Annual Report 2013/2014

Water & Sewerage Company

WASCO

SAVE EVERY DROP

Contents

Butha-Buthe
Hlotse (Leribe)
Maputsoe
MASERU
Roma
Mapholaneng
Mokhotlong
LESOTHO
Semonkong
Mafeteng
Tebellong
Moyeni (Quthing)
WASCO in Lesotho

Vision

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

Mission Statement

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

Corporate Profile

Water and Sewerage Company (WASCO) serves over 300 000 people in the urban centres with potable water. The Company provides safe drinking water to approximately 47, 559 postpaid connections, plus approximately 400 public standpipes. There are also more than 3317 domestic prepaid connections, and more than 3898 communal pre-paid card holders. The Company also serves the many industries and commercial premises, particularly in Maseru namely; Nien Hsing, C&Y, Global Garment and Lesotho Brewing Company, which use about 40% of the water produced. In total 60% of the water produced is used in industries and commerce.

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

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

Board of Directors

Dr. Percy Mangoaela
Chairman

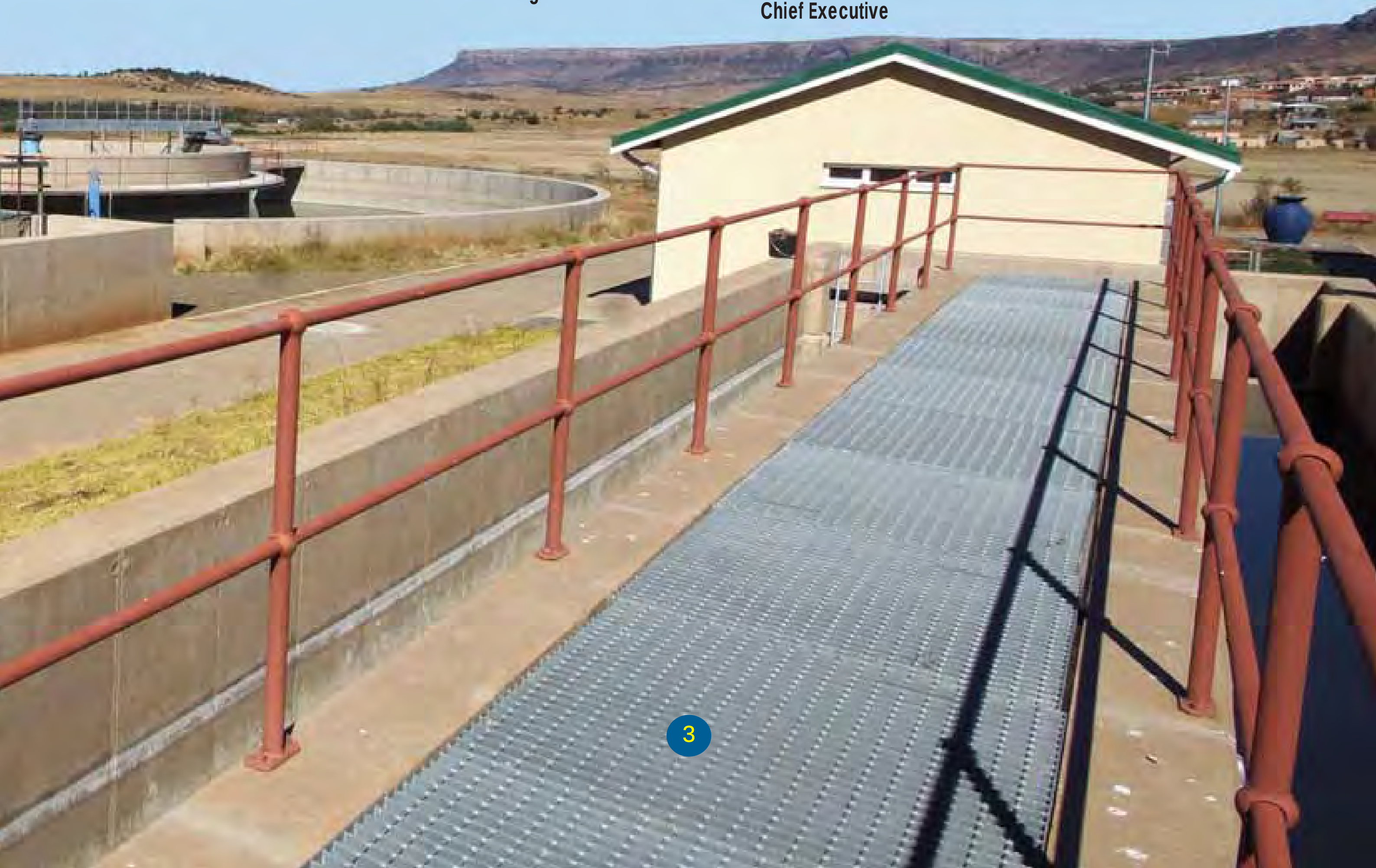
Mrs. 'Mammako Molapo

Mr. Ntahli Matete

Mrs. 'Mamonaheng
Ramonaheng

Mr. Lebohang Mofammere

Mr. Mathealira Lerotholi
Chief Executive



Senior and Middle Management

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

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

Mr. Soaile Mochaba
Director of Finance

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

Mrs. 'Mamathe Makhaola
Director of Engineering

SENIOR MANAGEMENT

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

Mr. Soaile Mochaba
Director of Finance
CA (Lesotho)

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

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

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

MIDDLE MANAGEMENT

CE

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

Mr. Pheello Masoabi
Manager Legal Affairs
LLB

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

Mrs. Lineo Moqasa
Public Relations Manager
MA-CCMS

Mr. Ts'epang Tlali
Information and Communications Technology Manager
Hons. Computer Systems

STRATEGIC SERVICES and HUMAN RESOURCES

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

ENGINEERING

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

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

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

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

FINANCE

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

Ms. Tselane Mohapi
Financial Accounting Manager
Registered Accountant

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

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

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

OPERATIONS

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

Mr. Letlama Jobo
Manager Sewerage
BSc. Civil Eng.

