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Water & Sewerage Company

WASCO

SAVE EVERY DROP

Contents

WASCO in Lesotho

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 3317 domestic prepaid connections, and more than 3898 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.

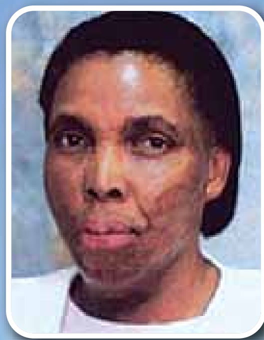
On average, water production for the city of Maseru is 60 mega litres per day. Maseru residential and industrial customers obtain their water mainly from the Caledon (Mohokare) river, which is supplemented by water from the Maqalika dam when river levels are low and when there is high turbidity in the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

Board of Directors

Dr. Percy Mangoaela
Chairman

Mrs. 'Mammako Molapo

Mr. Ntahli Matete



Mrs. 'Mamonaheng
Ramonaheng

Mr. Lebohang Mofammere

Mr. Mathealira Lerotholi
Chief Executive

Executive Management

Mr. Mathealira Lerotholi
Chief Executive Officer

Mrs. 'Mamojela Koneshe
Director of Strategic Services and Human Resources

Mr. Soaile Mochaba
Director of Finance

Mr. Moeti Makoa
Director of Operations and Maintenance

Mrs. 'Mamathe Makhaola
Director of Engineering

EXECUTIVE MANAGEMENT

Mr. Mathealira Lerotholi
Chief Executive
MA- Environmental Eng.
(Water Resource Management)

Mr. Soaile Mochaba
Director of Finance
CA (Lesotho)

Mr. Moeti Makoa
Director of Operations & Maintenance
MA- Water Engineering

Mrs. 'Mamathe Makhaola
Director of Engineering
BEng. Civil Eng.

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

Middle Management

WASCO
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MIDDLE MANAGEMENT

CE

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. Kamohelo Hlomisi
Information and Communications Technology Manager
MBA, BSC Computer Science and Physic

STRATEGIC SERVICES and HUMAN RESOURCES

Mrs. Nts'iuoa Seala
Human Resources Manager
BA Public Administration and Political Science

Mr. Pefole Pefole
Strategic Services Manager
BA Economics and Statistics

ENGINEERING

Mr. Thabo Nteko
Manager Projects Planning and Studies
MSC in Projects Implementation and Management

Mr. Thabo Thabane
Acting Project Manager MWWP
BTECH Construction Management (Civil)

Mr. Lebakeng Phooko
Manager Engineering Design
BA Civil Eng. (Environment)

Mr. Isaac Sebonyane
Manager Contracts Administration
BSC Hons Build Environment Studies

FINANCE

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

Ms. Tselane Mohapi
Financial Accounting Manager
Registered Accountant

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

Ms. Miriam Rats'iu
Credit Controller
BCom. (Accounting)

Mrs. Lerato Mokuoane
Accounting Manager Stores
CA Lesotho

Mr. Chabeli Machake
Metering and Customer Care Manager
BCom. (Hons.)

OPERATIONS

Mrs. Ponts'o Tau
Manager Network and Distribution
BSC. (Hons) Civil Eng.

Mr. Letlama Jobo
Manager Sewerage
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 Review

The Board has continued to develop the Company's strategy with its focus on our core business to ensure that everything we do as a Company meets the market needs.

To enforce the importance of good governance the first Annual General Meeting was held where the shareholders; Ministry of Finance and Ministry of Energy, Meteorology and Water Affairs and the Board of Directors sat together to discuss performance of the Company, governance arrangements and set direction on what needs to be done to tackle head on, challenges that hinder progress.

Dr Percy Mangoaela

The issue of Board succession was discussed at length and it was agreed that governance structures would be reviewed to ensure that membership of the Board of Directors is changed every three years but measures would be taken to ensure that the transition would be seamless.

2014-15 is the year in which WASCO operated for the first time under tariffs determined by LEWA as a regulatory authority. It had to meet set standards for turnaround time to effect water and sewer connections, communicate service disruptions to customers and many other areas pertaining to the Company's services.

Financial Performance

The total budgeted expenditure for the financial year was M207, 835, 732.00. The largest cost drivers for the period continued to be Manpower, Chemicals, Power and Depreciation at M65, 545, 351, M3, 107, 418, M11, 170, 354 and M13, 418, 352 respectively. However, expenditure on power and chemicals has fallen below their budgeted amounts by 16.6 and 46.4 percent respectively.

This is because at our plants and pump stations we are introducing practices on efficient use of power and chemicals. Nevertheless, the expenditure on reticulation maintenance has largely been above budgeted amounts. This is mainly because of the rampant pipe bursts and leakages as a result of old and dilapidated infrastructure. This continues to be one of the biggest challenges of the Company which not only tarnishes its image but also contributes largely to the Company's struggle to sustain growth and profitability, as it contributes to the increase of Non Revenue Water (NRW).

In conclusion, 2014 /2015 was a year of significant changes as we continue to make headway in complying with the regulatory requirements. I wish to commend the WASCO Board of Directors, Management and employees for their commitment in ensuring sustainable existence of the company beyond regulation. I also thank our shareholders, development partners, suppliers, contractors and our valued customers for their support in this reporting year. The Board remains positive for the year ahead.

Percy Mangoaela
Chairman

Chief Executive's Review

Mr. Mathealira Lerotholi

2014/15 was a challenging and very rewarding year for WASCO. I was proud to be appointed chief executive of the company a year ago. Change was needed as we prepared for the regulatory regime. Trust and confidence in management had to be built. While I was determined that WASCO would not repeat the mistakes of WASA, I also recognised the solid foundations of an outstanding company with extremely good people and assets.

Stakeholder Engagement Activities

We needed to refocus on meeting the expectations of the owners of our company. I defined our 2014/15 goal as delivering greater value for our shareholders and improving relations with stakeholders such as employees and supplies. During the year, the executive management and I personally met with and listened to employees across all service centres, and established cordial relations with major suppliers across the world.

As part of implementation of the Corporate Stakeholder Engagement Plan, stakeholders' meetings were held across all centres in 2014. A range of stakeholders that included District administrators, chiefs, councillors, government departments, businesses, customers, security agencies and non- governmental organisations were represented at these meetings.

The main purpose was to educate the stakeholders about the mandate of WASCO and the challenges that hinder the Company from achieving its mandate. The meetings were also a platform of interaction between WASCO and the major stakeholders. The stakeholders were able to get insights into how the Company operates and they also shared concerns regarding some of the problems they encounter when they get services from WASCO.

Financial Performance

Our performance in 2014/15 reflects the efforts of all our employees to turn this business around. I am humbled by the enthusiasm, passion and talent I have seen, and the willingness of all our people to embrace the change required and improve performance.

Due to a number of challenges we did not collect enough revenue during this period. The total budgeted revenue for the financial year was set at M220, 827, 810. Total revenue realised for the year ending in December 2014 was recorded at M143, 154, 179.

Water billing income fell below the budgeted amount by 11.1 percent while sewerage billing was below its budget by 27.3 percent. Income from water connections also fell below its budgeted figure by 4.89 percent while income from sewerage connections far exceeded its budgeted amount by 180 percent.

Regarding debt collection, we engaged vigorously in disconnection campaigns over the year. This bore fruits because total collection for the period to the end of April 2015 amounted to M180.3 million, while billing had amounted to M172.6 million. The collection rate per month has been averaging approximately M15 million.

Other Performance Indicators

In an effort to extent service coverage, a target of 6000 for new water connection and 500 new sewerage connections was set for WASCO to achieve during the 2014-15 financial year.

A total of 6, 341 water connections were undertaken for the financial year to the end of the third quarter. However, it still takes a long time for the Company to effect connections as a result we fail to meet the standards set by the Regulator.

We struggled to meet the target for sewer connection; at the end of the year there have been 369 connections undertaken. It can be realised that the set target of 500 sewer connections has not been achieved. This is so even though parts of Maseru are reticulated and that customers are not connecting even though numerous measures were taken to encourage them to do so.

