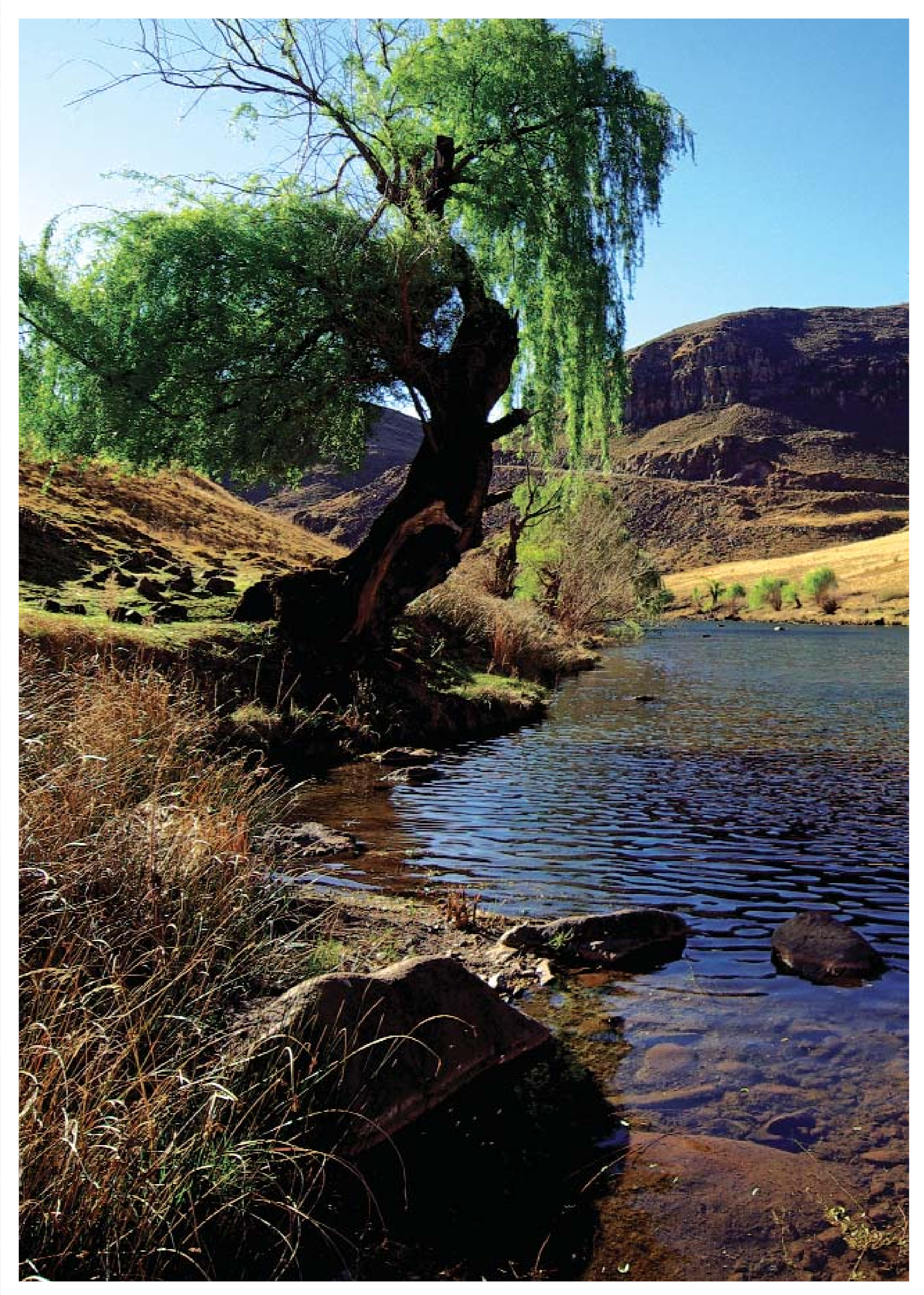
Annual Report 2009/2010



Water & Sewerage Authority

Contents

WASA in Lesotho

Vision

We strive to be a world-class provider of adequate potable water and safe wastewater disposal services to all stakeholders in the urban centres of Lesotho.

Mission Statement

We provide our valued customers in all designated urban areas with high quality potable water and environmentally sensitive wastewater disposal services through efficient and innovative processes; and highly motivated, competent, and professional staff.

Water intake structure – Tikoe Thetsane Water Treatment Plant

Corporate Profile

Water and Sewerage Authority (WASA) serves over 300 000 people in the urban centres with potable water. The Authority provides safe drinking water to approximately 50 000 post paid connections, plus approximately 400 public standpipes. There are also more than 3 050 domestic prepaid connections, and more than 3 370 communal pre-paid card holders. The Authority 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.

WASA has over 5 000 customers who are connected to the sewerage system. Over and above the said connections, the Authority 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.

Maseru Water Treatment Plant

On average, water production for the city of Maseru is 40 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.

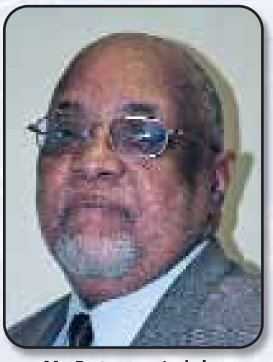
Districts

In the remaining 14 town centres (districts), raw water is abstracted from rivers, (surface water) and well points. Some of these towns obtain their supplies from springs and boreholes (ground water).

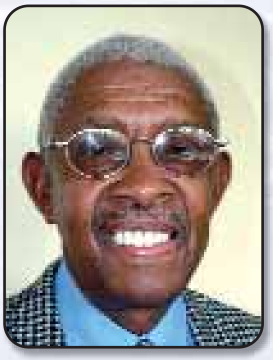
Domestic Water Consumption

It is estimated that where there is internal plumbing and a sewer connection, the average consumption is about 120 litres per capita per day (l/c/d). Where the supply is to an outside tap, the average consumption is about 80l/c/d and this reduces further the supply from the house. On average people obtaining water from standpipes consume 40l/c/d. The minimum target set by the Government is 30l/c/d.

Board of Directors



Mr. Bataung Leleka
Chairman



Dr. Percy Mangoaela

Mrs. 'Mammako Molapo

Mr. Ntahli Matete

Mrs. 'Mamonaheng Ramonaheng

Mr. Lebohang Mofammere

Mrs. Refiloe Tlali
Chief Executive

Senior and Middle Management

SENIOR MANAGEMENT

Mrs. Refiloe Tlali
Chief Executive
CA (Lesotho)

Mrs. 'Mamotšoane 'Musa
Director of Finance
CA (Lesotho)

Mr. Falla Seboko
Director of Operations & Maintenance
Civil Eng (Hons)

Mr. Lira Mohosho
Director of Engineering
BEng. Civil Eng.

Mr. Morathane Monyamane
Director of Strategic Services and Human Resources
MSc. Human Resource and Training

MIDDLE MANAGEMENT

Mrs. Pontšo Tau
Network Manager
Civil Eng. (Hons.)

Mr. Letlama Jobo
Manager Sewerage
BSc. Civil Eng.

Mr. Khotso Letsatsi
Public Relations Manager
MA Mass Comm. CPRP

Ms. 'Mapaseka Makhaba
Laboratory Manager
BSc.

Ms. Meriam Ratšiu
Credit Controller
BCom. (Accounting)

Mrs. Lerato Mokuoane
Financial Model Manager
CA (Lesotho)

Mr. Sekhonyana Sekhonyana
Manager Strategic Planning Analysis
MSc. Economics

Mr. Pheello Masoabi
Legal Affairs Manager
LLB

Ms. Tselane Mohapi
Stores Accounting Manager
General Accountant (Lesotho)

Mr. Tšeliso Sibolla
Administration Stores Accountant
BCom (Accounting)

Mr. Motsamai Sootho
Strategic Planning and Change Management Consultant
MBA

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

Mr. Sehloho Sefeane
Health and Safety Officer
Degree Environmental Health

Mr. Chabeli Machake
Metering Manager
BCom (Hons.)

Mrs 'Makuena Nyabela
Revenue Accountant
General Accountant (Lesotho)

Mrs. Mahali Lejaha
Credit Control Accountant
General Accountant (Lesotho)

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

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

Mr. Makhakhe Maliehe
Marketing Manager
MCom (Marketing)

Mrs. Lineo Moqasa
Public Relations Officer
MA - CCMS

Ms. Relebohile Poulo
SSU Accountant
BCom (Accounting)

Mrs. Matšepo Kotelo
Credit Control Accountant
BCom (Management)

Mrs. Ntsoaki Mathaha
Regional Accountant - South
BCom (Accounting)

Mrs. Selloane Letsunyane
Financial Model Officer
BA Econ

Mr. Tšukulu Phafoli
Shared Services Manager
M.A. HR Management & Development Planning

Mr. Tankiso Nteso
Recruitment and Staffing Officer
M.A. Human Resources

Ms. Pulane Pitso
Senior Internal Auditor
B.A. Economics & Accounting

Mrs. 'Malechesa Mahao
Procurement Officer
BCom. Accounting

Senior and Middle Management (continued)

Mr. Makalo Nts'asa
Corporate Performance Analyst
MSc. Economics

Mr. Soai Soai
Projects Accountant
Registered Accountant

Mrs. Mpho Mohlapiso
ICT Programmer
BSc. Computer Science & Statistics

Mr. Majoro Raliengoane
Internal Auditor
Postgrad. Diploma in Finance, Banking & Investment Management

Mrs. Kekeletso Sekhamane
Senior Purchasing Officer
BA.Ed, MDP

Mr. Johnson Kolubah
Credit Control Accountant
BCom

Mrs. 'Mamathe Makhaola
Manager Water Distribution
BEng. Civil Engineering

Mrs.'Masemela Elias
Metering Accountant
BCom Management

Mr. Boitumelo Adam
Human Resources Development Officer
Masters Human Resources Planning and Development

Mr. Lebakeng Phooko
Projects Engineer,
Degree in Civil (Environmental) Engineering

Mr. Molise Thabane
Project Engineer
B Eng. Civil

Mr. Bokang Tlali
Remuneration & Benefits Officer
B-Tech in Human Resource Management

Mr. Daemane Pompo
Database Administrator
Bsc. Computer Science and Statistics

Mr. Molise Ramaili
Legal Affairs Officer
LLB

Ms. Bohlokoa Sibolla
Manager Human Resources
B. Admin (Hons.) Industrial Psychology

Mr. Tšepo Thabisi
ICT Manager
BSc. (Hons.) Technology Management

Mr. Tsikoe Busa
Environmental Officer
BSc. Applied Environmental Science

Mr. Neo Bohloa
Manager Engineering Designs
BEng (Hons) Civil Engineering

Mr. Fako Khoanyane
Maintenance Manager
BSc Electro-Mechanical Engineer

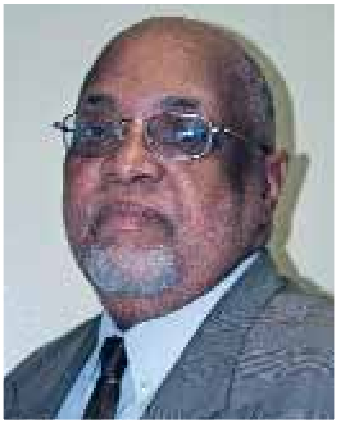
Mrs. 'Matšele 'Mota
Management Accountant
BCom (Corporate Governance)

Mr. Matlotlo Ntabe
Projects Accountant
BCom Accounting

WASA Board of Directors, Managers and Management Development Programme (MDP) Trainers during the launch of the Authority's Leadership Brand

Chairperson's Statement

The year under review has been characterised by many developments in line with the Government developmental objectives. The Company has engaged in a number of projects that aim to improve people's life's and contributes towards Government Poverty Reduction Strategy.