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

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

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

Ms. 'Mapaseka Makhaba
Laboratory Manager
BSC MSc. Economics

Chairman's Review

Significant highlights during the year included good performance in increasing connections, improving quality of the product and reducing non revenue water (NRW). Our target for water connections has been exceeded; the performance of WASCO in meeting water quality standard for the year is recorded at 93 percent for samples passing the microbiology tests. In addition, non revenue water performance for the period has been recorded at 28 percent and this was the set target for the period.

Dr Percy Mangoaela

Financial Performance

The company has over the past few years faced challenges of deteriorating financial position. During this period, total expenditure is recorded as M151,884,540.33 and is 21 percent lower than the budgeted amount of M179,809,075.00, while revenue was recorded at M168,094,891.33. This is an indication that the company continues to experience cash flow problems and this is stifling its ability to pay suppliers. However, under the leadership of a new Chief Executive, a new direction was set and captured in the 2012-2015 strategic plan. The emphasis was on restoring confidence in the company's ability to deliver consistent top and bottom line growth, to stabilise the financial performance. Attempts at improving debt collection as well as current receivables were developed but are yet to bear fruit.

Good Governance

The Board and I believe that a business that grows on the principles of good governance is more likely to succeed over the long term. We therefore, continually endeavour to strengthen corporate governance and ensure compliance with legislative and regulatory requirements. In this regard, we responded constructively to an increased number of regulatory requirements. Reporting templates for LEWA were finalised during the period and reporting that will be aligned to the Regulator's requirements is expected to commence in 2014/15.

Our people

I am pleased to inform our shareholders that in the period under review, we commenced a project to review our organisational structure. The project aims to clearly determine the expertise and knowledge that the Company need to achieve its strategy. The project was undertaken because we know that the skills, commitment and hard work of our employees continue to be key to the success of our Company. We also want to focus on improving rewarding, recognising and developing our employees through this initiative. Major progress to date include; consultations for the Macro Structure which took place in January 2014 and approval of the final Macro Structure by the Board of Directors on 24th February 2014. Following approval, consultations for the micro structure took place during the last week of February 2014. **it is expected that major restructuring activities will be implemented over a period of five years.**

On behalf of the Board, I would like to thank all the team at WASCO for their ongoing dedication as we look ahead to further progress in 2014/15. In addition, I am very grateful to my Board colleagues for their continuing support and significant contribution in what has been a challenging year. The Board’s priority continues to be the creation of shareholder value through its strategic focus on water and sewerage services. Water and Sewerage Company continues to focus on efficient service delivery, improvements in service to customers and the satisfaction of its regulatory and legislative obligations. As a consequence, the Company is well on track to adhere to LEWA’s Quality of Service and Supply Standards.

Percy Mangoaela
Chairman

Chief Executive's Review

Performance on the business plan has improved during the last quarter of 2013/14. A number of activities that were brought forward from the previous quarters due to numerous reasons have been completed while a few have been deferred to the 2014/15 financial year for implementation. Despite the challenges that hinder implementation of planned activities, it has been realised that key performance indicators have presented a very positive picture. The highlights on the performance and challenges are presented in the foregoing paragraphs.

Mr. Mathealira Lerotholi

Operational Performance

The target for water and sewer connection for the year had been set at 5,497 and 243 sewer connections. 7,267 water and 150 sewer connections were undertaken. Specifically, 2418 water and sewer connections were undertaken during the last quarter of 2013/14. The target for water connections has been exceeded while the target for sewerage connection has not been reached. Meanwhile, I am pleased that the quality of our water has improved. The performance of WASCO in meeting water quality standard for the year is recorded at 93 percent for samples passing the microbiology tests. However, it is still a big challenge to improve the quality of effluent. One of the key areas of performance at WASCO is reduction of Non Revenue Water (NRW) and we did fairly well as during the period we met the set target of keeping NRW at 28% overall national figure. However, we are still experiencing high percentages of NRW in the centres in other parts of the country while the capital, Maseru has recorded NRW of 28%.

Development Projects

In order to address the problem of reliability of supply, service delivery as well as process efficiencies and other matters, the Company has embarked on a number of projects in the area of reticulation extensions for improvement of service. One of the biggest initiatives is the Urban and Peri-Urban Water Supply Project funded by the American agency Millenium Challenge Corporation under the implementation of the local body Millenium Challenge Account-Lesotho. The project entailed rehabilitation of old infrastructure and extension of water supply distribution network in the nine districts of the country, except for Thaba-Tseka. The project also entailed construction of water supply network in the newly declared town of Semonkong. The Project was commissioned in June.

Challenges and Envisaged Interventions

Slow pace in the implementation of reticulation extension projects is stifling our efforts to increase the number of water and sewer connections and this contributes to the long standing backlog of water and sewer connections. This was however alleviated by engagement of private contractors. Another major challenge is that of inadequate and old infrastructure which is doubled by the influx of population into the urban areas. as a result, the Company struggles to meet the increased demand. We are however, trying to address this with implementation of projects such as the Urban and Peri Urban Water Supply Project and many others at different stages of implementation.