Non Revenue Water remains one of the key performance indicators. The target for Non Revenue Water for 2014-15 has been set at 27 percent. The national figure for NRW at the end of the year was however 33 percent. This is largely due to failing infrastructure.

On the other hand the quality of water produced and supplied to the public experienced a mixed performance during the year under review while the the quality of waste water disposed into the environment continues to be at a very poor rate due to infrastructure that is not coping to the increased discharge as a result of growth in the urban centres.

Capital Projects

In keeping with our strategy, 2014/15 saw continued implementation of five major capital projects to address the problem of reliability of supply, service delivery as well as process efficiencies and other matters. The projects in question include the following:

- The Five Towns Water Supply project
- Maseru Waste Water Project
- Metolong Dam Project
- Urban and Peri-Urban Water Supply Project
- Greater Maseru Water Supply and Sanitation Feasibility Study and Preliminary Design
- Organisation Structural Review Project

Most of the projects are largely on track. The Organisational Structural Review project which started during the last financial year period will be continued during the course of this year and hopefully be concluded. The Maseru Waste water project has moved to the next phases in its implementation. We expect to deliver strong returns from these key assets in our portfolio over the coming years.

In conclusion, I would like to pay tribute to all of our employees across the country. Without their efforts we would not have been able to begin the process of turning around the performance of the business. Over the next 12 months and beyond we will remain focused on upholding our values wherever we operate. Above all, we will continue our single-minded focus on delivering greater value for you, our shareholders and our customers.

Mathealira P. Lerotholi
Chief Executive

The Semonkong Water Supply Project

The Semonkong Water Supply Project is part of the Urban and Peri-urban Water Supply Projects which were financed by Millennium Challenge Corporation (MCC) under the implementation of the Local Authority, Lesotho Millennium Challenge Account (MCA-Lesotho, now LMDA), with a total budget of $164, 027,999 million of the Lesotho Compact, approximately 45.25% of the total funding.

Phase I of the project included construction of new water treatment and network for Semonkong which was declared a town in 1994. The total cost of the project is M104, 684,769. Phase 1 composes of an Intake structure in the Maletsunyane River downstream of the Hydro-electricity plant comprising of a gabion weir across the river, a pump station and rising mains to the WTW. The water Treatment Works has a capacity of 1.0 Ml/day (14 Hours operation). There are also four pump stations that pump water from the treatment works to two potable water storage reservoirs and two header tanks. In addition, transmission mains were also constructed during this phase.

Development of the Semonkong urban water under this project aims to provide sustainable potable water supply to the town of Semonkong over a period of 20 years. Estimated population which will benefit from this project according to the 2006 Census is 8,762 and growth projections indicate that it will be 13, 019 by 2032. Increasing the provision of clean, safe, drinking water and proper sanitation has been identified as a strategic action with key role players being the Ministry of Water and WASCO and the implementation of the Semonkong Water Supply Project is a major stride in fulfilling this mandate.

Corporate Review

Introduction

This report covers the business of WASCO for the financial year 2014-15 highlighting major achievements and challenges that occurred during the period. Where challenges were encountered a number of remedial action have been proposed for implementation in the following year. The report analyses performance of key WASCO indicators in a number of focus areas of its operations. 2014-15 is the year in which WASCO operated for the first time under tariffs determined by LEWA as a regulatory authority.

The report presents performance of WASCO in the implementation of the Annual Business Plan for the period under review as well as an analysis of performance in the areas of service coverage, non-revenue water, water and effluent quality is laid out in specific sections of the report. The report goes further to present a picture of the financial health of the company. A synopsis of the implementation of projects funded internally and externally is presented in the report.

Service Coverage

In an effort to expand and extent its service, a target of 6000 for new water connection and 500 new sewerage connections was set for WASCO to achieve during the 2014-15 financial year. A total of 6, 341 water connections were undertaken for the financial year to the end of the third quarter. Though the target set for water connections there are challenges pertaining to the time it takes for WASCO to effect water connections in general. Being the first year under strict regulation WASCO has to meet set standard for turnaround time to effect such house connections. A clear determination of how the company fares in this case will be presented in the report of the following year.

There have however been challenges in implementing sewer connections. At the end of the year there have been 369 connections undertaken. It can be realised that the set target of 500 sewer connections has not been achieved. This is so even though parts of Maseru are reticulated and that customers are not connecting even are numerous measured to encourage them to do so. The project to reticulate the northern eastern part of Maseru for sewer had been completed and a campaign was carried out for the residents of these areas to connect but the uptake is very slow.

Non Revenue Water

The target for Non Revenue Water for 2014-15 has been set at 27 percent. The national figure for NRW for the third quarter is 33 percent. This is a slight increase from the last quarter's figure of 31 percent showing a slight drop in performance. This increase in NRW over the period and the last quarter has been largely attributed to infrastructural. A number of major pipe bursts and leakages have occurred during the period during the period that resulted in substantial water losses.

The table below present the performance of the various centres on NRW for the quarter under review.

Table 2: Non Revenue Water (NRW) Rates – March 2015

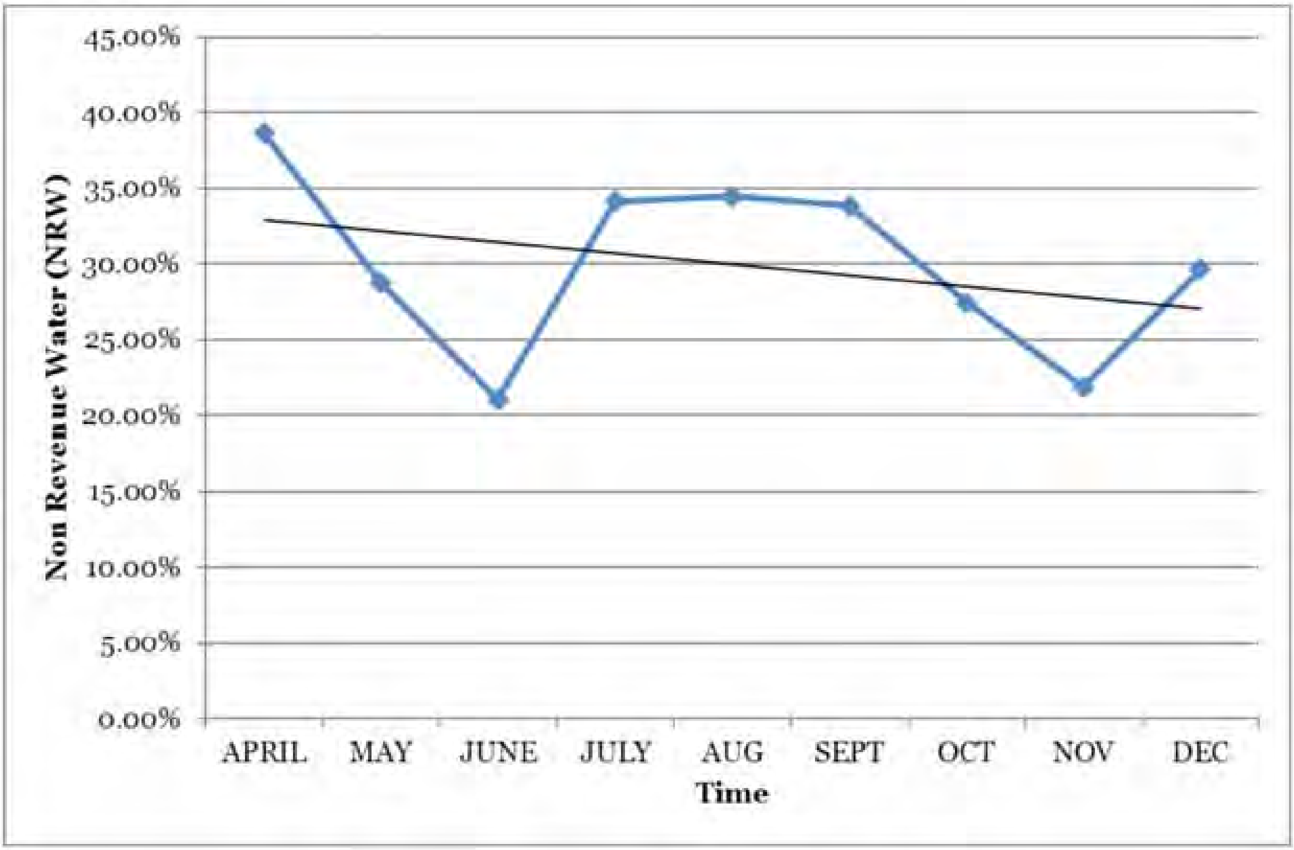
Area		NRW (%)
Central Region	Maseru	32
	Morija	32
	Thaba Tseka	26
	Roma	26
North Region	Mokhotlong	34
	Leribe	34
	TY	37
	Botha Bothe	45
	Peka	59
South Region	Qacha's Nek	53
	Mohale's Hoek	54
	Quthing	42
	Mafeteng	48

