Capital risk management**

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for the shareholder and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to the shareholder, return capital to shareholder, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the company monitors capital on the basis of the gearing ratio.

This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including ‘current and non-current borrowings’ as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as ‘equity’ as shown in the statement of financial position plus net debt.

There are no externally imposed capital requirements.

There have been no changes to what the entity manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

**Financial risk management**

The company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

**Liquidity risk**

Cash flow forecasting is performed by company finance. Company finance monitors rolling forecasts of the company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the company does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities.

Surplus cash held by the company over and above the balance required for working capital management are invested in interest bearing current accounts.

The table below analyses the company's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

<table>
<thead>
<tr>
<th>Description</th>
<th>31 March 2013 M</th>
<th>31 March 2013 M</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade receivables</td>
<td>71 339</td>
<td>78 575</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>22 750</td>
<td>11 770</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>94 089</strong></td>
<td><strong>90 353</strong></td>
</tr>
</tbody>
</table>
17. Risk management (continued)

Cash flow and fair value interest

As the company has no significant interest-bearing assets, the company’s income and operating cash flows are substantially independent of changes in market interest rates.

Credit risk

Credit risk is managed on a divisional basis.

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The company only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Price risk

The company does not hold any investments in listed securities, nor does it hold any commodities. The company is therefore not exposed to price risk.

Foreign exchange risk

The company does not have receivables or payables denominated in foreign currency and are therefore not exposed to foreign exchange risk arising from various currency exposures.

18. Financial instruments

Credit risk

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

<table>
<thead>
<tr>
<th></th>
<th>Carrying amount 31 March 2013</th>
<th>Carrying amount 31 March 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>M</td>
<td>M</td>
</tr>
<tr>
<td>Trade receivables</td>
<td>71 339</td>
<td>78 575</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>22 750</td>
<td>11 778</td>
</tr>
<tr>
<td></td>
<td>94 089</td>
<td>90 353</td>
</tr>
</tbody>
</table>

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

<table>
<thead>
<tr>
<th>Categories of financial instruments</th>
<th>Carrying amount 31 March 2013</th>
<th>Carrying amount 31 March 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans and receivables</td>
<td>71 339</td>
<td>78 575</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>22 750</td>
<td>11 778</td>
</tr>
<tr>
<td>Total financial assets</td>
<td>94 089</td>
<td>90 353</td>
</tr>
</tbody>
</table>

Financial liabilities

| Trade and other payables          | 66 131                        | 69 224                        |
| Total financial liabilities       | 94 089                        | 90 353                        |
### 19. Income

<table>
<thead>
<tr>
<th></th>
<th>2013 M’000</th>
<th>2012 M’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water and sewage charges</td>
<td>137,878</td>
<td>115,691</td>
</tr>
<tr>
<td>New service connection</td>
<td>15,878</td>
<td>21,733</td>
</tr>
<tr>
<td>Gain on disposal</td>
<td>–</td>
<td>(4)</td>
</tr>
<tr>
<td>Other income</td>
<td>4,000</td>
<td>2,285</td>
</tr>
<tr>
<td></td>
<td><strong>157,756</strong></td>
<td><strong>139,705</strong></td>
</tr>
</tbody>
</table>

### EXPENDITURE

<table>
<thead>
<tr>
<th></th>
<th>2013 M’000</th>
<th>2012 M’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manpower costs</td>
<td>(69,327)</td>
<td>(68,133)</td>
</tr>
<tr>
<td>Electricity</td>
<td>(13,622)</td>
<td>(10,980)</td>
</tr>
<tr>
<td>Reticulation &amp; plant maintenance</td>
<td>(7,684)</td>
<td>(9,545)</td>
</tr>
<tr>
<td>Chemicals</td>
<td>(5,460)</td>
<td>(6,688)</td>
</tr>
<tr>
<td>Transport</td>
<td>(5,007)</td>
<td>(4,892)</td>
</tr>
<tr>
<td>New connections</td>
<td>(7,955)</td>
<td>(11,011)</td>
</tr>
<tr>
<td>Telephone, stationery, postage</td>
<td>(3,736)</td>
<td>(3,254)</td>
</tr>
<tr>
<td>Rents, security &amp; insurance</td>
<td>(6,813)</td>
<td>(5,233)</td>
</tr>
<tr>
<td>Training &amp; travel expenses</td>
<td>(1,792)</td>
<td>(1,715)</td>
</tr>
<tr>
<td>Directors fees</td>
<td>(695)</td>
<td>(596)</td>
</tr>
<tr>
<td>Audit fees</td>
<td>(152)</td>
<td>(187)</td>
</tr>
<tr>
<td>Office equipment</td>
<td>(1,557)</td>
<td>(1,167)</td>
</tr>
<tr>
<td>Other expenses (including write-offs)</td>
<td>(6,424)</td>
<td>(11,980)</td>
</tr>
<tr>
<td>Rates</td>
<td>(219)</td>
<td>(306)</td>
</tr>
<tr>
<td>Adjustment account</td>
<td>(496)</td>
<td>(27)</td>
</tr>
<tr>
<td>Depreciation</td>
<td>(14,767)</td>
<td>(14,586)</td>
</tr>
<tr>
<td>Bad debts</td>
<td>16,040</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td><strong>(161,746)</strong></td>
<td><strong>(150,299)</strong></td>
</tr>
</tbody>
</table>

**Operating profit (loss) for the year**

<table>
<thead>
<tr>
<th></th>
<th>2013 M’000</th>
<th>2012 M’000</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>(3,990)</strong></td>
<td><strong>(10,594)</strong></td>
</tr>
</tbody>
</table>
Water & Sewerage Company

P O Box 426, Maseru, 100 Lesotho
Tel: +266 22 312 449
Fax: +266 22 310 006
24 Hours: +266 22 313 943
Tollfree No: 800 22 011
e-mail: pro@wasa.co.ls or info@wasa.co.ls
Website: www.wasa.co.ls