Being a Company demands that we engage aggressive growth strategies, for WASCO to become a viable business, however, Non Revenue Water (NRW) continues to be a serious concern that undermines our growth efforts. This is caused mainly by old infrastructure. To curb this problem, we have installed float valves and pressure switches and rehabilitation of reservoirs. We also, consistently work on improving the quality of our water and the suspended solids as they currently do not meet the required quality standards.

Another key challenge is high staff turnover. WASCO continues to lose capacity in terms of trained and knowledgeable staff. It is proving very difficult to attract the necessary resources in some areas, particularly in the ICT where interviews were held and successful candidates identified but seemingly not taking up WASCO offers. In trying to address this, work has started during the review period on the review of the organisational structure, a project which covers other human resource related issues namely retention strategies, relevant human Resources frameworks and guidelines.

One other area that has been observed as a challenge is in the area of financial information. This area has experienced lags in the gathering and presentation of financial data for management's consideration and decision making. The Company's debt recovery is a huge challenge and put at stake its financial position and hence service delivery. There is need for the company to introduce new strategies that will help ensure that customers pay for the services in time. Extra pay points in strategic places are being negotiated to make it easy for the customers to make service payments and debt settlements.

Water Shortages and Reliability of Supply is another challenge that we are vigorously trying to combat, so that we can improve service delivery to our valued customers. The challenge is mainly caused by insufficient sources of water for extraction as well droughts, floods and other unanticipated occurrences. Water sources are drying-up due to climate change and this is a challenge as they are WASCO's main supply. The state of infrastructure also remains a key contributor to the challenge of the company not being able to guarantee delivery of water to its customers in some areas for at least 18 hours a day.

Social Responsibility

On a more positive note, WASCO as a good corporate citizen continues to help provide solutions to resolve some of the most pressing society problems. We continue to support charity organisations, especially with a focus on helping disabled or orphaned children or the elderly, through our corporate social responsibility program. This year, we helped St Angela Home for Disabled Children to renovate its premises, whereby a leaking roof, damaged ceiling and floor tiles were replaced. This initiative has converted St. Angela home into an accessible, assisted-living facility for over thirty-four children majority of whom are wheel-chair bound. We also handed over communication devices to Thuso- E -Tla Tsoa- Kae Handicapped Centre in Botha- Bothe. These were meant for more than half of the students enrolled at the centre who have communication disorders and need visual communication aids to help them communicate in a way that will make it easy for them to be understood.

I am confident that WASCO has the right approach, and is working on getting the right team through the structure review project and the right assets to be a viable business. We are confident in the direction we have taken; to use technology-led growth strategy, with a focus on customer service improvement. We continue to reshape and rehabilitate our assets to provide us with further access to opportunities to expand our service areas. As we enter 2014/15, we have an exceptionally strong platform for future growth. I look forward with excitement to driving the strategy and the business forward, this coming year and beyond.

Mathealira P. Lerotholi
Chief Executive

Board of Directors and Executive Management Workshop on Risk Management




WASCO donates communication devices to Thuso-e tla-tsoa kae Botha-Bothe




Handover of renovated facilities of St. Angela Home Maseru and donation of specialised milk to a disabled child

Engineering, Planning and Development Division

Introduction

During the period Engineering Division focused on expanding service coverage and strengthening project management. 7.42 meters of reticulation extension has been undertaken. 2.8 kms and 1kms done in Mafeteng and Quthing respectively. 2, 418 new water connections were undertaken during the fourth quarter and a total of 7267 new connections for the year. A total of 150 new sewer connections were made in 2013/14. Regarding project management, a re-advertisement for procurement of the consultant for the development of the Project Management Framework (PMF) was done in quarter 4 and development of the PMF deferred to 2014/15.

Mrs. 'Mamathe Makhaola

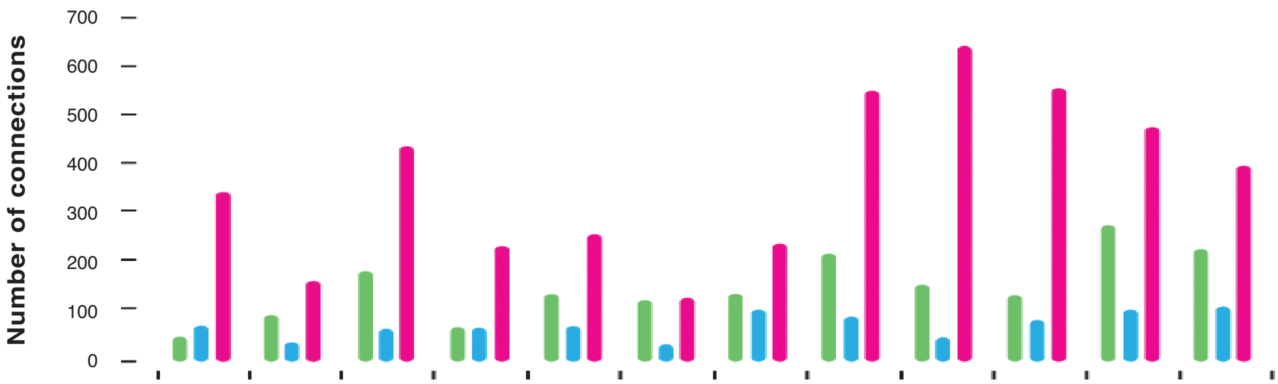
Service Coverage

The target for water and sewer connection for the year has been set at 5,497. A total of 7,267 water connections were undertaken. This number of connections is constituted by 1,476, 1,149, 2,224 and 2,418 for the first to fourth quarter respectively. These figures indicate a steady rise in the connections rate for WASCO per quarter. The target for water connection has also been exceeded indicating very good performance.