Mr. Sekhonyana Sekhonyana at Mafeteng Water Treatment Plant

2.3.3 It can be seen that Maseru NRW influences that of the entire country due to its large customer base. Maseru registered NRW of 32 percent which is one point below that of the country. About half of the centres registered a NRW of below 40 percent during the period and Thaba Tseka and Roma have both been recorded at 26 percent, the lowest of the centres. There are challenges that can be realised for other centres as they have NRW of above 40 percent. The NRW of Qacha's Nek, Peka and Mohale's Hoek are above the 50 percent mark. The high NRW for these centres indicate challenges with regard to infrastructure in these areas which lead to water losses.

2.3.4 The figure below highlights the performance of NRW for the financial year to the end of the quarter under review.

Figure 2a: NRW Performance for the period to the end of December 2014.



2.3.5 As can be seen the performance of WASCO with regard to NRW shows a steady decline (shown by the downward trend) for the financial year indicating a reduction in water losses in the system.

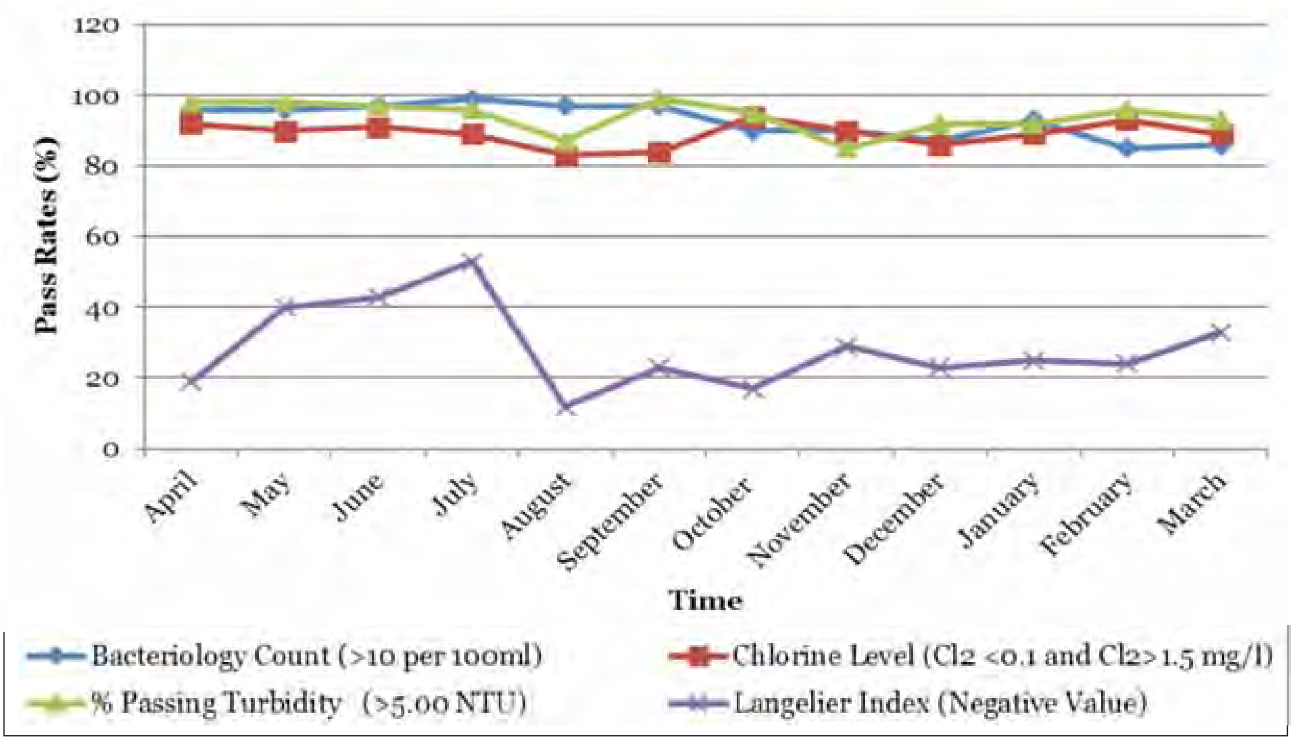
Water and Waste Water Quality

Water

The quality of water produced and supplied to the public experienced a mixed performance during the quarter under review. 89 percent of the samples tested for microbiology passed. This is a decrease in performance from the last quarter's pass rate of 97 percent. The performance of samples tested for chlorination (below 1.5 mg/l and above 0.1 mg/l) was recorded at 91 percent. This is an increase from the previous quarter of 86 percent. The test for turbidity revealed a pass rate of 35 percent for less than 1.0 NTU and 89 percent for less than 5NTU. At the end of the period samples which passed the acidity test (as measured by the langelier index) reached a 37 percent mark.

Below is the presentation of the performance of water quality for the financial year to the end of March 2015.

Figure 2b: Water Quality pass rates (April to March 2015)



The turbidity, microbiology and chlorine parameters have largely maintained a steady performance over the financial year indicating the effect of standards operating procedures and other corrective measures institutionalised in the treatment process. It is however noted that there is room for improvement for these parameters to move upwards to the 100 percent mark.