Mr. Bataung Leleka

A total of 20 000 people is estimated to have benefited from Maseru Peri-Urban Water Supply Project Phase 1 Contract 2 which was completed in the year under review and in providing water to the villages of Lithabaneng, Ha Matala, Ha Leqele, Ha Bosofo, Ha Abia and Masianokeng. Previously, these areas did not have access to piped water and they were relying on water vendors, boreholes and natural springs. This is a big achievement indeed.

I would not have done justice, if I do not mention that at last Mazenod Town has just now been supplied with piped water under the World Bank (WB) funding. The Town has been declared an Urban Centre by the Government some time ago, but due to insufficient funds the Company could not supply the centre with potable water.

With the projects that I have just tabulated, that have been completed, and those that are on-going, such as Maseru Peri-Urban Water Supply Project Phase 11, Three Towns Water Supply and Sanitation and Maseru Waste Water Project (MWWP), we are confident that Millennium Development Goals target of halving the number of people without proper sanitation and access to piped water by 2015 will be achieved especially in the urban centres.

As a Company we are grateful for the support given by the Government of the United States of America (USA) through its Agency Millennium Challenge Corporation (MCC) for providing another financial assistance operated by the newly established Millennium Challenge Account (MCA) Lesotho to upgrade existing infrastructure and extend water reticulation in the Country. We are confident that the benefits from these projects will be far-reaching, impacting across the socio-economic sphere through better access to water, sanitation and an improvement in the life's of the people of this country.

These projects on their own represent a remarkable means of supporting our customers and enable Government to achieve its objective of enhancing the quality of life of the poor communities.

Furthermore, the year under review was characterised by a recession which affected us seriously because some of our big customers in the textile industries closed their firms and people lost their jobs. This greatly reduced our revenue because the industries are major users of water.

Finally, I want to express my sincere gratitude to the Government of Lesotho with its continuing support, Board of Directors and its Sub-Committees, Chief Executive and all staff for their commitment for the realisation of the mission and vision of the Organisation even during these hard times.

The invaluable contribution of our dearest customers towards sustaining the Organisation does not go unnoticed.

Metolong Connector

Chief Executive's Review

It gives me great pleasure to present to you 2009/2010 financial report where the Authority has indeed performed better than the previous year but the overall performance is not what we were expecting. At the moment, most of the centres where the Organisation is operating, there is an increase of domestic customers. This is attributed to the fact that, now there is an influx of people migrating from the rural areas to urban centres in search of jobs.

Mrs. Refiloe Tlali

Furthermore, the Authority at the moment is engaged in several projects which have contributed immensely towards the better performance of this reporting year. It is my hope that after the completion of Maseru Peri-urban Water Supply Project Phase 11 our customer base will grow even more because more than 6 000 new connections will be installed. This means the Authority can even perform better in the next reporting year.

The Authority is also looking forward to the implementation of the Millennium Challenge Cooperation (MCC) Compact where the Government of the United States of America has financially assisted and contributed to the Government of Lesotho towards achieving its Millennium Development Goals (MDG). In this compact, we will benefit because there will be rehabilitation of some of the ageing infrastructure and extension of water reticulation. I would sincerely like to thank both Governments through this assistance for the betterment of our customers and the country as a whole.

Public Relations

In the year 2007-2008 Customer Survey results reflected that customers were concerned with inadequate information dissemination, hence a 100 day plan was initiated to address problems raised in the survey. The Response Communications Manual was developed and implemented to this effect.

Moreover, a Communication Plan was developed as a road map for communication activities that are aimed to support the work program of the Authority to ensure that the Vision and Mission of WASA are realised.

WASA Customer Care Centre

To further strengthen communications with stakeholders, it has been decided that an existing website will be revamped in the next financial year. We continued to provide more public education through WASA's newsletter and other publications.

A Social Responsibility Policy was developed and a number of charity organisations in the reporting year were sponsored.

Marketing and Customer Service

The introduction and subsequent promotion of the credit policy whereby customers are given an opportunity to pay for new water and sewer connections in affordable instalments has significantly increased the volume of customers who are now handled by WASA on a daily basis. The implication of this is that the Marketing and Customer Care Section had to also focus on improving the business processes in order to cope with the higher volumes of applicants. In light of this the Marketing and Customer Care Staff focused on the following areas, that is, in addition to the normal marketing responsibilities:

- Held a refresher course to reinforce the skills of staff that are users of the EDAMS customer system.
- Redesigned the Customer Care business processes in order to align them with the new EDAMS customer system. The redesign was also done to accommodate applications from the other districts because they continued to be captured in Maseru even though the plan was to have them processed and captured at the district level.
- A Service Level Agreement Plan was completed this Financial Year (FY). The plan has been designed to improve the efficiency of activities that require cross-departmental inputs by ensuring that each department adheres to predetermined service standards. The plan will be fully operational in the 2010-11 FY
- The rate at which customers applied for sewer connections continued to be low in the Financial Year 2009-2010 and management commissioned the Marketing and Customer Care department to carry out a study to gather information regarding this situation. Marketing carried out the study and the information was used to inform a policy intended to increase the number of applications for sewer connections.

On the Marketing front we continued developing informational material (brochures, fliers, etc) to encourage new water and sewer applications. We did not end there and further encouraged them to subsequently honour their responsibility of paying bills after getting water and sewer connections.

A public gathering is one of the channels to disseminate information to WASA stakeholders

Strategic Planning and Human Resources Division

WASA has established its employee wellness at workplace, through implementation of a wellness policy. Some of the achievements of WASA in relation to promoting employee wellness are as follows: The Organisation started to look at employee wellness from an all-encompassing perspective, moving away from only focusing at HIV/AIDS. A total of 16 peer educators were trained to equip them with appropriate skills in the management of various illnesses, including the HIV/AIDS at workplace. The tradition was nonetheless maintained in celebrating HIV/AIDS day through education, voluntary testing and counselling, and provision of facilities of care and support through Medical Aid. Furthermore, the Organisation took a step to establish a network with local organisations such as Lesotho Breast Cancer Network for partnership in workplace health education initiatives.

Mr. Morathane Monyamane

Various wellness activities were held during the year, to boost up the staff morale. These include participation in the annual BOLESWABLOEM utility games which were held in Botswana. This is a tournament where the four water utility companies from Botswana, Lesotho, Swaziland and Bloemfontein hold their annual tournament on different sporting codes.

Management Development Programme

“The changing of the organisation for the better has to start at the top”. This was a statement made by Director of Strategic Services and Human Resources during a celebration where WASA’s Management received their certificates upon successful completion of their Management Development Program (MDP). The MDP was meant to change the Organisation’s culture and leadership philosophy, through development and publication of the Leadership Brand, and taking members of Management through a leadership development program. The program was meant to equip management with appropriate skills to manage the business in a more strategic and focused manner towards making it a strong and sustainable organisation.

Information Technology

The 2009/2010 financial year saw quite a number of changes in the organisation’s ICT. The approach to use of ICT in the Organisation took a turn. The ICT governance framework was developed, and the new Chief Information Officer started duties in August 2009. Subsequently, the organisation’s ICT Strategy was developed and started to be implemented. The organisation now looks at ICT from the perspective of being a critical business enabler and platform of efficiency. This is evidenced by the commissioning of Maseru Water Supply’s Computerised Maintenance Management System, the integration of the Billing and Customer Information with the Financial Management System, the implementation of a Help Desk System, the implementation of bills e-payment (payment of bills over internet), water bills using internet banking and development of a File Management System for the registry office.

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IT personnel at work

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Looking ahead to the next financial year, we are planning for the major upgrade of the Authority's entire network infrastructure with much greater bandwidth, and improved reliability and stability, the ability of customers to check account status online, and a mobile payment solution which will make easier for our customers to pay their bills. It is for these reasons that WASA's IT Department, now a five men strong army, promises to be one of the front line activists in the ever changing Technology driven environment that the world around us keeps advancing towards every day, hence making life much less of a burden for all its trusted customers and the Basotho community as a whole.

Corporate Governance

During the financial year, the organisation made a change in its Governance Structure, through establishment of an Audit and Risk Committee of the Board. The Committee was meant to look at the organisation's audit programs and risk management, with a view to improve the Corporate Governance, and start to have a conscious and more structured approach of managing Corporate Risk.

Corporate Performance

The organisation's performance against set targets in the Performance Agreement with the Government of Lesotho has been quite good, considering the circumstances that were prevailing. The greatest challenges faced during the year are directly mapped to the world economic crisis, which had significant adverse impact on businesses across the World. The organisation obtained a score of 1.71 (1 being excellent performance, and 5 being inadequate performance). The good performance is marked in the areas of potable water and effluent quality, Unaccounted for Water (UfW) (Non-revenue water – NRW), financial performance and expansion of service through reduction of people who walk more than 150 metres to access water. Table 1 below, illustrates the performance as audited by an independent Auditor.