There have however been challenges in implementing sewer connections. At the end of the year there have been 150 connections undertaken. This is against a target of 243 connections for the year.

It is to be noted that data on sewer connection has been on the low side mainly due to the delay in the implementation of the Maseru Waste Water Project, lack of infrastructure for sewer connections in most areas as well as the perceived connection costs. It had been envisaged that it would be complete by the first quarter of this financial year but to date it is still yet to be concluded and hence a delay for customers to connect to the reticulation.

Figure 2.1: Water Connections (2013-14 Financial Year)



	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR
NORTH	51	95	187	71	140	126	139	223	161	138	283	234
SOUTH	74	37	68	68	78	35	105	92	50	85	108	113
MASERU	350	167	447	237	262	132	243	559	652	564	486	407

Below is a pictorial presentation of water connections disaggregated by regions and Maseru for the period April to March 2014.

Project Implementation Highlights

In order to address the problem of reliability of supply, service delivery as well as process efficiencies and other matters the company has embarked on a number of projects in the areas of reticulation extensions and improvement of service. These projects have been started and are at various stages of implementation. The projects in question include the following:

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

Most of the projects are largely on track except for a few which have experienced a number of problems including delays particularly the Five Towns Water project, which has been affected by disagreements with the financier (BADEA) about the scope of the project that led to delays in its implementation. This project will be restarted in the next financial year. The feasibility study project is a new initiative, started in the 2013-14 financial year. The Hydraulic Model Project has been concluded. The organisational Structural Review project which started during this period will be continued in the next year and hopefully be concluded.




Commissioning of urban and peri-urban water supply MCA financed projects in Mapoteng

Below is a summary of the status of implementation of some of the above-mentioned projects

a) The Five Towns Water Supply Project

This project is implemented by WASCO and funded by funds sought through the Government of Lesotho. This project is to be implemented in five towns namely **Botha-Bothe, Hlotse, Mafeteng, Mohale's Hoek and Qacha's Nek.** Under the project, the following were envisaged to be undertaken namely construction of weirs, abstraction systems, water treatment plants, pump stations, storage reservoirs and a new reticulation system. The project's design stage was planned to have been completed by April 2013 and construction was also expected to commence in July 2013.

The implementation of the above project has suffered a major setback due to issues around the scope of the project emanating from the financier (BADEA). Further work on the project had to be stopped as the financier refused to effect payment. The project will be implemented in the 2014-15 financial year.

b) The Urban and Peri-Urban Water Supply Project

This project was implemented on behalf of WASCO and the government of Lesotho by the Millennium Challenge Account (Lesotho) through funding from the American Government. The objective of the project is to rehabilitate the water distribution infrastructure and to extend distribution networks to areas which were not adequately served by the existing water supply. The project comprises five base packages, namely, Package 1: Maseru and Mazenod, Package 2: Semonkong, Package 3: Mafeteng, Mohale's Hoek, Quthing and Qacha's Nek, Package 4: Hlotse, Botha-Bothe and Mokhotlong, Package 5: Mapoteng.

The focus of this report will be only on two packages, Semonkong and Mafeteng, Mohale's Hoek and Qacha's Nek package which were earmarked for implementation during the 2013-14 business plan period. Other packages have since been completed.

Package 2: Semonkong

Package 2 entails the construction of new water supply in **Semonkong,** which includes intake works, water treatment works, pipelines of varying diameters, reservoirs, offices, and staff houses.

The project continues to be implemented and is at various levels of implementation. The construction of intake plant, pumps stations, treatment plant, four reservoirs and reticulation pipelines are either nearing completion or are 100% complete. Electromechanical works are 100% complete and overall intake progress is 100% complete. Booster stations electromechanical works is now 98% complete in all the stations. Wiring of the control panel is the only activity that is pending. The construction of reservoirs, pipelines as well as civil works have been successfully completed.

Package 3: Mafeteng, Mohale's Hoek, Quthing and Qacha's Nek

Package 3 entails the construction of 17.3km pipeline extension, 8.25km mains, 3 new reservoirs, and treatment plant rehabilitation in Mafeteng and rehabilitation of 13.2km pipeline, pipeline extension of 8km, reservoir

Metolong first impoundment

rehabilitation and intake and treatment plant rehabilitation in Mohale's Hoek while in Quthing there is rehabilitation of 1km of pipeline, intake, construction of a new reservoir, and replacement of low and high lift pumps. In Qacha`s Nek the project aims at 15.6km pipeline rehabilitation, reservoir rehabilitation and water treatment plant rehabilitation.

Progress is at 100% of overall progress on Reservoirs 1, 2 & 3 in Mafeteng. All the pipelines are completed, and testing is now 100%. 23,470 out of 22.777kms of pipeline have been laid. New pumps sets have also been installed in Mafeteng.

100%progress of reservoir in Qachas Nek. 8219.7 kilometres out of 15,574kms pipeline were laid in Qacha's Nek. (97.2%).

For Quthing, Civil works are now complete for the intake and pump sets have also been installed. Pipe laying has been completed in Quthing.

Installations of pumps in Mohale's Hoek is complete, while 19,289kms of 15,912kms of pipeline laid.

c) Maseru Waste Water Project

The project is being assisted through funding from the European Investment Bank. The Project entails collection of wastewater from the northern part of the city and conveys it to Agricultural College Treatment Plant, treat it, and dispose it safely. The project is meant to provide sewer services to residents in the north of Maseru and above Maqalika catchments areas. It is also meant to improve sanitation services for the residents who have yard connections by providing water- borne closets and VIPs. The project will be launched in May 2014 and will be delivered in collaboration with the partner TED.