Executive Management of WASCO at Mafeteng Water Treatment Plant

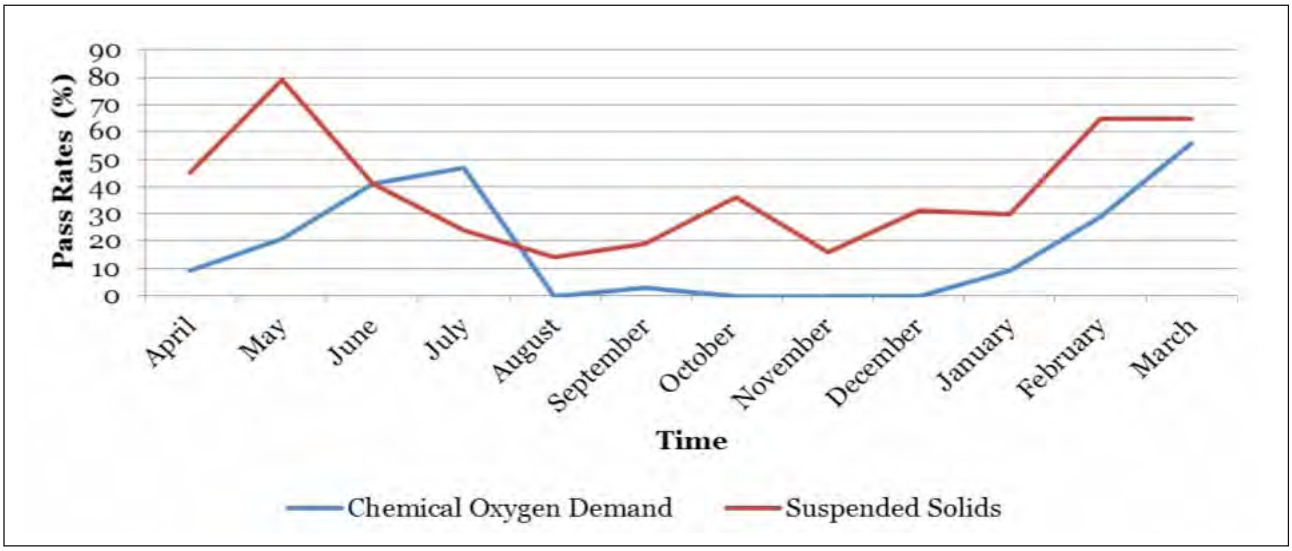
Waste Water

The quality of waste water disposed into the environment continued to be at a very poor rate during the third quarter. This improved slightly during the fourth quarter. Samples tested for COD gradually improved during fourth quarter following a continuous zero rate for the previous six months reaching a figure of 56 percent at the end of the year and similarly that of suspended solids also made an improvement reaching a level of 65 percent following a poor performance that was below the 30 percent mark for the previous six months. This continuation of poor performance is largely due to infrastructure not coping to increased discharge as a result of growth in the main urban centre (Maseru).

Chief Executive Mathealira Lerotholi at a Staff Meeting in Mohale'shoek

Here below is a pictorial presentation of waste water performance for the financial year to the end of December 2014.

Figure 2c: Waste Water Pass Rates (April 2014 To March 2015)



The pass rate for Chemical Oxygen Demand (COD) has been below the 50 percent over the financial year. It started on an upward incline from April to July but dropped substantially in August. The pass rate did not recover from then onward to the end of the quarter and had maintained a zero rate ever since. The pass rate for suspended solids has been on a downward decline from the start of the financial year and has largely maintained an average of 25 percent from September 2014.

Financial Performance

Expenditure

Total expenditure for the period has been recorded at M126, 066, 910.00 against a budgeted amount of M155, 876, 799.00 for the period. The total budgeted expenditure for the financial year was M207, 835, 732.00. The largest cost drivers for the period continue to be Manpower, Chemicals, Power and Depreciation at M65, 545, 351, M3, 107, 418, M11, 170, 354 and M13, 418, 352 respectively.

Agric College Activated Sludge Waste Water Treatment Plant

Expenditure on power and chemicals has fallen below their budgeted amounts by 16.6 and 46.4 percent respectively indicating efficient use of power and chemicals. The expenditure on reticulation maintenance has largely been above budgeted amounts indicating greater than expected maintenance work on the infrastructure due to pipe bursts and breakages.

Income

The total budgeted revenue for the financial year was set at M220, 827, 810. Total revenue realised for the year ending in December 2014 was recorded at M143, 154, 179. The largest contributor to income for the period has been Water Billing at M108, 150, 163 followed by Sewerage billing at M21, 108, 718. New water and sewer connections have registered amounts of M10, 521, 750 and M949, 467 respectively.

Water and sewerage billing has largely exceeded the budgeted amounts for the period to the end of the quarter. Water billing income fell below the budgeted amount by 11.1 percent while sewerage billing was below its budget by 27.3 percent. Income from water connections also fell below its budgeted figure by 4.89 percent while income from sewerage connections far exceeded its budgeted amount by 180 percent.

The table below presents a picture of Income and Expenditure for the period to the end of December 2014.

Table 3: Income/ Expenditure Performance (April to December 2014)

Income	Item	Actual	Budget	Variance (%)
	Water meter billing	108,150,163	121,666,577	11.11%
	Sewerage billing	21,108,718	29,035,089	27.30%
	Water new connection	10,521,350	11,062,500	4.89%
	Sewerage new connection	949,467	338,790	-180.25%
	Other income	2,424,482	3,517,901	31.08%
	Total income	**143,154,179**	**165,620,858**	**13.57%**
Expenditure	Operating profit	17, 827, 269	12, 992, 078	75.4%
	Manpower costs	72,216,841	81,638,685	11.54%
	Power	11,170,354	13,395,000	16.61%
	Chemicals	3,167,418	5,909,200	46.40%
	Administration	11,072,079	20,899,261	47.02%
	New connections materials	8,630,927	10,146,563	14.94%
	Reticulation maintenance materials	6,391,039	10,395,591	38.52%
	Depreciation	13,418,252	13,492,500	0.55%
	Total expenditure	**126,066,910**	**155,876,799**	**19.12%**

From the above table operating an operating profit of M17, 087, 269 has been realised during the financial year to the end of December 2014. This resulted in an operating margin of 11.94 percent against a budgeted margin of 5.88. In total expenditure and income fell below set budgets for the period to date. This has been largely due to cash flow problems that slowed down expenditure and as a result hampered the flow of revenue.