WASA commemorates World AIDS Day

Table 1

Performance criterion		Performance score gained	Weighting	Weighted performance score
1.0	**Customer Service**			
1.1	Customer Service System: Customers service-billing and collection system	No year 2 target	0.00	
1.2	Levels of Service Improvement Plan: Domestic customers supplied for less than 18 hours per day	Category 5	0.05	0.25
1.3	Levels of Service Improvement Plan: Service coverage – Water	Category 1	0.025	0.025
	Service coverage – Sewerage	Category 1	0.025	0.025
1.4	Customer Perception – % Improvement in customer satisfaction	Category 1	0.05	0.05
1.5	Customer Strategy – Number of sewerage connections	Category 1	0.05	0.05
1.6	Customer Strategy – Number of water connections	Category 5	0.05	0.25
2.0	**Water Resources Management**			
2.1	Capital investment programming (CIP) and financial modelling	Category 1	0.05	0.05
2.2	Leakage Control: District metering scheme	Category 1	0.05	0.05
2.3	Leakage Control: Unaccounted for water	Category 4	0.05	0.2
3.0	**Human Resources Management**			
3.1	Manpower Plan	No year 2 target	0.00	
3.2	System Performance Management	Category 1	0.09	0.09
4.0	**Operations Optimisation**			
4.1	Planned Preventative Maintenance System (PPM)	Category 1	0.02	0.02
4.2	Geographical Information System (GIS)	Category 1	0.02	0.02
4.3	Quality Control: % Biological samples failing	Category 1	0.03	0.09
4.4	Quality Control: % Chlorine samples outside tolerance	Category 1	0.03	0.03
4.5	Quality Control: % Effluent samples failing	Category 1	0.03	0.03
4.6	Energy Plan: % Reduction in energy per m^3 supplied	Category 1	0.06	0.18
5.0	**Financial Management**			
5.1	Cash Collection: % Current collection	Category 1	0.08	0.08
	% Debt collection	Category 1	0.03	0.03
5.2	Debt Management: Reduction in debt age	Category 1	0.03	0.03
5.3	Financial Performance: % Debts covered	Category 1	0.10	0.1
5.4	Financial Performance: Operating margin	Category 2	0.04	0.04
5.5	Financial Performance: Total operating revenue	Category 1	0.05	0.05
5.6	Asset Register: Asset Database	Category 1	0.02	0.02

Total Performance Score: 1.73

Engineering, Planning and Development Division

Development Programme

- Water and Sewerage Authority has implemented several projects during the reporting year geared to develop sources, increase storage capacities, and extend reticulation system to provide access of water to all people living within the urban centres of Lesotho. Among all the projects that were completed and are still on-going it is worth mentioning the pre-paid public standpipes which were targeted for the poorest of the poor who could not afford an individual house connection and the wastewater project which is intended to cover the best part of North East of Maseru and developed estates in the South West of Maseru.
- Projects are not only meant to provide increased access to water but also to maintain the long term financial sustainability of the company by facilitating more people for connections hence, revenue increase.
- The projects which were carried out during this reporting year are at different stages of implementation i.e. Completed, On-going and Future (Design Stage of Implementation).

Mr. Lira Mohosho

Completed Projects

1.0. Mazenod Water Supply Project

The project aimed to supply several villages in Mazenod including Moshoeshoe I International Airport.

Mazenod is connected to Maseru Water Supply Network at Ha Mapetla by 6.8km gravity main. Under the project, One Thousand cubic metres reservoir was built together with about eighteen kilometers of water reticulation networks, an office for operators and a chlorination house.

One Thousand and Five Hundred households, institutions and Moshoeshoe I International Airport are expected to benefit from the project.

2.0. Community Water Supply – Lot II

The project was initiated to provide thirty-three public pre-paid standpipes to the Maseru South-West villages of Pena-Pena, Khubelu, Likotsi and Ha Lesia.

The project targeted mostly people who live in rented houses and cannot afford an individual house connection.

3.0. Metolong Advanced Infrastructure Facilities and Associated Facilities

The project provides water facilities to the proposed camp of the contractor and the villages within the catchment of Metolong Dam, and water and sanitation facilities to permanent staff of Metolong Dam Project.

The project included construction of VIP toilets, improvement of existing water supply to the villages within the catchment area, supply of a package water treatment plant and construction of head works for the water treatment plant.

On-going Projects

4.0. Construction of Raw Water Pump Station

The purpose of the pump station is to pump water into the Maqalika off channel storage of 4.5 million cubic metres during the rainy and dry season when the river flows are high and when the water releases are requested from Lesotho Highland Water Project.

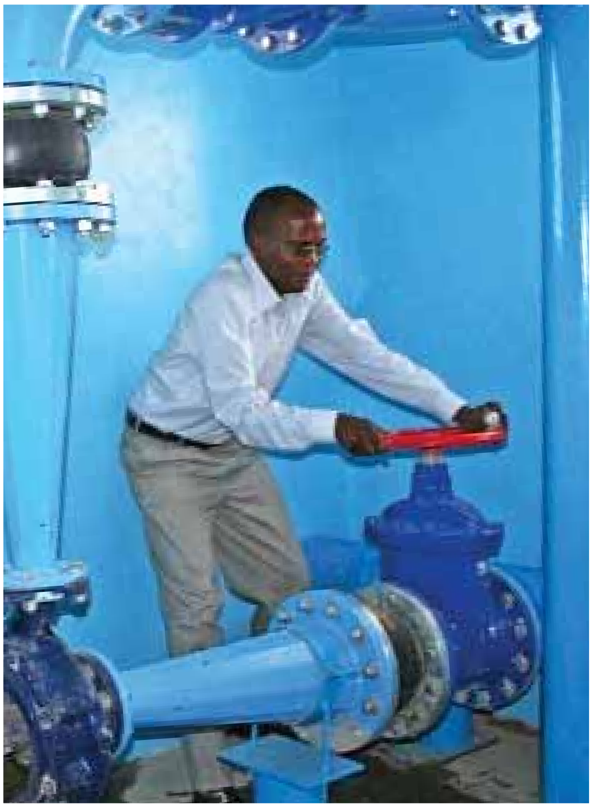
The project comprises construction of a raw water pump station, a 900mm diameter transmission main into the Maqalika reservoir and a discharge point on the side of the reservoir..

The pumps that have been installed deliver 1.5 cubic metres per second and could then fill Maqalika Reservoir within thirty days when it is empty (water at dead storage level).

5.0. Maseru Peri-Urban Water Supply Project Phase II

The project extends water distribution and reticulation system to the following areas of Maseru.

- Khubetsoana
- Bobojane
- Tšosane
- Sekhutlong
- Ha-Tšiu
- Tšenola
- Ha Ratjomose
- Ha Tsolo
- Ha Ratšoana
- Ha Chala and Ha Seleso



Molise Thabane Project Engineer for Three Towns Water Supply and Sanitation Project opening the water valve in the pump station

Honourable Minister of Natural Resources Ntate Monyane Moleleki climbs TY reservoir during a tour of the Three Towns Water Supply and Sanitation Project

From left: Mr. Molise Thabane Project Engineer, Mr. Molise Mofolo DA for Leribe, Hon. Minister of Natural Resources Ntate Monyane Moleleki, Mr. Nkhetše Monyalotsa MP for Maputsoe, Mr. Lira Mohosho Director of Engineering WASA and Mr. Samir Alam Team Leader CES Consulting Engineers on top of Maputsoe Resevoir during a tour of the project

Construction of reticulation pipelines of varying diameters has been completed and inter-connections of the new distribution to the old one is almost 90% complete.

The 3.6 Megalitre and 250 cubic meters reservoirs and their booster pump stations at Naleli and Lekhalong ha Ratjomose respectively are complete. The only remaining issues at these stations are the commissioning and testing of the pumps to the satisfaction of the Client.

The project will be completed in December, 2010 and about 6 000 house connections will be done during the years that follow. The total beneficiaries to the project are estimated at about 40 000 people.

6.0. Tikoe – Thetsane Water Supply Project

The project is intended to supply the existing Thetsane Industrial Area and proposed new Industrial Estate at Ha Tikoe.

The Project Comprises

- Raw water Intake
- Potable water treatment plant
- Transmission and gravity mains to the 10 Megalitre reservoir at Ha Tsolo and proposed Tikoe Industrial Estate.
- 10 Megalitre reservoir at Ha Tsolo.

The project is about 70% complete while individual components are at different stages of completion.

7.0. Three Towns Water and Sanitation Project

The project is intended to supply water to about 60 thousands residents of Maputsoe. Teyateyaneng and Roma when completed.

The project comprises mainly of the following components:

- Construction of operators' houses in Teyateyaneng
- Rehabilitation of existing ponds in the three towns
- Boreholes in all the three towns
- Pump stations
- 9 Megalitre reservoir in Maputsoe and 3 Megalitre and 5 Megalitre in Teyateyaneng.
- Rehabilitation of 2.7 Megalitre reservoir in Roma and twelve steel tanks is all three towns and 270 kilometres of varying diameters of rising, reticulation and distribution mains.
- Wastewater treatment plant in Roma together with sewer lines in all three towns.

All the boreholes, reticulation and distribution pipelines are complete. Water and Sewerage Company is already using some of the boreholes to augment water supply to these three towns.

Reservoirs are being tested for water tightness and it is expected that all the works for water supply will be completed in December, 2010.

Construction of wastewater plant in Roma has not yet started and it is expected to be completed within months from beginning of an order to proceed with construction.

Pipe laying at TY town

8.0. Maseru Wastewater Project – Medium Term Works

The objective of the project is to contribute towards the Government of Lesotho efforts to achieve the Millennium Development Goal of halving the number of people without access to sanitation by 2015; to reduce the pollution of water sources and to contribute to the reduction of water related diseases in the urban centre of Maseru.

The project consists of six service contracts (Consultancies and three works contracts). The project activities include:

i) Provision of on-site sanitation facilities to 36 000 people

ii) Extension of sewer networks to cover additional 64 000 people.

iii) Construction of a new treatment plant at Agric College and

iv) Rehabilitation of the existing Ratjomose Wastewater Treatment Plant

Three service contracts that have procured include:

i) Technical Assistance to the Project Implementation Unit (PIU)

ii) Environmental and Social Impact Assessment and

iii) Design and Construction Supervision

On the works side, one contract has been procured for construction of sewer lines and approximately 20km of sewer lines have been laid. The contract for the construction of the treatment plant and rehabilitation of Ratjomose wastewater treatment works is at advanced stage of procumbent.