The project is at the stage of procurement of private operator for the Agric college waste water treatment plant. Evaluations for technical assistance for training and operation of the treatment plants were concluded in December, 2013 and the report was submitted to the financier for no-objection. The contract was signed on the 21st March, 2014 and commenced on the 24th March, 2014. The Processes Engineer has been on site for the initial assessment of the plant.

d) Metolong Dam Project (MA)

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

i) Advance Infrastructure Phase 2

Contracts 1 to 4 inclusive are now complete. Work on Contract 5 – Building Works is +/- 95% complete and Contract 6 – Rural roads and bridges is +/-90% complete. Final Designs for WATSAN Phase 2 and Rural Electrification were submitted and are under review.

ii) Dam and Raw Water Pumping Station

Roller Compacted Concrete (RCC) placements in the dam commenced on 05 August 2013 and the dam is at 42 meters of the 83 meters envisaged dam height. The excavation for the raw water pump station is complete and placement of structural concrete has commenced.

Engineering, Planning and Development Division (continued)

The first impoundment of the dam commenced on 17 February 2014. Heavy rains in late February caused the reservoir to fill much quicker than anticipated with first overtopping occurring only 10 days later on 26 February 2014. Continued heavy rains in early March resulted in further over toppings and delays to many portions of the works. Structural concrete works continued on the critical path intake / outlet works and Raw Water Pump Station. Critical issues requiring resolution and constant follow up include supply of major mechanical equipment required for first water delivery which is targeted for 10 May 2014.

iii) Water Treatment Works and Treated Water Pumping Station.

Civil works are nearing completion. Mechanical and Electrical works are approximately 90% complete. It is expected that all Works and the Functional Testing will be completed by mid-May 2014. Tests on Completion will commence in mid-May 2014 when water becomes available from the dam. Potable water is expected to be produced before mid-November 2014.

iv) Downstream Conveyance System (DCS)

Contract 1 (Primary Line to Maseru) - The contract is approximately 35% complete. The contractor laid approximately 8.7 km out of 35 km of pipe to date. Delivery of 1168 mm pipe resumed in September after a 6-month delay due to quality assurance problems at the factory. The Contractor is currently working on resolving utility conflicts in the urban area and is bringing more teams on to improve productivity. This will ultimately affect delivery of water to Maseru.

Contract 2 (Secondary Lines to Mazenod, Roma and Morija) – The contract is approximately 85% complete. The contractor laid approximately 59 km out of 64 km of pipe to date. Reservoir concrete works is nearing completion and water tightness testing is in progress. Major outstanding works include mechanical and electrical installation at the reservoirs, valve and chamber installation.

Contract 3 (Secondary Line to Teyateyaneng) – The contract is approximately 55% complete overall. The contractor laid approximately 22 km out of 23 km of pipe to date. Major outstanding works include completion of construction works at the reservoirs, mechanical and electrical installation, and valve and chamber installation.

e) Hydraulic Model Project

The project is aimed at identifying possible lack of capacity and/or bottlenecks within the water distribution system and defining remedial works. The project provides a decision-making tool for operation of the system, particularly useful in emergency situations, such as pipe break, power failure or others, to decide how to regulate the flow of water to the areas where it is needed. Furthermore, it will also reduce the operational costs, especially pumping costs through optimization of the supply to each area, and improving pressure control and thus reducing Non Revenue Water.

Specialised equipment has been purchased under the project for calibration of the Maseru water network. These encompassed data loggers for flow, pressure and water level indicators. The equipment was then installed at strategic points in the system to log data for a period of a month. The information was then put back in the model for further analysis for best results on the behaviour of the system. This project has been concluded. There are still some activities remaining though, as a result of frequent water cuts in the north of Maseru.

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

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

This is a new project conceptualised during the financial year and will be implemented in the next planning period.

Metolong first impoundment

Operations and Maintenance Division

Mr. Moeti Makoa

The aim of the Division in this period was to improve quality of the product whereby 91% of samples met the minimum and maximum allowable, 96% of the samples had turbidity < 5.0 NTU and 22% of samples met the standard. The second major goal was to reduce non revenue water (NRW). NRW for the entire country was estimated at 28 percent for 2013/14. Though the target was met, NRW increased by one point from the 27 percent achieved in quarter3. Planned rehabilitation of reservoirs, installation of float valves and pressure switches to reduce leakages and bursts has been completed in some centers and this will on the long run assist in reducing NRW.

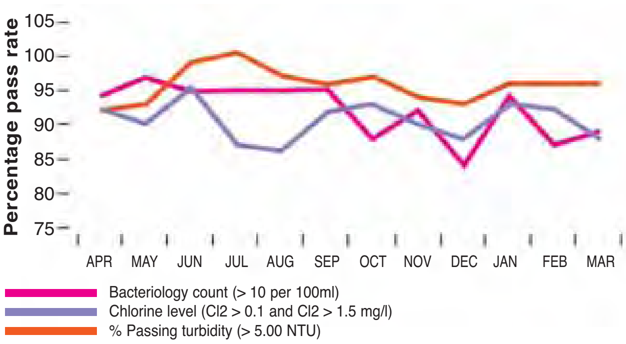
Water and Sewerage Quality

The target set for samples passing chlorination and microbiology test was set at 97 percent for the 2013/14 financial year. The target set for turbidity test for the financial year was also 97 percent.

The performance of WASCO in meeting water quality standard for the period is recorded at 95 percent for samples passing the microbiology tests. The samples passing the chlorine tests are 97 and 94 percent for >0.1 mg/l and <1.5 mg/l respectively. For turbidity tests, the performance has been at 45 percent and 96 percent for >1.00 NTU (Ideal) and <5.00 NTU (Maximum allowable).