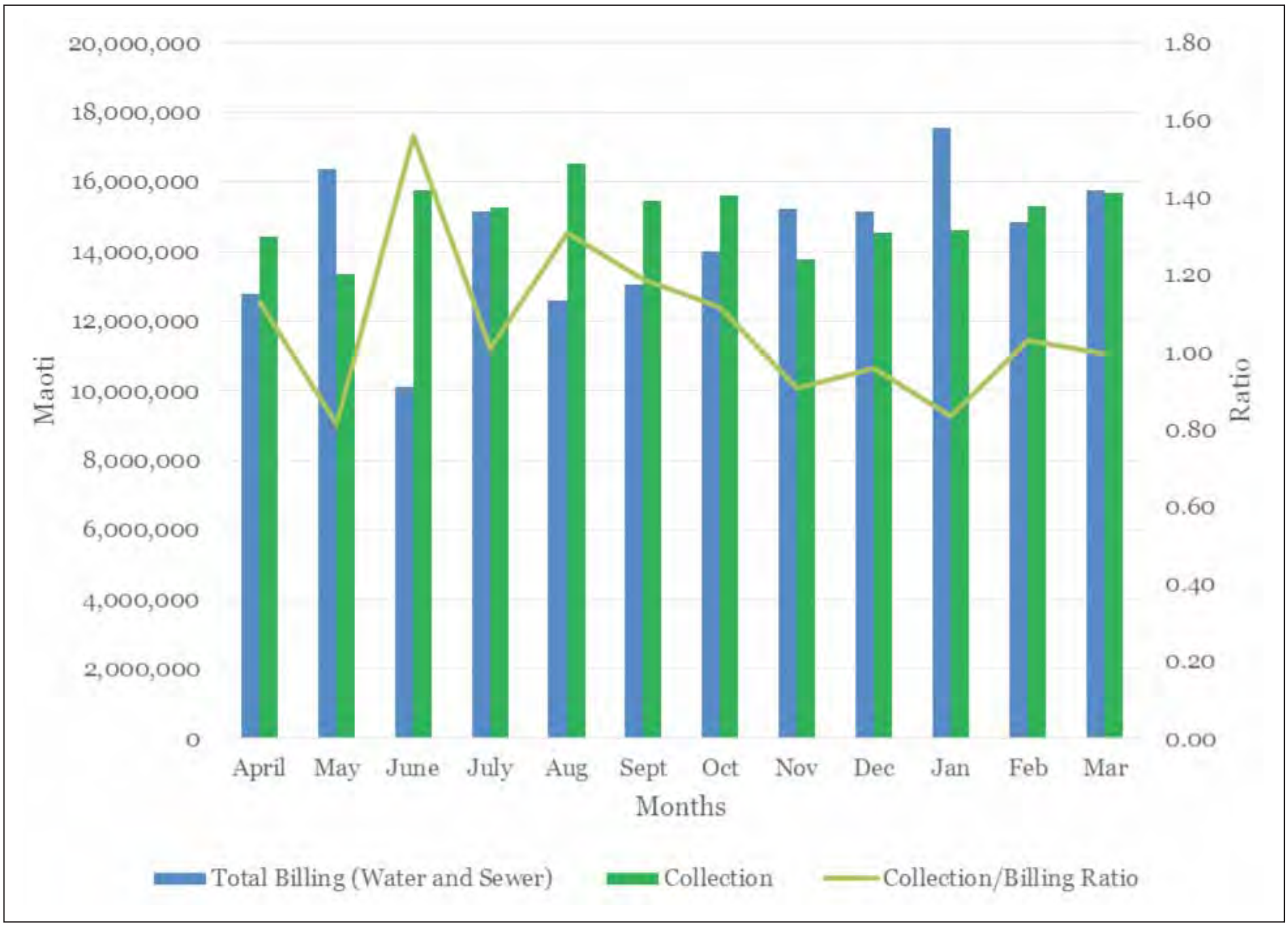
Debt Management

Total collection for the period to the end of April 2015 amounted to M180.3 million, while billing amounted to M172.6 million. The collection rate per month has been averaging approximately M15 million. This is a sign that disconnection campaigns during the quarter carried out with a view to reduce customer debt and to raise collections bore fruit. The number of debt days has slightly increased to an average of 191 days for the quarter from the last quarter's figure of 181. The magnitude of debt at the end of the quarter was recorded at M97, 911, 836, an increase of 7.84 percent from the last quarter's figure of M90, 789, 433.

EXCO with Qacha'snek Staff Members

Below is a pictorial presentation of collection performance against debt during the financial year to the end of December 2014.

Figure 2d: Collection against Billing for the period ending March 2015



At 1.07 the average collection against billing has been kept at slightly above the threshold which is a sign of a healthy situation. The rate of growth of debt started at 6.27 at the beginning of the year and finished off at 1.19 percent at the end of the quarter. This decline indicates improvement in the management of debt through collections.

The debt emanating from government ministries grew from an opening balance at the beginning of October 2014 of M11, 722, 818 to a closing balance of M14, 577, 546 at the end of the quarter in December. This is despite the some of the ministries making payments during the quarter as a result of targeted disconnections as well as regular payments by others. The total payments made by GoL ministries averages M12, 544, 000 per month during the quarter.

Project Implementation Highlights

In order to address the problem of reliability of supply, service delivery as well as process efficiencies and other matters the Company has, during the 2014-15 financial year, the Company continued to implement a number of projects in the areas of reticulation extensions, improvement of services and accessibility, improvement of performance capacity of human resources, and related institutional frameworks. These projects have been started and are at various stages of implementation. There are also new ones that have started during the year.

The projects in question include the following:

- The Five Towns Water Supply project
- Maseru Waste Water Project
- Metolong Dam Project
- Urban and Peri-Urban Water Supply Project
- Greater Maseru Water Supply and Sanitation Feasibility Study and Preliminary Design
- Organisation Structural Review Project

Most of the projects are largely on track. The Organisational Structural Review project which started during the last financial year period will be continued during the course of this year and hopefully be concluded. The Maseru Waste water project has moved to the next phases in its implementation.
Here below is a summary of the status of implementation of the above-mentioned projects.

a) The Five Towns Water Supply Project

This project is implemented by WASCO and funded through the Government of Lesotho by BADEA. This project is to be implemented in five towns namely **Botha-Bothe, Hlotse, Mafeteng, Mohale's Hoek and Qacha's Nek.** Under the project, the following were envisaged to be undertaken namely construction of weirs, abstraction systems, water treatment plants, pump stations, storage reservoirs and a new reticulation system.

Following agreement has been reached however with the financier on the way forward regarding the project, a consultant was engaged and worked on separating the Preliminary Design Scope into the Scope to be financed by BADEA from the overall Project Scope developed through the Preliminary Design Phase. The project scope was successfully negotiated with the financier.

The project's progress through the second and third quarter suffered a setback due to an issue of an outstanding payment to the consultant. This was ultimately resolved and the revised preliminary designs were submitted at the end of quarter.

b) Maseru Waste Water Project

The project is being assisted through funding from the European Investment Bank. The Project entails collection of wastewater from the northern part of the city and conveys it to Agricultural College Treatment Plant, treat it, and dispose it safely. The project is meant to provide sewer services to residents in the north of Maseru and above Maqalika catchments areas. It is also meant to improve sanitation services for the residents who have yard connections by providing water- borne closets and VIPs.

For the contract MWWP-W1 (installation of onsite Sanitation facilities), an inception report has been prepared, submitted and approved. The engaged consultant has concluded the Baseline assessment study and data analysis. The first quarterly report on the project has been submitted and payment to the consultant has been processed based on this report.

With regard to contract MWWP-W4 (extension of sewerage reticulation infrastructure), the contract was awarded to Unik Construction Engineering and was signed in October 2014. Materials purchasing, Site establishment and setting out for the pipe route are in progress. This follows a process of bid submissions and evaluations that took place in the second quarter.

c) Metolong Dam Project (MA)

The project entails the construction of raw water abstraction at the Phuthiatsana River in Metolong. It is being implemented by the Metolong Authority through funding from a number of sources.

All major works are nearing completion, including the DAM, Water Treatment Works (WTW), and Downstream Conveyance Systems (DCS). The designated operator, WASCO, has now taken over DCS 2 and DCS 3 and is operating these systems under the supervision of the contractors. Assisted Operations at the WTW are scheduled to start in August 2015.

Dam and Raw Water Pumping Station

Roller Compacted Concrete (RCC) placement in the dam was completed on 5 February 2015. Work is in progress on the construction of the bridge across the spillway.

The RWPS is now complete and the first water to the WTW was delivered on 26 May 2014 and the full capacity of 102 Ml/d was achieved on 29 November 2014. Raw water is now being pumped on a continuous basis to the WTW on an as-needed basis.

The first impoundment of the dam commenced on 17 February 2014. Heavy rains in late February caused the reservoir to fill much quicker than anticipated with first overtopping occurring only 10 days later on 26 February 2014. Continued heavy rains in early March resulted in further over toppings and delays to many portions of the works. Structural concrete works continued on the critical path intake / outlet works and Raw Water Pump Station. The first delivery of water from the Dam via the Raw Water Pump Station was made to the Water Treatment Works on 26 May 2014.

Water Treatment Works and Treated Water Pumping Station.

Stage 2 – Construction is essentially complete and Stage 3 – Tests on Completion is in progress. Partially treated water of potable quality, is being delivered to the five major towns of Maseru, Mazenod, Roma, Morija and Teyteyaneng on a continuous basis. The Assisted Operation phase, which is for 12 months, is scheduled to commence in August 2015.

Downstream Conveyance System (DCS)

The Taking over Certificates for DCS2 and DCS3 have been issued and WASCo is now operating both these systems under the supervision of the contractors. A partial Taking over Certificate has been issued under DCS1, however the contractor is still fully responsible for the operation of this pipeline.

Contract 1 (Primary Line to Maseru) - The contract is approximately 90% complete. The Contractor has laid all 34.5 km of pipe including the connection into the existing Lesotho Sun reservoir. Works on Mpilo Reservoir No.1 is complete and work is in progress on Mpilo Reservoir No.2.

Contract 2 (Secondary Lines to Mazenod, Roma and Morija) – The contract is complete and the Taking-over Certificate was issued on 9 March 2015. The works are currently being operated by WASCO.

Contract 3 (Secondary Line to Teyateyaneng) – The contract is complete and the Taking-over Certificate was issued on 31 March 2015. The works are currently being operated by WASCO.

d) Urban and Peri Urban Water Supply Project

The objective of the project is to rehabilitate the water distribution infrastructure and to extend distribution networks to areas which were not adequately served by the existing water supply. The project comprises five base packages, namely, Package 1: Maseru and Mazenod, Package 2: Semonkong, Package 3: Mafeteng, Mohale's Hoek, Quthing and Qacha's Nek, Package 4: Hlotse, Butha-Buthe and Mokhotlong, Package 5: Mapoteng.