9.0. Urban and Peri-Urban Water Supply Project

The project aims to achieve the following:

i) Reduction of unaccounted for water by replacement of existing asbestos cement pipes in the urban towns of Qacha's Nek, Quthing, Mohale's Hoek, Hlotse, Maseru, Hlotse and Butha-Buthe.

ii) Rehabilitation of reservoirs to reduce leakages in Qacha's Nek, Quthing, Mohale's Hoek and Mafeteng.

iii) Increase of water sources by rehabilitation and construction of new raw water intake structure in Mokhotlong, Hlotse and Hohale's Hoek.

iv) Increase of access to potable water by reticulation extension in the towns of Mohale's Hoek, Maseru and Hlotse and a complete new water supply system in Semonkong.

Future Projects

10.0. Five Towns Water Supply Project

The Feasibility Study was completed in 2007/2008 and negotiations are underway for financing the actual designs and construction of water supply to the five towns of Butha-Buthe, Hlotse, Mafeteng, Mohale's Hoek and Qacha's Nek.

Quthing Package Treatment Plant

Operations and Maintenance Division

The mandate of Operations and Maintenance is to produce, distribute potable water, operate and maintain the infrastructure and to safely dispose off wastewater to the environment in the 15 designated urban centres of the country. The year under review has shown a significant growth in the areas of water production, number of people covered and number of connections made.

Mr. Falla Seboko

A total of 17million m³ of potable water was produced. Maseru Water Treatment Plant which is in the city has the capacity to produce 45 Ml per day maximum design whereas other Treatment Plants range from 0.1 to 3.2 Ml per day.

The Division also showed further dramatic growth in the population and % service area served.

As part of an improvement in the service delivery, WASA signed an agreement with the Government of Lesotho whereby the Authority set their targets to be achieved per year. Since the signing of the agreement 4 years ago the Organisation has been surpassing the target. The target is 3 000 connections per year and this year the Division achieved 3 175 connections.

Network

Reducing Water Supply losses or Unaccounted for Water (UfW)

WASA's obligation is to produce water and distribute it to the customers but during the whole process there is always a certain percentage which is lost.

For people to understand the need to reduce the losses we need to convert the volumes lost to monetary values. Thereafter the amount lost can easily be reflected and understood and in turn the required action will be undertaken.

Urban Centres with District Metering Areas

DMA's have been implemented in the following urban centres:

Mokhotlong, Leribe, Maputsoe, Mapoteng,Peka, Teyeteyaneng, Morija, Thaba-Tseka, Mafeteng, Quthing and Qacha's Nek.

Implementation has started in Maseru this year.

Implementation

WASA had the baseline for each urban centre and targets for 2010-2011 were set from there. Action plan is drawn enabling the responsible people to act accordingly in loss reduction.

The district meters (DM) have been installed in most of the urban centres. This is segregating the whole network into small segments called district metering areas (DMAs). A DMA has one known entry pipe where water is supplied and all the water is metered through an installed district meter (DM.) All the customers within the a DMA must be known and each have a meter. Therefore a comparison between the flow through a district meter and total consumption of customers will be taken as UFW.

UFW = Volume of water through the DM – Total consumption of customers within a segment

Each urban centre has a number of DMAs depending on the size of the network. After obtaining the UFW for each, concentration is put into the areas with the highest UFW.

Measures of reducing the UFW are then applied.

Measures to be Undertaken

- Checking whether all meters are operating efficiently
- Repairing stopped and replacing old meters
- Proper management of new connections and new constructions
- Monitoring the reservoir overflows
- Monitoring of meter readers
- Improving the response time of leakages and bursts
- Active leakage control

Main Challenges

Reducing the UFW is a big challenge which needs dedication and a follow up. Furthermore there are some challenges which are financial

Old Infrastructure – As a result of old infrastructure we experience most of the losses through bursts and leakages. There are two alternatives that can be a solution.

- Rehabilitation of the old pipes more especially asbestos pipes and
- Pressure Management

On-going Construction project- During construction works, pipes are broken. This can only be dealt with by proper supervision of projects and GIS

Illegal use of water – Most of the illegal connection arise from the disconnected customers, random checks have to be carried out.

Benefits

- Reducing losses will avail water to people who are not supplied for 24hrs and even to those who are not supplied without constructing new treatment plants.
- Increase revenue
- Reduction of illegal use and improved meter reading

Water quality

Measures that are meant to improve the quality of services are being implemented and closely monitored within the Authority. These include, among others, National and International Water and Effluent Standards that are used by WASA. During the Year under review, biological samples recorded were 95% success against the target of 97% due to high raw water turbidity's, coupled with challenges in our treatment infrastructure. Remedial measures

are being undertaken in order to combat the problem. Chlorine samples success level was 99% indicating that the target of 97% has been exceeded.

The accreditation of Laboratory is a process that will take at least two years to complete. So far, no units have been accredited as planned. The reason is that accreditation required procurement of a consultant to assist with the accreditation process, but this was deferred due to the economic downturn and cash flow problems experienced during the year.

Generally, maintaining good quality water was a bit of a challenge this year, compared to previous years. The aesthetic quality of the water supplied, even though is within the annual target, was affected mainly by turbidity and hence contributed to high bacteriological failures, which coincided with high raw water turbidity's. Despite the shortfalls within the treatment processes, 95% of the samples met the total coli form specification and 98% of the samples met E.coli specification. Automatic disinfection of the boreholes which are connected to the supply mains has positive results in that there is enough chlorine in distributed water even though there is still a need to maintain the free residual chlorine levels at optimum cost effective levels. pH stabilisation still remains the challenge so as to decrease the failures in aesthetic quality of water and protect the infrastructure.

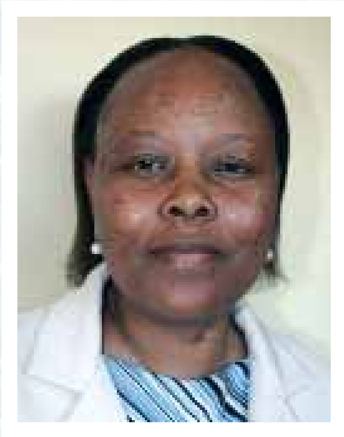
Wastewater quality

The immediate works at Ratjomose Wastewater Treatment Plant have proven to be effective and there has been a remarkably good quality effluent from the plant. Even though the failure rate for Chemical Oxygen Demand and Total Suspended Solids differ by 5%, there seems to be a challenge of raw sewage with high COD values into the stabilisation ponds in other town centres. This might be attributed to the high discharge rate from industries, hospitals, hotels and restaurants compared to domestic sewage.

Finance Division

Financial Performance

The Financial performance for the financial year 2009/10, as regards profitability, has slightly improved. The Authority has ended up with a surplus on ordinary activities amounting to M6.96m compared to loss amounting to M3.80m in the last financial year. The overall net profit after taxation and prior year adjustment amounted to M2.23m as compared to net loss amounting to M6.22m in the last financial year 2008/09.



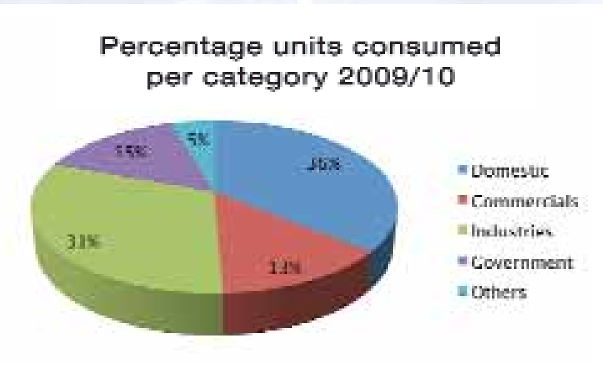
Mrs. 'Mamots'oane 'Musa

The overall turnover has increased from a figure of M101.33m in 2008/09 to a figure of M105.27m in the year 2008/2009. The major portion of income is from Water and Sewerage services as these services are core of the business.

Factors which contributed to this growth include among others the tariff increase by inflation on water and sewerage services, which was effective in April 2009 and increase on customer base due to new water and sewerage connection. Income generated from water and sewerage increased from M90.84m in 2008/2009 to M95.39m in 2009/2010. As far as new service connections are concerned, there was a decrease with an income figure of M6.75m for 2009/10 as compared to the figure of M8.00m for the previous year. More connections were expected from Maseru Peri-Urban Phase II Project, however project was delayed.

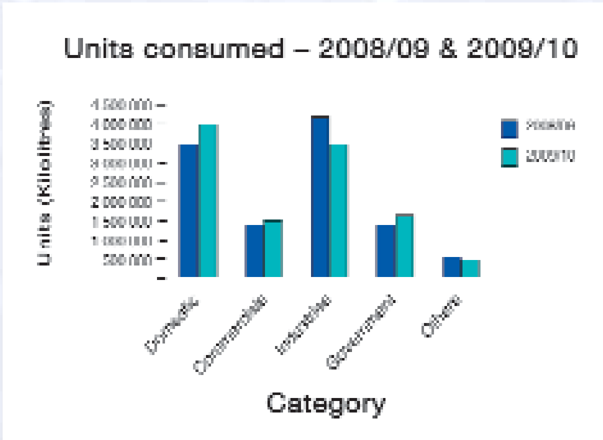
The Textile Industries contributed around 31% of total water billing as per graph below.

CONSUMPTION AS PER CATEGORY



The consumption for industries has not met expectations as it has decreased by around 16% when compared to the previous period as highlighted in table 2. The major impact was also due to recycling of waste water that is being put in place by some of wet industries and closure of other industries such as PRESITEX textile firm Mafeteng. Other recognisable contributors to revenue are the Domestic Sector, the Govern- ment of Lesotho and Businesses/ Commercials which respectively increased by 16%, 20% and 4% of the total sales during the year ended March 2010. The increase to the domestic is due to the completion of Maseru Peri Urban Phase 1 which covers areas like Leqele, 'Nesele, Abia, etc. However, the increase on domestic does not compensate the decrease on Industries due to level of consumption.

The graph below indicates decrease/increase on units consumed as per category



As far as operating profit is concerned, the operating costs for the year ended March 2010 stood at M106.87m, as compared to M107.19m in the previous year. The decrease of operating costs is due to some control measures instilled particular during the recessionary period whereby overall costs have been increasing at an alarming rate. The major portion of the operating expenses relate to power, chemicals, reticulation & plant maintenance, new connections costs, depreciation and manpower costs, as could be expected in this type of business.