The figure below presents performance of the quality of product produced by the company during the review period.

Figure 2: Analysis of performance of quality of product (Water) - April 2013 to March 2014



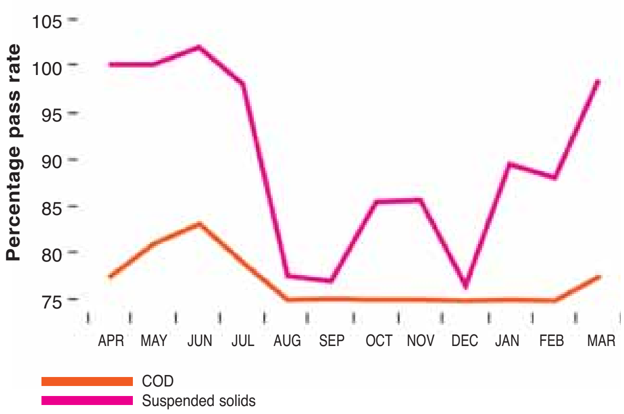
The figure above presents a steady performance in the area bacteriology count and turbidity levels which have been above 90% mark. This has however presented a declining trend during the third quarter going to its lowest point in December of 84 percent. There was a dip in the performance of samples passing chlorine levels tests particularly during the months of July and August and then there was an improvement during September and October.

All in all, the trend for samples passing chlorine test has been on a downward trend. The erratic performance on the chlorine tests is attributed to inconsistencies in dosing at treatment plants in some centres as well as the effects poor infrastructure in others. The trend of samples passing turbidity tests seem to be steady for the period ending December 2013, even though the trend during the third quarter has been downward.

Sewer performance for the year was recorded at 30 percent for suspended solids and 4 percent for COD tests. The performance of samples tested for COD have been performing very badly for the year. They have been either very close to zero or have actually been at the zero mark for the seven months of the twelve month period. After an initial above zero performance in the beginning of the year up to June 2013 the only other above-zero performance was realised in March 2014.

For Suspended Solids, performance was 44 percent in the third quarter. The performance of this parameter has been uneven since the start of the year. At the initial 50 percent performance in the first three months of the year, performance hovered below the 15 percent mark for the most part of the year. A steady improvement in performance started in December 2013 with a 28 percent pass rate recorded in January 2014. At the end of the year the pass rate improved to 47 percent. The unfavourable performance for Sewerage quality is in relation to the infrastructural inefficiencies and inadequacies related to the Sewerage Treatment Plants. The sewerage ponds, especially those in the districts are old and their capacity is extremely overloaded as they were initially designed to treat sewerage only from the hospitals, but now they have to accommodate waste water from a pool of businesses and domestic customers. Here below is a pictorial presentation of sewer quality for the period.

Figure 2: Analysis of performance of quality of product (Sewer) - April 2013 to March 2014



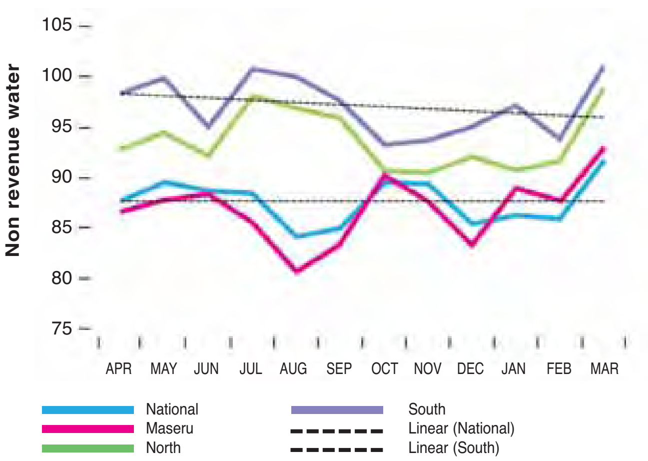
Non-revenue Water

The target for Non Revenue Water for 2013-14 has been set at 28 percent. Non Revenue Water performance for the period has been recorded at 28 percent. Maseru NRW for the period ending March 2014 was recorded at 25 percent while the north and south region NRW was 39.14 and 36.85 percent respectively.

The Maseru NRW has been very good despite infrastructural challenges. It is in the district centres that challenges of old infrastructure still exist as well as inadequate response times to pipe bursts due to capacity issues, hence the high NRW figures.

Below is a pictorial presentation of the performance of NRW for the period from April 2013 to March 2014.

Figure 3: National, Maseru, North and South Regions NRW (April 2013 to March 2014)



It will be realised from the figure above that the NRW for Maseru highly influences the national performance due to its magnitude compared to all other centres. Maseru's production and consumption surpasses all the centres combined. At 25 percent, Maseru plays a direct role in the determination of the national figure which has dropped to 28 percent for the period. It will also be realised from the figure above the effect of Maseru on the performance of the NRW for the country as a whole. The trend for Maseru is a mirror image of the national trend. It is pleasing to realise that the Maseru performance and hence the national performance is very positive (i.e. a reduction in the NRW figure) over the period.

The north and south regions' NRW is higher than the national figure and performance as shown in the figure above. It is also surprising to realise that the trend for the regions seem to be very similar and again these trends are also depicting a downward trend which is a very good sign of a reduction in non revenue water in general.

Pump control panels

High lift pumps

Finance Division

Introduction

In an attempt to improve financial sustainability operating profit margin has been recorded at 9.64%. The set target of 6% for the year has been surpassed. Revenue increased to M168, 094,891.33 which is 90.2 percent of the budgeted for the year of M186, 421,244.00. A tariff increase of 16 percent was approved by LEWA against the 36 percent proposal. In trying to improve debt management 50 customers have been reconnected and are settling their debt.