The project has been concluded and is at the stage of defects and liability. The Lesotho Millennium Development agency (LMDA), formerly MCA Lesotho, has appointed a consultant to assess the performance of the project during its implementation and make recommendations on the way forward. The evaluations of bidders continued during the second quarter and a report has been finalised. During the third quarter the successful bidder was selected and awarded the contract which was duly signed. Construction commenced in December 2014.

e) Greater Maseru Water Supply and Sanitation Feasibility Study and Preliminary Design

The main objective of the project is to review the existing designs of the greater Maseru water supply and sanitation systems and examine technical, financial and economic feasibility of the provision of water and sanitation services to the designated project areas and produce the preliminary designs for a 2040 horizon.

After a process of issuing a Request for Expressions of Interest and 13 bidders submitting their bids, the evaluation process was undertaken and a successful bidder identified. Negotiations with the successful bidder were concluded and a contract document prepared and agreed upon by the parties during the period. Work has commenced.

f) Organisation Structure Review Project

This is an internally funded project being implemented by WASCO. The project involves the engagement of an external consultant to undertake a study of the organisational structure and assess it with a view to propose a structure that will enable the Company to implement the new Strategy and achieve its strategic objectives. Furthermore, the consultancy will develop new job grades and profiles as well as human resources frameworks and guidelines.

Job profiling sessions for both new and existing positions started on 8th October 2014 and was completed in November 2014. The profiling exercise was followed by job evaluation using the new system called 'Engage' which is more consultative that the existing one whereby evaluation is done by the Evaluation Committee alone, hence not very transparent.

Training for the Job Evaluation Team was conducted on 12th and 13th November 2014 followed by the evaluation exercise which was carried out until second week of December 2014. Finalisation of the exercise will be done during the month of January 2015. The next phase to follow will be salary survey and matching and placing of staff into the new structure.

General Information

for the year ended 31 March 2015

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

Secretary

Mr. Sekhonyana Sekhonyana

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

JEO & Associates for Auditor General

Statement of Board of Directors

for the year ended 31 March 2015

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 judgments 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 2016 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 were approved by the Board of Directors in Maseru and are signed on its behalf by:-

Chairman
20 November 2015

Chief Executive Officer

Report of the Directors

for the year ended 31 March 2015

The Board of Directors presents its report which forms part of the audited financial statements for the year ended 31 March 2015. Water and Sewerage Authority was reincorporated as Water and Sewerage Company (Proprietary) Limited (WASCO) in terms of the WASCO Act 13 of 2011. This act provides for 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 deficit on ordinary activities for the year amounted to **M3.16** million (2014: (**M1.781** million). Full details of the financial results are set out on pages 26 to 45.

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 2015 the Company had an accumulated loss of **M65.016** 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.

Office of the Auditor General
P.O. Box 502, Maseru 100, Lesotho

REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF LESOTHO WATER AND SEWERAGE COMPANY FOR THE YEAR ENDED 31 MARCH 2015

JEO 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 2015 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 26 to 45.

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 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 adverse audit opinion.

Basis for adverse opinion

1. Property, plant and equipment

Included in the value of property, plant and equipment is the sun of R5.55 million which is not represented by any physical fixed assets.

2. Accounts receivable

a. The high incidence of bad debt in the company is not adequately reflected in the provision of for doubtful debts of M17 million for a total debt of M97 million; M40 million of which has been outstanding for between one year and five years.

b. Additional provision for doubtful debts of M2.97 million computed for the year was effectively treated as provision for doubtful debts no longer required, as it was deducted from the annual expenses and the cumulative provision for the doubtful debts.

c. Included in the trade receivable are unsupported debts of M3.35 million described as rescheduled new connections as well as other account balances namely; Miscellaneous Accounts and Reserved Suspense Account respectively having balances of M4.69 million debit and M4.02 million credit, resulting in net balance of M666.815.00.

3. Inventory

There is a total difference of M3.77 million between inventory valuation report and the nominal ledger balances while inventory valuation sheets show a total of M8.78 million; the nominal ledger posts a total net amount of M5.01 million.

4. Cash and cash equivalent

As at the time of issuing the audit report requests for confirmation of balances from Nedbank, lenders, grantors and financiers have not been responded to. Consequently, it was difficult to confirm the completeness and accuracy of the amounts reported in the financial statements in respect of the relevant balances.

5. Non-compliance with IAS 20 - Accounting for Government grants and disclosure of Government assistance.

As at the time of issuing the audit report requests for confirmation of balances from Nedbank, lenders, grantors a

6. Accounts payable

a. Included in the financial statements is the sum of M9.24 million described as liability of goods received not yet invoiced; some of which have been outstanding for five years and for which there was evidence that some of the reported liabilities had been settled.

b. The sum of M3.12 million outstanding liabilities as at 31 March 2015 were not accrued as at that date hence they were excluded from the financial statements.

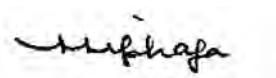
c. There was also no reliable supporting list for the sum of M2.5 million trade creditors balance included in the financial statements.

d. The company failed to disclose contingent liabilities relating to on-going litigations involving over M1.5 million claims by third parties and employees as required by IAS 37.

As a result of the matters highlighted above, I am unable to ascertain whether any adjustments would have been necessary in respect of recorded and unrecorded items of Property, Plant and Equipment, trade receivables,inventory, cash and cash equivalent, government grants and contributions, trade payables, revenue, manpower costs and other expenses as well as the impact on the statement of changes and equity and cash flows.

Adverse opinion

Because of the significance of the matters described in the Basis for Adverse Opinion paragraph, the financial statements do not fairly present in all material respects the financial position of the company at 31 March 2015 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 2010.



LUCY L. LIPHAFA (Mrs)
AUDITOR GENERAL

21 December 2015

Statement of Financial Position

as at 31 March 2015

	Notes	2015 M'000	2014 M'000
ASSETS			
Non-current assets			
Property, plant and equipment	3	**1 216 241**	**1 190 093**
Current assets		**134 979**	**140 183**
Inventory	4	9 575	8 267
Trade and other receivables	5	84 946	71 814
Short-term investments	6	29 789	27 716
Bank and cash	7	10 669	32 387
TOTAL ASSETS		**1 351 220**	**1 330 276**
CAPITAL AND LIABILITIES			
Capital and Reserves		**1 148 513**	**1 111 955**
Share Capital	8	1	1
GOL funding	9	400 160	387 377
GOL grant	10	821 656	794 722
Accumulated funds	11	(65 016)	(61 856)
Reserves	12	(8 289)	(8 289)
Non-current liabilities		**136 656**	**148 352**
Provisions for severance pay	13	18 241	16 426
Long-term loans	14	118 415	131 926
Current Liabilities			
Accounts payable	15	**66 050**	**69 969**
TOTAL CAPITAL AND LIABILITIES		**1 351 220**	**1 330 276**

Statement of Profit or Loss and other Comprehensive Income

for the year ended 31 March 2015

	Notes	2015 M'000	2014 M'000
Revenue		**195 208**	**171 233**
Manpower costs		81 976	80 743
Depreciation		17 955	15 086
Stock adjustment		14 574	2 027
Reticulation and plant maintenance		9 579	12 556
New connections		13 682	9 912
Other expenses	19	64 059	52 690
Total expenses		**201 825**	**173 014**
Operating Profit/(Loss)		(6 617)	(1 781)
Net interest received/(charged)		3 457	(12 501)
Net profit before taxation		(3 160)	**(14 282)**
Taxation	2.13	–	–
Profit/(Loss) for the year		(3 160)	(14 282)
Prior year adjustment	16	–	9 278
Profit/(Loss) at end of year		**(3 160)**	**(5 004)**