Finance expense for the year was M2.97m compared with M3.54m in 2008/2009. The interest charged is for major capital works such as Maseru Peri-Urban Phase II project financed by loans from BADEA and OPEC, Maseru Waste Water Project financed by loan from EIB, Lesotho Water Sector Improvement Project Financed by world bank and Prepaid Metering System financed by loan from standard Lesotho bank.

2. Financial Position

Non-Current Assets

Non-current assets have shown an impressive growth rate. Net book value for non-current assets increased from M548.52m in 2008/2009 to M821.86m in the year 2009/2010. There has been a transfer of completed projects amounting to M77.28m to fixed assets during the year ended March 2010. The additions are largely attributable to the completion of reticulation extensions throughout all designated urban centres. There are also some additions on Plant and Machinery, Operational structures, and Land and Buildings.

There are also on-going projects which have increased the Work-In-Progress (WIP) figure by M207.97m. The bulk of the WIP figure is in respect of five projects, and can be summarised as follows:

- Maseru Peri-Urban Project Phase II (M75.47m), financed by BADEA, OPEC and GOL.
- Three Towns Water Supply and Sanitation Project (M182.15m), financed by European Union.
- Water Sector Improvement Project (M61.29m), financed by World Bank and GOL.
- Tikoe-Thetsane Industrialisation Project II (M72.82m) financed by GOL
- Maseru Waste Water Project (M42.61m) financed by EIB, EU and GOL.

Net Current Assets

The Net Current Asset position of the Authority has stood at M37.79m at the end of the reporting period, with the current asset figure of M104.52m against the current liabilities of M66.72m. Current Liabilities increased at a higher rate than Current Assets when compared to the last financial year 2008/2009. This increase pattern resulted in decrease on Current Ratio from 2.57 times for 2008/2009 to 1.57 times for 2009/2010. However, the reported net current asset of the Authority is still in a comfortable liquidity position because the major portion of current liabilities is for the retention monies from capital projects.

WASA commemorates World AIDS Day with God Love Orphanage at Sekamaneng Maseru

Cash Flow

Cash generated from continuing operating activities increased to M19.47m in 2009/2010 compared to M4.92m in 2008/2009. The increase is mainly due to the debts written off against provision for impaired debts. Net cash has been increased to M16.50m after taking into consideration interest charged on loans.

Net cash utilised in investing activities increased to M270.88m in 2009/2010 compared to M174.24m in 2008/2009. This amount consists of completed reticulation extension projects transferred to fixed assets and other assets such as plant and machinery, operational structures, and land and building.

Net cash from financing activities increased to M243.81m in 2009/2010 compared to M182.87m in 2008/2009. Government of Lesotho contributions/ grants and long term liabilities contributed towards the increase. The funding was for financing projects such as Maseru Peri-Urban Water Supply, Lesotho Water Sector Improvement Project Phase I, Three Towns Water Supply and Sanitation, Maseru Waste Water Project etc.

Overall net movement for the year decreased to M10.57m compared to favourable movement of M10.01m in 2008/2009.

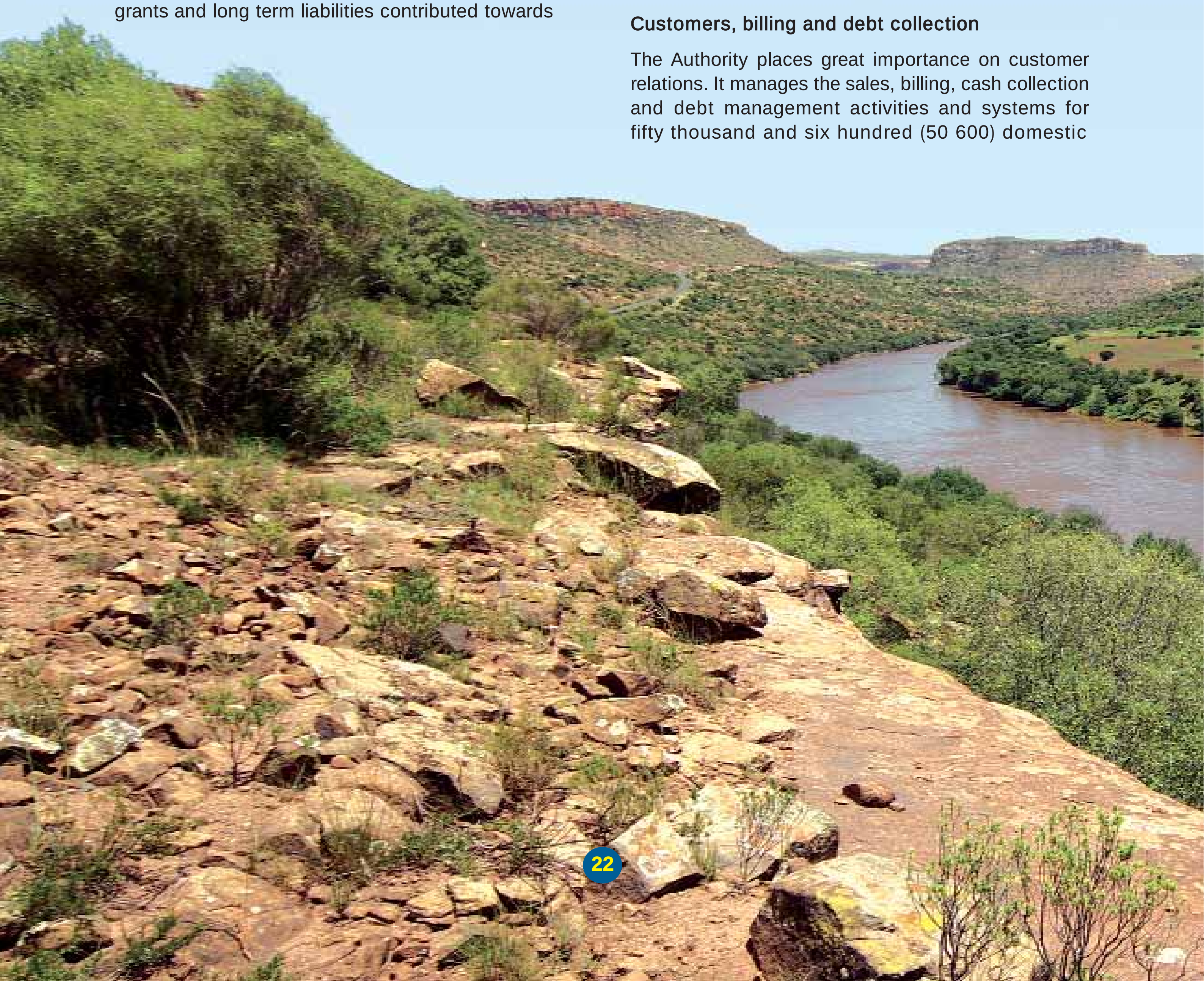
3. Investments

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

4. Customer Service

Customers, billing and debt collection

The Authority places great importance on customer relations. It manages the sales, billing, cash collection and debt management activities and systems for fifty thousand and six hundred (50 600) domestic

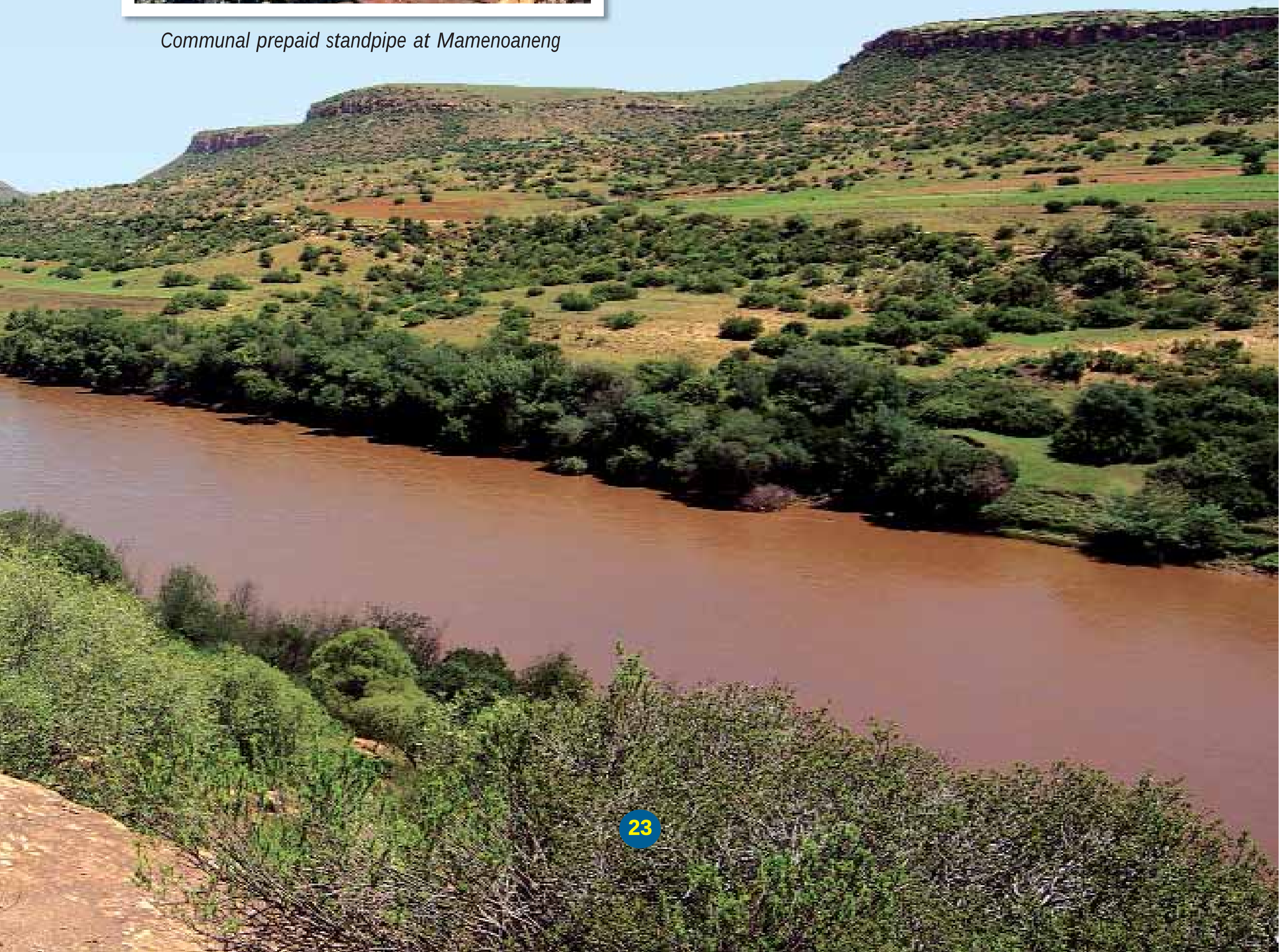


Communal prepaid standpipe at Mamenoaneng

and business customers in Lesotho and has responsibility for improving the quality of service and the range of services provided to these customers. The Authority aim is continually to improve the existing level of customer satisfaction, and to create value from its customer relationships.