Mr. Soaile Mochaba

Financial Performance

a) Revenue Generation

The budgeted revenue for the 2013-14 is M186, 421,244.00. The amount of revenue generated at the end the year equals M 168,094,891.33, representing only 90.2 percent of the annual target.

Table 1: Performance of Revenue Streams for the period ending March 2014

Income Stream	Amount	Percentage
Water Billing	94,483,753.22	56.2
New Connections	14,059,184.19	8.4
Standing Charge	29,498,603.07	17.5
Prepaid Income	4,509,786.60	2.7
Sewerage Billing	22,551,770.03	13.4
Other Income	2,991,794.82	1.8
Total Income(Maloti)	**168,094,891.33**	

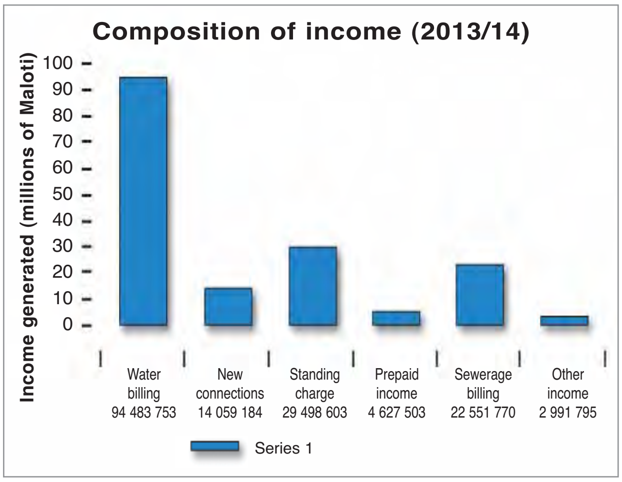
Valve chamber and concrete resevoir in the background

It will be realised that water billing still constitute the largest revenue stream and has registered 76.4 *(Water charge, Standing Charge and Prepaid income)* percent of total revenue generated. Sewer billing is the second with a share of 13.4 percent of total revenue generated. The new connections and Other income are represented at 8.4 percent and 1.8 percent respectively as contributions to total revenue for WASCO.

New water and sewer connections have registered a collective income of M14 059 184,19 which is an improvement from the M9 126 333 attained during the third quarter.

Figure 6 below is a graphical presentation of the composition of income for WASCO for the period April 2013to March 2014.

Figure 6: Composition of Income (April 2013 to March 2014)



It can be deduced from the figure above that a large amount of revenue for the company is sourced from Water billing and a very small proportion is derived from the Sewerage services. WASCO is currently working on strategies to improve on the revenue from the Sewerage side. The completion of the Sewerage networks in some parts of the urban Maseru, completion and operationalising of the waste water treatment works at the Agric – College and MASOWE are some of the initiatives that will improve and increase the amount of revenue generated.

For 2013/14, Operating profit is estimated at M16, 210,351.00 registering a profit margin of 9.64 percent against a budgeted profit margin of 3.55 percent. This achieved profit margin is still higher than the targeted (ABP 2013-14) margin of 6 percent.

The figure compares the Company's Income and Expenditure patterns for the financial year 2013/14.

The above figure presents a positive picture of income exceeding expenditure as well as a positive trend in profits. Though the company experienced a deficit in the last quarter, the overall annual position is positive and indicates growth.

b) Expenditure

Total expenditure for the period is recorded as M151, 884,540.33 and is 21 percent lower than the budgeted amount of M179, 809,075.00. This could be defined as savings but are an indication of lack of capacity in the implementation of planned activities.

Manpower costs and power continue to be the largest cost drivers and represent 45.4 percent and 9.3 percent of the total expenditure respectively. Expenditure on new connections material is at 5.8 percent, chemical usage for treatment of water amounted covers only 4 percent while the Company's fleet is 3.1 percent of the annual expenditure.

The table below presents the company's performance during the period ending March 2014 and the performance of individual components of expenditure throughout the entire period.

Table 2: Composition of Expenditure (April to March 2014)

Expenditure Item	Amount	Percentage
Salaries	51,069,896.67	33.62%
Overtime	2,399,755.07	1.58%
Benefits	15,463,274.61	10.18%
Temporary Employees	1,579,199.71	1.04%
Security	5,652,016.32	3.72%
Power	14,113,051.94	9.29%
Chemicals	6,083,361.09	4.01%
Vehicle Costs	4,634,619.18	3.05%
Plant	3,937,244.95	2.59%
New Connection Materials	8,783,154.09	5.78%
Reticulation Maint. Materials	4,076,169.92	2.68%
Meter & Service Maint. Materials	1,817,795.87	1.20%
Other Expenditures	18,608,475.64	12.25%
Depreciation	13,666,525.32	9.00%
Total	**151,884,540.33**	

a) Debt Management and Collection

Actual collection for the period to 31st March 2014 has been recorded at

M168, 634,102.87 with post-paid billing income and other income at M163, 831,369.16 and prepaid billing at M4, 802,733.71. Collection performance in terms of number of debt days has been recorded at 184 debt days, a reduction in performance from the last quarter's figure of 182 debt days. This is an improvement though from last year's figure of 228 debt days. However, this performance is still far off against the set target of 155 days for the 2013/14 financial year.