Statement of changes in Capital and Reserves

for the year ended 31 March 2015

	GOL Funding	GOL Grant	Share Capital	Reserves	Accum-ulated Surplus/ (Deficit)	Total
	M'000	M'000	M'000	M'000	M'000	M'000
Balance at 31 March 2013	**389 381**	**736 616**	**1**	**(8 289)**	**(56 852)**	**1 060 857**
Net loss for the year	–	–	–	–	(14 282)	(14 282)
Prior year adjustments	–	–	1	–	9 278	9 278
GOL funding	(2 004)	58 106	–	–	–	56 102
Balance at 31 March 2014	**387 377**	**794 722**	**1**	**(8 289)**	**(61 856)**	**1 111 955**
Balance at April 2014	387 378	794 722	1	(8 289)	(61 856)	1 111 956
Net loss for the year	–	–	–	–	(3 160)	(3 160)
Prior year adjustments	–	–	–	–	–	–
GOL funding	–	28 199	–	–	–	28 199
Grant amortisation	12 782	(1 265)	–	–	–	11 517
Balance at 31 March 2014	**400 160**	**821 656**	**1**	**(8 289)**	**(65 016)**	**1 148 512**

Statement of Cash Flow

for the year ended 31 March 2015

	2015 M'000	2014 M'000
CASH GENERATED FROM OPERATING ACTIVITIES		
Net profit before interest charges	**(3 160)**	**(14 282)**
Adjustment for:		
Depreciation	17 955	15 086
(Profit)/Loss on fixed assets disposal	–	(212)
Provision for severance pay	2 027	3 115
Write offs and adjustments	14 574	2 027
Prior year adjustment	–	9 278
Interest paid	7 282	17 157
Interest income	(3 457)	(4 656)
	35 221	**27 513**
Changes in working capital:		
Decrease/ (Increase) in inventory	(1 308)	1 788
Decrease/ (Increase) in receivables	(13 132)	(380)
(Decrease)/Increase in payables	(4 121)	3 838
Cash generated from operations	16 660	32 759
Interest paid	(7 282)	(17 157)
	9 378	**15 602**
CASH UTILISED IN INVESTING ACTIVITIES		
Purchase of tangible fixed assets	(44 137)	(125 413)
Transfer of assets/fixed provisions and other adjustments	(17 627)	92 619
Interest received	3 457	4 656
	(58 307)	**(28 138)**
CASH FROM FINANCING ACTIVITIES		
Increase in GOL contribution/grant	40 981	56 102
Increase/ (Decrease) in long term liabilities	(11 696)	(6 119)
	29 285	**49 983**
Net cash movement for the year	**(19 644)**	**37 447**
Cash and cash equivalent at beginning of the year	60 102	22 655
Cash and cash equivalents at the end of the year	**40 458**	**60 102**

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 the 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 can be measured reliably. Costs include costs incurred subsequently to add or 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 asset 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.

Property, plant and equipment are carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such as the carrying amount does not differ materially from that which would be determined using fair value at the balance sheet date.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in profit or loss in the current period. The decrease is debited in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

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.

Summary of Significant Accounting Policies (continued)

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.

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

The residual value, useful life and depreciation method of each asset are revised, and adjusted if appropriate, at the end of each reporting period. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

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 is depreciated separately.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. 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 an item.

An asset’s carrying amount is written down immediately to its recoverable amount if the asset’s carrying amount is greater than its estimated recoverable amount.

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

The company assesses at the end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the company estimates the recoverable amount of the asset. Irrespective of whether there is any indication of impairment, the company also:

- Tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

Summary of Significant Accounting Policies (continued)

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss. An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss.

Any impairment loss of a revalued asset is treated as a revaluation decrease. An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets that may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated. The increased carrying amount that would have been determined had no impairment loss been recognised does not exceed the carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods. A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in profit or loss. Any reversal of impairment loss of a revalued asset is treated as a revaluation increase.

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 and 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 a 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 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

2.7.1 Classification

The company classifies financial assets and financial liabilities into the following categories:

- Loans and receivables
- Financial liabilities measured at amortised cost

Summary of Significant Accounting Policies (continued)

Classification depends on the purpose for which the financial instruments were obtained/incurred and takes place at initial recognition. For financial instruments which are not at fair value through profit and loss, classification is re-assessed on an annual basis.

2.7.2 Initial recognition and measurement

Financial instruments are recognised initially when the company becomes a party to the contractual provisions of the instruments.

The company classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through profit or loss, transaction costs are included in the initial measurement of the instrument.

2.7.3 Subsequent measurement

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

2.7.4 Impairment of financial assets

At each reporting date the company assesses all financial assets, other than those at fair value through profit or loss, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the company, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

2.7.5 Impairment losses are recognised in profit or loss

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

2.7.6 Reversals of impairment losses are recognised in profit or loss

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in the profit or loss within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

2.7.6 Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in the profit or loss when there is objective evidence that the asset is impaired.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within operating expenses. 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 against operating expenses in profit or loss.

Summary of Significant Accounting Policies (continued)

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 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 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.

Summary of Significant Accounting Policies (continued)

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 the 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 the 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.

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 bank 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.

Summary of Significant Accounting Policies (continued)

2.17 Financial risk management (continued)

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 our market positions. Due to the dynamic nature of the underlying business, WASCO's management aims to maintain flexibility in funding by keeping committed credit lines available.

The table below analyses WASCO's financial liabilities into relevant maturity rationing based on the remaining period at the financial position date to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year M'000	Between 1 and 5 years M'000	Over 5 years M'000
At 31 March 2015			
Borrowings	–	11 070	107 345
Trade and other payables	59 209	–	–
At 31 March 2014			
Borrowings	–	19 709	112 217
Trade and other payables	55 335	–	–

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 the 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 2015, WASCO's strategy, which was unchanged from 2014, was to maintain a low gearing ratio of not more than 40%. The gearing ratios at 31 March 2015 and 2014 were as follows:

	2015 M'000	2014 M'000
Total borrowings (note 14) includes bank overdraft	118 415	164 858
Total equity	1 148 513	1 111 955
Total capital (total borrowings plus equity)	1 266 928	1 276 813
Gearing ratio	**10,31%**	**12,91%**

Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their values. The 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.

Summary of Significant Accounting Policies (continued)

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 treasonable in management's view. These useful lives determine the amount of depreciation recognised in the statement of comprehensive income each year.

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 are 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.

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.

3. Property, plant and equipment

	2015			2014		
Owned assets	Cost **M'000**	Accumulated depreciation **M'000**	Carrying amount **M'000**	Cost **M'000**	Accumulated depreciation **M'000**	Carrying amount **M'000**
Land & buildings	31 220	(5 483)	25 737	31 084	(4 723)	26 361
Specialised operational structures	194 996	(45 402)	149 594	194 996	(40 642)	154 354
Reticulation	288 124	(99 877)	188 247	279 604	(94 356)	185 248
Plant & machinery	33 045	(18 456)	14 589	32 439	(15 303)	17 136
Motor vehicles	17 439	(14 719)	2 720	17 362	(13 795)	3 567
Office equipment & furniture	19 519	(10 046)	9 473	19 450	(7 209)	12 241
Assets in construction	820 327	–	820 327	790 446	–	790 446
Suspense	5 554	–	5 554	740	–	740
	1 410 224	**(193 983)**	**1 216 241**	1 366 121	(176 028)	1 190 093

Carrying amount of property, plant and equipment can be reconciled as follows:

	Amount at beginning of year **M'000**	Transfer to completed projects **M'000**	Additions **M'000**	Depreciation for the year **M'000**	Disposal during the year **M'000**	Carrying amount at end of the year **M'000**
Land & buildings	26 361	–	136	(760)	–	25 737
Specialised operational structures	154 354	–	–	(4 760)	–	149 594
Reticulation	185 248	–	8 520	(5 521)	–	188 247
Plant & machinery	17 136	–	606	(3 153)	–	14 589
Motor vehicles	3 567	–	77	(924)	–	2 720
Office equipment & furniture	12 241	–	69	(2 837)	–	9 473
Assets in construction	790 412	–	29 915	–	–	820 327
Suspense	740	–	4 814	–		5 554
	1 190 059	**–**	**44 137**	**(17 955)**	**–**	**1 216 241**