Pre-paid Metering System

The domestic pre-paid meters have impacted positively in enabling WASA's customers to monitor their consumption of water and also to identify leakages as the system has the features to detect usage of water throughout on a 24 hours basis. As an initiative to increase or spread use of prepaid metering system, the Company managed to install around two thousand prepaid meter in Maseru areas such as Mohalalitoe, Maseru East, Hoohlo, Florida, New Europa Old Europa and Hills view. The actual installation for Hlotse has been started during financial year 2009/2010 and commissioning as well as usage is scheduled to commence from April 2011.



Statement of Board of Directors

for the year ended 31 March 2010

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 authority at the end of the financial year and the results of its operations and cash flows for the year ended, and in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the financial statements.

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

The Board of Directors acknowledges that it is ultimately responsible for the system of internal financial control established by the Lesotho Water and Sewerage Authority (WASA) 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 WASA and all employees are required to maintain the highest ethical standards in ensuring WASA's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in WASA is on identifying, assessing, managing and monitoring all known forms of risk across WASA. While operating risk cannot be fully eliminated, WASA 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 WASA's cash flow forecast and budgets for the year to 31 March 2011, and is satisfied that WASA 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 WASA's financial statements. The financial statements have been examined by WASA's external auditors and their report is given on page 27.

The financial statements set out on pages 28 to 47 were approved by the Board of Directors and are signed on its behalf by:-

Chairman of the Board

Chief Executive Officer

17 February 2011

Date

Report of the Directors

for the year ended 31 March 2010

The Board of Directors presents its report which forms part of the audited financial statements for the year ended 31 March 2010.

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 authority's business has not changed during the year under review.

Operating Results

The surplus on ordinary activities for the year amounted to M6, 961 million (2009: (M3, 800 million)). Full details of the financial results are set out on pages 28 to 47.

Subsequent Events

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

Going Concern

We draw attention to the fact that at 31 March 2010, the Authority had an accumulated loss of M47.380 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 WASA has, or has access to adequate resources to continue in operational existence for the foreseeable future.

Audit Opinion

Management is aware that a Qualified Audit Opinion has been issued.

Directors

The Directors of the Authority as at 31 March 2010 were as follows:

Chairman

Mr. Bataung Leleka

Members

Dr. Metsing Mangoaela

Mrs. Mammako Molapo

Mrs. Mamonaheng Ramonaheng

Mr. Lebohang Mofammere

Mr. Ntahli Matete

Chief Executive

Mrs. Refiloe Tlali

Secretary

Mr. Morathane Monyamane

Business Address

Water and Sewerage Authority
Moshoeshoe Road
Industrial Area
Hoohlo, Maseru

Postal Address

P.O. Box 426 Maseru 100

Bankers

Standard Lesotho Bank
Ned Bank Lesotho

Auditors

The Authority's auditors were Moteane, Quashie & Associates on behalf of the Auditor General of Lesotho.

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

REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF WATER AND SEWERAGE AUTHORITY FOR THE YEAR ENDED 31 MARCH 2010

Moteane, Quashie and Associated Chartered Accountants, under Section 15(1) of the Audit Act 1973, have audited the accompanying financial statements of Water and Sewerage Authority which comprise the balance sheet as at 31 March 2010 and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 28 to 47.

Director's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Basis for Qualified Opinion

The introduction of a new computerised billing and general ledger systems have resulted in numerous errors in both customer and general ledger accounts. As of the date of my report, management was still in the process of rectifying the system deficiencies and correcting the errors. I was unable to confirm or verify by alternative means the bank balance of M4.4 million included in the balance sheet at 31 March 2010.

As a result of this matter, I was unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded trade receivables, bank and the elements making up the income statement, statement of changes in equity, tax and cash flow statement.

I further draw attention to the non-inclusion of the financial Affairs of Sanitation Services Unit in the financial statements of the Authority. Under International Financial Reporting Standards, the financial affairs of the Sanitation Services Unit should have been incorporated as it is under the management of the Authority. The effects of the failure to consolidate have not been determined.

Qualified Opinion

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Authority as at 31 March 2010, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Lesotho Water and Sewerage Order, 1991 as amended.

Mliphafa

LUCY L. LIPHAFA (Mrs)
AUDITOR GENERAL
1 March 2011

2011 -03- 01

Statement of Comprehensive Income

for the year ended 31 March 2010

INCOME	Notes	2010	2009
			Restated
		M'000	M'000
Revenue		102 135	98 842
Other Income		3 136	2 484
Manpower costs		(52 434)	(49 094)
Depreciation		(11 905)	(10 311)
Stock adjustment		(376	(30)
Reticulation and Plant maintenance		(5 746)	(7 280)
New connections		(5 064)	(7 352)
		(31 340)	(33 120)
Operating Profit/(Loss)	16	(1 594)	(5 861)
Net interest received/(charged)		8 555	2 061
Net profit before taxation		6 961	(3 800)
Taxation	2.13	–	–
Profit for the year		6 961	(3 800)
Prior year adjustment	15	(4 731)	(2 415)
Profit/(Loss) at end of year		**2 230**	**(6 215)**

Statement of Financial Position

as at 31 March 2010

	Notes	2010 M'000	2009 Restated M'000
ASSETS			
Non-current assets			
Property, plant and equipment	3	821 861	548 521
Current assets		**104 516**	**109 898**
Inventory	4	5 906	6 946
Trade and other receivables	5	58 004	52 145
Short-term investments	6	31 350	32 595
Bank and cash	7	9 256	18 212
TOTAL ASSETS		**926 377**	**658 421**
CAPITAL AND LIABILITIES			
Capital and Reserves		**806 378**	**599 790**
GOL funding	8	356 901	349 055
GOL grant	9	505 733	309 220
Accumulated funds	10	(47 380)	(49 609)
Reserves	11	(8 876)	(8 876)
Non-current liabilities		**53 276**	**13 118**
Provisions for severance pay	12	9 380	8 671
Long-term loans	13	43 896	4 447
Current Liabilities		**66 723**	**45 513**
Bank	7	4 830	4 463
Accounts payable	14	61 894	41 050
TOTAL CAPITAL AND LIABILITIES		**926 377**	**658 421**

Statement of changes in Capital and Reserves

for the year ended 31 March 2010

	GOL Funding	GOL Grant	Reserves	Accumulated Surplus/ (Deficit)	Total
	M'000	M'000	M'000	M'000	M'000
Balance at 31 March 2009	**349 055**	**309 220**	**(8 876)**	**(49 609)**	**599 790**
Net profit for the year	–	–	–	6 961	6 961
Prior Year	–	–	–	(4 731)	(4 731)
GOL funding	7 846	–	–	–	7 846
Grant amortised	–	196 513	–	–	196 513
Balance at 31 March 2010	**356 901**	**505 733**	**(8 876)**	**(47 380)**	**806 378**

Cash Flow Statement

for the year ended 31 March 2010

	2010 M'000	2009 M'000
CASH GENERATED FROM OPERATING ACTIVITIES		
Net Profit /(loss) before interest received/charged	9 929	(259)
Adjustment for:		
Depreciation	11 905	10 311
Depreciation of Disposed Assets		330
(Profit)/Loss on fixed assets disposal	(24)	6
Provision for severance pay	709	2 610
Write offs & adjustments	3	–
Prior year adjustment	(4 731)	(2 415)
Interest income	(14 350)	(15 162)
	3 441	**(4 579)**
Changes in working capital:		
Decrease/ (Increase) in inventory	1 041	(2 059)
Decrease/ (Increase) in receivables	(5 859)	(5 797)
(Decrease)/Increase in payables	20 844	17 358
Cash generated from operations	19 467	4 923
Interest paid	(2 967)	(3 541)
	16 500	**1 382**
CASH UTILISED IN INVESTING ACTIVITIES		
Purchase of tangible fixed assets	(285 250)	(189 937)
Fixed assets provision and other adjustments	–	542
Proceeds from sale of fixed assets	24	(6)
Interest received	14 350	15 162
	(270 876)	**(174 239)**
CASH FROM FINANCING ACTIVITIES		
Increase in GOL contribution/grant	204 359	181 793
Increase/ (Decrease) in long term liabilities	39 449	1 078
	243 808	**182 871**
Net Movement for the Year	(10 568)	10 014
Cash and Cash Equivalent at Beginning of Year	46 344	36 330
Cash and Cash Equivalents at End of Year	**35 776**	**46 344**

1. BACKGROUND

The Lesotho Water Sewerage and Authority (WASA) was established under the Lesotho Water and Sewerage Authority Order No.29 of 1991 (as amended). Under this Order WASA acquired all fixed assets and functions operated by the former Water and Sewerage Branch of the Ministry of Water, Energy and Mining, with effect from 1 April 1992.

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 WASA'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 2010

In the current year, WASA has adopted all relevant new and revised Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for accounting periods beginning on 1 January 2010. The adoption of these new and revised Standards and Interpretations has not resulted in any changes to WASA's accounting policies, as the effect of first time adoption of International Financial Reporting Standards did not have a material impact on WASA'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 WASA and the cost of the item can be measured reliably. Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised. The initial estimate of the cost of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment. Expenditure on capital projects or acquisitions up to M10 000 is charged to the income statement 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.

Summary of Significant Accounting Policies (continued)

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

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

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

Revaluation of fixed assets

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

Reticulation

The transfer value for reticulation assets shown in the fixed assets statement is the valuation determined on the basis of depreciation replacement cost by Quantum Consultants (Lesotho) (Pty) in August 1991. Depreciation is provided on a straight line basis over the estimated useful/economic life of the reticulation assets, which has been estimated at 50 years.

Other assets

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

2.4 Impairment of non-financial assets

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

2.5 Revenue recognition

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

WASA 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 WASA'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. WASA bases estimates on historical results, taking into consideration the type of consumer, the type of transaction and the specifics of each arrangement.