	2015 M'000	2014 M'000
4. Inventory		
Cost	9 666	8 388
Provision for obsolete stock	(91)	(91)
	9 575	**8 267**
5. Accounts receivable		
Trade receivables	96 726	85 715
Less: Provision for doubtful debts	(17 283)	(20 256)
Net trade accounts receivable	**79 443**	**65 459**
Miscellaneous debtors	4 674	4 667
Postal services	106	196
Shoprite Services	579	1 048
Pick and Pay	197	201
Vodacom Mpesa services	229	–
Ecocash Services	213	–
Staff housing loan	2	7
Staff Travel imprest	(115)	–
Bloemwater Imprest Account	(410)	–
Prepaid insurance	5	–
Debtors cash account	–	–
Other debtors	23	49
	84 946	**71 814**

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

	2015 M'000	2014 M'000
Trade receivables	79 443	65 459
Sundry debtors	5 503	6 355
	84 946	**71 814**

The above values of trade and other receivables approximate fair value. There is no concentration of credit risk respect to the 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 2015 trade receivables of M96 726 000 (2014: M93 653 000) were impaired and provided for. The amount of the provision was M17 283 000 as of 31 March 2015 (2013: M20 256 000). The individually impaired receivables mainly relate to Domestic and Non-domestic accounts mostly disconnected for non-payment.

	2015 M'000	2014 M'000
At 1 April	20 256	22 628
Provision for receivables impairment	(2 973)	(2 372)
At 31 March	**17 283**	**20 256**

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.

	2015 M'000	2014 M'000
6. Short-term investments		
Standard Lesotho Bank Income Fund Accounts	1 279	1 239
Standard Lesotho Bank Money Markets	28 510	27 228
	29 789	**28 467**
7. Bank and cash		
Standard Lesotho Bank Call Accounts	5 985	7 144
Cashiers	4 212	85
Sub-total	10 197	7 152
Standard Lesotho Bank Current Account	247	24 458
Others	225	26
	10 669	**31 636**

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

8. Share capital

	2015 M'000	2014 M'000
Authorised 1 000 shares of M1 each	1	1
Issued and fully paid 1 000 shares of M1 each	1	1

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.

	GOL funding- Opening as at 01/04/2014 M	Additional receipt during the year M	Adjustments during the year M	GOL funding at at 31/03/2015 M
BSCR01 – GOL	365 605 168	12 782 309	–	378 387 477
BSCR04 – Capital contribution	2 133 414	–	–	2 133 414
BSCR11 – GOL – WSIP funds	19 638 989	–	–	19 638 989
	387 377 989	**12 782 309**	**–**	**400 159 880**

10. Government of Lesotho grant

	GOL Grant- Opening as at 01/04/2014 M	Additional receipt during the year M	Adjustments amortisation during the year M	GOL Grant- at at 31/03/2015 M
BSCR06 – Industrialisation Funding (GOL)	97 201 819	2 369 441	–	99 571 261
BSCR07 – GOL Grant (BADEA)	53 929 334	–	–	53 929 334
BSCR08 – GOL Grants	85 574 379	–	1 264 916	84 309 462
BSCR09 – BADEA Grant (5 towns)	2 308 818	–	–	2 308 818
BSCR10 – EU Grant (6 towns)	190 040 531	–	–	190 040 531
BSCR12 – IDA WSIP project	41 383 744	–	–	41 383 744
BSCR13 – Metolong	12 543 279	–	–	12 543 279
BSCR16 – OPEC Loan	24 263 343	–	–	24 263 343
BSCR18 – EU Grant Immed. Measures	25 405 183	343 570	–	25 748 753
BSCR19 – Health Sanitation PRO	41 082 020	–	–	41 082 020
BSCR20 – EU Grant MWWP	3 073 853	427 306	–	3 501 159
BSCR21 – Maseru Wastewater – GOL	125 220 724	24 537 811	–	149 758 535
BSCR22 – Maseru Wastewater – EDF (EU)	92 659 707	–	–	92 659 707
BSCR26 – MCC Grant	(329 580)	329 580	–	–
BSCR27 – BADEA Five Towns	365 121	–	–	365 121
BSCR28 – SADC Water Weeks	–	190 964	–	190 964
Total as at 31/03/2015	**794 722 274**	**28 198 673**	**1 264 916**	**821 656 030**

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 interests to the various projects which the loan financed, the interest was charged to the Statement of comprehensive income in total at the end of March 2007.

	2015 M'000	2014 M'000
11. Accumulated deficit		
Balance at 1st April	(61 856)	(56 852)
Net profit/(loss) for the year	(3 160)	(14 282)
Prior year adjustment (Note 16)	–	9 278
	(65 016)	**(61 856)**
12. Reserves		
Revaluation reserve	(8 418)	(8 418)
General reserve	129	129
	(8 289)	(8 289)
13. Provision for severance pay		
An amount equal to 90% of the provision for severance pay has been classified as long term liabilities. The basis used is the annual staff turnover.	18 241	16 426

	2015 M'000	2014 M'000
14. Long term liabilities		
14.1 Maseru Waste Water - EIB		
A loan advanced by European Investment Bank to finance the Sewer reticulation system & construction of treatment plant the repayment of loan for each tranche shall be paid by 40 Semi-annual installments.	74 044	83 301
14.2 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	30 957	30 957
14.3 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	13 414	17 668
	118 415	**131 926**

15. Accounts payable and accruals

	2015 M'000	2014 M'000
Accrued expenses	2 731	2 580
Customers' deposits	7 627	7 060
Due to contractors	1 006	25 234
Interest payable to the government	22 978	22 517
Interest payable to NedBank	–	(495)
Provision for severance pay	2 027	1 825
Trade creditors	2 482	183
Vat payable	1 043	908
Gratuity provision	8 510	6 410
Goods received not invoiced	9 423	4 948
Income Tax deducted	1 018	1 186
Other payables	293	(272)
Medical Aid Insurance	–	(325)
Withholding tax (Trade creditors)	71	139
WASCO Staff Welfare Fund	–	(409)
Long-term loan due within a year	6 841	–
Salaries and wages	–	(1 520)
	66 050	**69 969**

16. 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 the 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.

31 March 2014	**Total** **M**	Less than 1 year **M**	Between 1 and 2 years **M**	Between 2 and 5 years **M**	Over 5 years **M**
Trade and other payables	**65 809**	**65 809**	**–**	**–**	**–**

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.

	2015 M'000	2014 M'000

17. Financial instruments

Credit risk

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

	Carrying amount 31 March 2015 M	Carrying amount 31 March 2014 M
Trade receivables	85 514	71 814
Cash and cash equivalents	39 752	60 102
	125 266	**131 916**

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

Categories of financial instruments	Carrying amount 31 March 2015 M	Fair value 31 March 2014 M
Financial assets		
Loans and receivables		
Trade and other receivables	85 514	71 814
Cash and cash equivalents	39 752	60 102
Total financial assets	**125 266**	**131 926**
Financial liabilities		
Trade and other payables	**65 809**	**69 969**

18. Detailed statement of profit or loss and other comprehensive income

INCOME		
Water and sewage charges	175 628	151 452
New service connection	15 826	14 922
Gain on disposal	–	212
Other income	7 212	4 646
	198 666	**171 233**
EXPENDITURE		
Manpower costs	81 976	80 743
Electricity	18 460	16 262
Reticulation & plant maintenance	9 579	12 556
Chemicals	7 683	7 230
Transport	5 301	6 260
New connections	13 682	9 912
Telephone, stationery & postage	3 829	4 975
Rents, security & insurance	8 019	6 856
Training & travel expenses	1 587	1 588
Directors fees	585	736
Audit fees	166	448
Office equipment	1 190	2 073
Other expenses (including write-offs)	19 724	8 072
Rates	488	562
Adjustment account	14 574	2 027
Depreciation	17 955	15 086
Bad debts	(2 973)	(2 372)
	201 826	**173 014**
Operating profit (loss) for the year	**(3 160)**	**(1 781)**

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WASCO

SAVE EVERY DROP

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