Income

Revenue comprises the billed value of water, sewerage services rendered, and collection for water and sewer connections. The revenue is recognised upon performance of services. Revenue from rendering services is recognised by reference to the completion of the specific transaction assessed as the basis of the actual service provided as a proportion of the total services provided when it is probable that the economic benefits associated with a transaction will flow to WASA 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, WASA reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest on impaired loans is recognised either as cash is collected or on a cost-recovery basis as conditions warrant.

Dividend income

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

2.6 Inventories

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

2.7 Financial assets

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

Financial assets at fair value through profit or loss

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

2.7 Financial assets (continued)

Loans and receivables

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

Available-for-sale financial assets

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

Purchases and sales investments are recognised on the trade-date – the date on which WASA commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and WASA has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets at fair value through profit and loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Realised and unrealized gains and losses arising from changes in the fair value of the financial assets at fair value through "profit or loss" category is included in the income statement in the period in which they arise.

unrealized gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity. When securities classified available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains and losses from investment securities.

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

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

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 balance sheet.

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 WASA 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 income statement. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the income statement.

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

WASA 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 WASA 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.

WASA 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 WASA becomes legally or constructively committed to payment. Costs related to the ongoing activities of WASA 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 income statement over the period of the borrowings using the effective interest method.

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

2.13 Current tax assets and liabilities (continued)

WASA 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 balance sheet and credited to profit over the estimated useful economic lives of the assets to which they relate. Revenue based government grants are credited to profit in the period in which the expenditure to which they relate is incurred.

2.15 Dividend distribution

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

2.16 Leases

Leases of property, plant and equipment where WASA 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 income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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

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

2.17 Financial risk management

Financial risk factors

WASA'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. WASA's overall risk management programme focuses on the unpredictability of the financial markets and seeks to minimise potential adverse effects on its financial performance. WASA currently does not use derivative financial instruments to hedge certain risk exposures.

Market risk

From time to time WASA 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 WASA's functional currency. As at 31 March 2010, WASA was not exposed to any foreign currency exchange risk.

2.17 Financial risk management (continued)

Price risk

WASA is exposed to equity securities price risk because of an investment held by it and classified in the balance sheet at fair value and profit or loss transferred to the income statement. This asset is an investment in Standard Bank Money Market.

Cash flow and fair value interest rate risk

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

Credit risk

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

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

Liquidity risk

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

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

	Less than 1 year M'000	Between 1 and 5 years M'000	Over 5 years M'000
At 31 March 2010			
Borrowings	422	12 517	30 957
Trade and other payables	61 880	–	–
At 31 March 2009			
Borrowings	538	3 909	–
Trade and other payables	41 050	–	–

2.17 Critical accounting estimates and assumptions (continued)

Capital risk management

WASA'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, WASA monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including "current and non-current borrowings" as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as "equity" as shown in the balance sheet plus net debt.

During 2010, WASA's strategy, which was unchanged from 2009, was to maintain a low gearing ratio of not more than 40%. The gearing ratios at 31 March 2010 and 2009 were as follows:

	2010 2009	M'000 M'000
Total borrowings (note 13)	43 896	4 447
Total equity	806 202	606 716
Total capital	850 098	611 163
Gearing ratio	5.16%	0.73%

Fair value estimation

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

2.18 Employee benefits

Terminal benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. WASA 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

2.19 Critical accounting estimates and assumptions

WASA 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

WASA considers all trade receivable balances that have been outstanding for over two years as impaired. WASA 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.

2.19 Financial risk management (continued)

Review of useful lives

WASA 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 income statement each year. (refer to note 2.16)

Income taxes

Judgment is required in determining whether WASA is liable for tax or not. There may be transactions and calculations for which the ultimate tax determination may be uncertain. WASA 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

WASA 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 WASA, 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 WASA operates (“the functional currency”). The financial statements are presented in Maloti (“M”), which is the functional and presentation currency of WASA.

2.22 Comparative figures

Where necessary comparative figures 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.

2.24 Restatement of Financial Statement

The 2009 Financial Statement figures has been restated.

3. PROPERTY, PLANT AND EQUIPMENT

FOR THE YEAR ENDED 31 MARCH 2010	2010 Cost M'000	2010 Accumulated depreciation M'000	2010 Carrying amount M'000	2009 Cost M'000	2009 Accumulated depreciation M'000	2009 Carrying amount M'000
Owned assets						
Land & Buildings	28 165	1 864	26 301	27 245	1 183	26 062
Specialised Operational structures	138 148	26 635	111 513	121 855	23 425	98 430
Reticulation	252 808	74 100	178 708	204 826	69 905	134 921
Plant & Machinery	25 714	3 832	21 882	13 639	2 274	11 364
Motor vehicles	11 411	8 584	2 827	11 469	7 221	4 249
Office equipment & furniture	5 701	3 190	2 511	5 339	2 369	2 971
Assets in construction	478 120	–	478 120	270 526	–	270 526
	940 066	**118 205**	**821 861**	**654 899**	**106 377**	**548 523**

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

FOR THE YEAR ENDED 31 MARCH 2010	Carrying amount at beginning of period M'000	Transfer to completed projects M'000	Additions M'000	Disposal M'000	Depreciation M'000	Depreciation adjustment M'000	Carrying amount at end of period M'000
Owned assets							
Land & Buildings	26 062	920	–	–	681	–	26 301
Specialised Operational structures	98 430	16 292	–	–	3 210	–	111 513
Reticulation	134 921	47 982	–	–	4 195	–	178 708
Plant & Machinery	11 362	12 089	–	–	–	14	21 882
Motor vehicles	4 248	–	11	70	1 440	70	2 827
Office equipment & furniture	2 971	–	362	–	821	17	2 511
Assets in construction	270 526	–	207 594	–	–	–	478 120
	548 523	**77 283**	**207 967**	**70**	**11 905**	**101**	**821 861**

3. PROPERTY, PLANT AND EQUIPMENT

FOR THE YEAR ENDED 31 MARCH 2009	2009 Cost M’000	2009 Accumulated depreciation M’000	2009 Carrying amount M’000	2008 Cost M’000	2008 Accumulated depreciation M’000	2008 Carrying amount M’000
Owned assets						
Land & Buildings	27 245	1 182	26 063	26 676	561	26 115
Specialised Operational structures	121 855	23 425	98 430	120 894	20 407	100 487
Reticulation	204 826	69 905	134 921	203 248	66 494	136 754
Plant & Machinery	13 638	2 275	11 362	10 879	1 132	9 747
Motor vehicles	11 468	7 220	4 248	8 779	5 404	3 375
Office equipment & furniture	5 340	2 369	2 971	3 491	1 736	1 755
Assets in construction	270 526	–	270 526	91 537	–	91 537
	654 898	**106 376**	**548 521**	**465 504**	**95 734**	**369 770**

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

FOR THE YEAR ENDED 31 MARCH 2009	Carrying amount at beginning of period M’000	Transfer to completed projects M’000	Additions M’000	Disposal M’000	Depreciation M’000	Depreciation adjustment M’000	Carrying amount of period M’000
Owned assets							
Land & Buildings	26 115	356	213	–	621	–	26 063
Specialised Operational structures	100 487	961	–	–	3 018	–	98 430
Reticulation	136 754	1 578	–	–	3 411	–	134 921
Plant & Machinery	9 747	–	2 758	–	1 143	–	11 362
Motor vehicles	3 375	–	3 232	(542)	1 485	332	4 248
Office equipment & furniture	1 755	–	1 849	–	633	–	2 971
Assets in construction	91 537	(2 895)	181 884	–	–	–	270 526
-	**369 770**	**–**	**189 936**	**(542)**	**10 311**	**(332)**	**548 521**

	2010 M'000	2009 Restated M'000
4. INVENTORY		
Cost	5 911	7 285
Provision for obsolete stock	(6)	(339)
	5 906	**6 946**
5. ACCOUNTS RECEIVABLE		
Trade debtors	60 259	64 660
Less: Provision for doubtful debts	(14 499)	(25 377)
Net trade accounts receivable	**45 760**	**39 283**
Miscellaneous debtors	4 791	4 789
Postal Services	309	244
Cairomatic - Advance	–	1 161
Sanitations Unit	2 356	1 807
Shoprite Services	1,615	709
Roma drought emergency	317	317
CEC Advance	103	2 125
Staff debtors	35	180
Staff housing loan	430	612
Prepaid Interest - GOL	158	158
Withholding tax	57	58
Other debtors	879	702
Prepaid debtors	1 194	–
	58 004	**52 145**

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

	2010	2009
Trade receivables	45 760	39 283
Sundry	12 244	12 862
	58 004	**52 145**

The above values of trade and other receivables approximate fair value. There is no concentration of credit risk with respect to trade receivables, as the Authority has a large number of customers dispersed. The Authority'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 Authority'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 Authority does not hold any collateral as security.

As of 31 March 2010, trade receivables of M14 499 000 (2009: M25 377 000) were impaired and provided for. The amount of the provision was M14 499 000 as of 31 March 2010 (2009: M25 377 000). The individually impaired receivables mainly relate to Domestic and Non-domestic accounts mostly disconnected for non-payment.

	2009 M'000	2008 M'000
5. ACCOUNTS RECEIVABLE (continued)		
At 1 April	25 377	15 817
Provision for receivables impairment	(10 878)	9 560
At 31 March	**14 499**	**25 377**

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

6. SHORT-TERM INVESTMENTS

	2009 M'000	2008 M'000
Treasury bills (Central Bank)	–	6 664
	31 350	25 931
	31 350	**32 595**

7. BANK AND CASH

	2009 M'000	2008 M'000
Lesotho Bank Call Accounts	9 235	18 204
Cashiers	21	8
Sub-total	9 256	18 212
Lesotho Bank Current Account (note.)	(4 830)	(4 463)
	4 426	**13 749**

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

8. GOVERNMENT OF LESOTHO FUNDING

Government contribution to WASA 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 Authority Order of 1991) at 1st April 1992, plus projects under construction, funded by the Government of Lesotho on behalf of WASA.

	2009 M'000	2008 M'000
Balance brought forward	349 055	339 369
Additions during the year	7 846	9 686
	356 901	**349 055**

		2010 M'000	2009 M'000
9.	**GOVERNMENT OF LESOTHO GRANT**		
	GOL grant represents debt forgiveness by the GOL analysed as follows:		
	Balance at 1st April	309 220	137 113
	Industrialisation loan	39 627	–
	W-I-P	39 492	39 492
	Completed projects	120 895	97 621
	Additions during the year	197 778	173 373
	Amortisation: Completed projects	(1 265)	(1 266)
		505 733	**309 220**

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

			Restated
10.	**ACCUMULATED DEFICIT**		
	Balance at 1st April	(49 609)	(43 394)
	Net profit/(loss) for the year	6 961	(3 801)
	Prior year adjustment (Note 15.)	(4 731)	(2 415)
		(47 380)	**(49 609)**
11.	**RESERVES**		
	Revaluation reserve	(9 005)	(9 005)
	General reserve	129	129
		(8 876)	**(8 876)**
12.	**PROVISION FOR SEVERANCE PAY**	**9 380**	**8 671**

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.

13. PROVISION FOR SEVERANCE PAY

13.1	*Standard Lesotho Bank Loan*	1 375	3 487

A loan advanced by the Standard Lesotho Bank to finance the Pre-paid system project. The loan is payable over a period of thirty six months at an interest rate of 2% per annum. Repayment of the loan will commence upon completion of the project.

		2010 M'000	2009 M'000
13.	**PROVISION FOR SEVERANCE PAY (continued)**		
13.2	*Standard Lesotho Bank Loan*	422	960
	A loan advanced by the Standard Lesotho Bank to finance the Purchase of two excavators. The loan is payable over a period sixty months at an interest rate of 2% per annum.		
13.3	*Maseru Waste Water - EIB*	11 142	–
	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.		
13.4	*IDA - WSIP LOAN*	30 957	–
	A subsidiary agreement between Kingdom of Lesotho & WASA 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		
		43 896	**4 447**

		2010 M'000	2009 M'000
14.	**ACCOUNTS PAYABLE AND ACCRUALS**		Restated
	Accrued expenses	1 974	2 360
	Customers' deposits	4 859	4 543
	Due to contractors	31 190	14 685
	Interest payable to the government	13 411	10 828
	Payment received in advance	247	247
	Provision for severance pay	1 042	964
	Trade creditors	243	246
	Vat control	529	138
	Gratuity Provision	6 060	6 545
	Unclaimed salaries	1	1
	Income Tax Deducted	(9)	85
	Standard Lesotho Bank Loan Short Term Portion	2 029	-
	Other creditors	317	408
		61 893	**41 050**

	2010 M'000	2009 M'000
15. PRIOR YEAR ADJUSTMENTS		
Provision for Severance pay – 2007/08	–	(1 645)
Accumulated depreciation on vehicles from Projects	–	(774)
Reversal of Cancelled cheques	–	11
Petrol expenses for previous years	–	(15)
Reversal of duplicated payment of Feb 2008	–	8
Stale cheques cancelled	49	–
Adjustment of salaries 2008/2009	(21)	–
Staff travel clearance	(70)	–
Adjustment of stock items	(22)	–
Reallocation of costs	(27)	–
Adjustment of Debtors account 2008/09	(1 146)	–
Adjustment of Fees	(3 691)	–
Allowance for 2008/09 for staff	(14)	–
Reversal of penalties on customers	(100)	–
Adjustment of interest payable	1 142	–
Adjustment on JCB loan account 2008/09	274	–
Adjustment of accruals	(1 105)	–
	(4 731)	**(2 415)**
16. INCOME		**Restated**
Water and Sewage charges	95 389	90 839
New service connection	6 746	8 003
Gain/(loss) on disposal	24	(6)
Other income	3 112	2 490
	105 271	**101 325**
EXPENDITURE		
Manpower costs	52 434	49 094
Electricity	9 915	9 320
Reticulation & plant maintenance	5 746	7 280
Chemicals	4 084	4 044
Transport	2 661	3 618
New connections	5 064	7 352
Telephone, stationery, postage	1 885	2 505
Rents, Security & Insurance	3 957	3 294
Training & travel expenses	1,46	2 802
Directors fees	518	262
Audit fees	110	119
Office equipment	1 451	1 694
Other expenses (including write-offs)	5 007	5 206
Rates	288	256
Stock adjustment account	376	30
Depreciation	11 905	10 311
	106 865	**107 187**
Operating Profit /(loss) for the year	**(1 594)**	**(5 862)**

Summary of WASA's performance

for 7 years to 2009/2010

	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09 Restated	2009/10
WASA INCOME STATEMENT							
Turnover	50 852	61 672	65 706	73 830	77 667	101 325	105 271
Less: Operating expenses	49 247	60 240	64 709	71 714	84 777	107 187	106 865
Operating profit/loss	**1 605**	**1 433**	**997**	**2 116**	**(7 110)**	**(5 862)**	**(1 594)**
Other income/expense							
Add: Interest received	5 370	5 517	4 144	9 010	10 802	15 162	14 350
Interest - Debt forgiveness			11 932				
Provision for doubtful debt				4 064	3 706	9 560	2 827
Net profit before financing costs	**6 975**	**6 950**	**17 073**	**7 062**	**(14)**	**(260)**	**9 929**
Financing costs	**4 167**	**1 561**	**2 116**	**2 537**	**2 880**	**3 541**	**2 967**
Net profit/loss for the year	**2 809**	**5 389**	**14 957**	**4 525**	**(2 894)**	**(3 801)**	**6 961**
Prior year adjustments	(1 305)	514	(114)	(688)	(76)	(2 415)	(4 710)
Net profit/(loss) at end of year	**1 503**	**5 904**	**14 843**	**3 837**	**(2 970)**	**(6 215)**	**2 251**
BALANCE SHEET							
ASSETS							
Non-current assets							
Property, plant and equipment	292 552	301 544	332 681	352 448	369 770	548 521	821 861
Current assets	47 345	78 518	77 372	93 168	90 917	109 898	104 511
Inventory	3 312	4 023	3 838	4 174	4 887	6 946	5 906
Accounts receivable	29 362	36 162	37 838	44 968	46 348	52 145	58 004
Short-term investments	7 446	15 356	18 465	22 299	22 071	32 595	31 350
Bank and cash	7 225	22 977	17 231	21 727	17 611	18 212	9 251
TOTAL ASSETS	339 897	380 062	410 053	445 616	460 687	658 421	926 372
CAPITAL AND LIABILITIES							
Capital and reserves	320 149	357 471	381 567	413 938	424 212	599 790	806 379
GOL funding	305 673	307 530	319 967	336 103	339 369	349 055	356 901
GOL grant	79 355	108 916	105 732	118 130	137 113	309 221	505 733
Accumulated funds	(65 008)	(59 104)	(44 261)	(40 424)	(43 394)	(49 609)	(47 379)
Reserves	129	129	129	129	(8 876)	(8 876)	(8 876)
Non-current liabilities	4 891	5 425	8 614	8 530	9 431	13 118	53 276
Provision for severence pay	4 891	5 425	5 582	6 121	6 062	8 671	9 380
Medium term liabilities (GOL)	–	–	–	–	–	–	–
Long term loans	–	–	3 032	2 409	3 369	4 447	43 896
Current liabilities	14 857	17 166	19 872	23 148	27 044	45 513	66 717
Bank	1 327	1 980	2 499	3 203	3 351	4 463	4 823
Accounts payable	13 088	14 744	17 373	19 945	23 693	41 050	61 894
Treasury trading account	442	442	–	–	–	–	–
TOTAL CAPITAL & LIABILITIES	339 897	380 062	410 052	445 616	460 687	668 421	926 372

	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09 Restated	2009/10
CASH FLOW STATEMENT							
CASH GENERATED FROM OPERATING ACTIVITIES							
Net profit before interest charges		6 976	6 950	5 141	7 062	(14)	6 668
Adjustment for:							
Depreciation	–	8 531	10 084	9 225	10 678	9 771	10 311
Understated depreciation							330
Amortisation of the grant							
(Profit)/Loss on fixed assets disposal		(185)	–	(447)	(234)	(225)	6
Accumulated loss diff.		–	–	–			
Write-offs & adjustments						17	–
Provision for severance pay	–	485	534	157	539	59	2 610
Prior year adjustment	–	(1 305)	515	(114)	(688)	(76)	(2 415)
Interest Income		(5 370)	(5 517)	(4 144)	(9 010)	(10 802)	(15 162)
		9 131	12 566	9 818	8 347	(1 270)	2 348
Changes in working capital:							
Decrease/(increase) in inventory		(298)	(711)	185	(336)	(713)	(2 059)
Decrease/(increase) in receivables		(63)	(6 798)	(1 676)	(7 130)	(1 380)	(12 724)
			(442)				
(Decrease)/increase in payables		(7 910)	1 656	2 629	2 572	3 747	17 358
Cash generated from operations		**859**	**6 711**	**10 514**	**3 453**	**385**	**4 923**
Interest paid		(4 167)	(1 561)	(2 116)	(2 537)	(2 880)	(3 541)
		(3 308)	5 150	8 398	916	(2 495)	1 382
CASH UTILISED IN INVESTING ACTIVITIES							
Purchase of tangible fixed assets		(30 595)	(19 076)	(40 400)	(30 520)	(36 233)	(189 937)
Reticulation assets provision		2 036	–	38	74	–	542
Proceeds from sale of fixed assets		185	–	447	234	225	(6)
Increase in short term investments		(1 980)					
Interest Received		5 370	5 517	4 144	9 010	10 802	15 162
CASH UTILISED IN INVESTING ACTIVITIES		**(24 984)**	**(13 559)**	**(35 771)**	**(21 202)**	**(25 206)**	**(174 239)**
CASH FROM FINANCING ACTIVITIES							
Repayment of medium term liabilities		(6 593)	–	–	–	–	–
Increase in GOL contribution/grant		83 448	31 418	21 185	28 534	22 250	181 793
Increase/(Decrease) in long term liabilities		(48 618)	–	3 032	(623)	960	1 078
CASH FROM FINANCING ACTIVITIES		**28 237**	**31 418**	**24 217**	**27 911**	**23 210**	**182 871**
NET MOVEMENT FOR THE YEAR		**(55)**	**23 009**	**(3 156)**	**7 625**	**(4 492)**	**10 014**
CASH AND CASH EQUIVALENTS AT BEGINNING	**5 953**	**13 344**	**36 353**	**33 198**	**40 822**	**36 330**	
CASH AND CASH EQUIVALENTS AT END		**5 898**	**36 353**	**33 197**	**40 822**	**36 330**	**46 344**

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