As a way of dealing with the high debt age, the company engaged in a debt collection campaign that was initiated in October 2013 that entailed issuing of warning letters to customers who had defaulted on their monthly payment

Standby generator set and steel tank in the background

of water bills as well as their actual disconnections and failure to pay is followed up by disconnections. There are also campaigns through the media that are aimed at encouraging timely payments by customers and an engagement of a private debt collector as a way of reducing debt and minimising debt age.

Again, in addressing the prevailing high debt by the government ministries, the Chief Executive of WASCO has held a meeting with the relevant Principal Secretaries to discuss and agree with them to settle their debts. This matter was also presented to the Principal Secretary of the Ministry of Energy, Meteorology and Water Affairs and elevated to the Minister for them to assist on the matter.

Strategic and Human Resources Division

This year, strategic plan was in its second year of implementation. Performance monitoring against targets set within the plan was done quarterly. One of the key strategic goals is strengthening the human resource capacity and performance management and the Company undertook an Organisation Review Project in an attempt to achieve this goal.

Mrs. 'Mamojela Koneshe

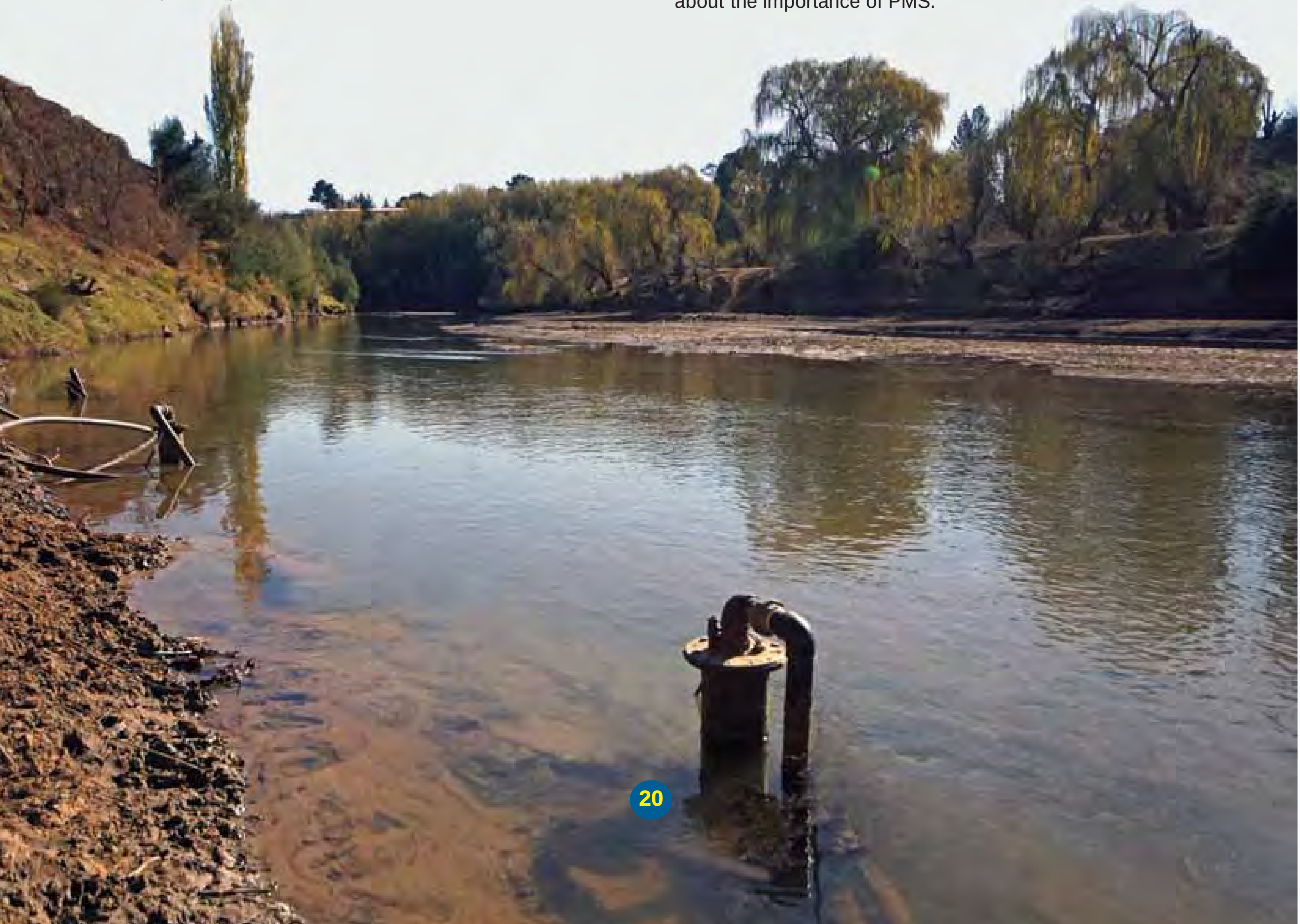
Organisation Review Project

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

After the initial procurement stage which was concluded early in the year, the project started with agreement on the inception report and the consultant started work with a diagnostic study of the state of WASCO structure. This was done through in-depth consultations with WASCO employees across all levels as well as desk top analysis. Feedback on this study to management was done in December 2013.

Consultations for the Macro Structure took place in January 2014 and the final Macro Structure was approved by the Board of Directors on 24th February 2014. Following approval, consultations for the micro structure took place during the last week of February 2014. Follow up consultations were done on 31st March and 1st April 2014, retrospectively. Implementation of the new structure will start during 2015/16 as it will have financial implications.

Another task aimed at increasing human resource capacity and improving performance management was development of a survey on the use and understanding of Performance Management System (PMS). The reported response rate was however very low and the Human Resource office will engage strategies to re-sensitise staff about the importance of PMS.



General Information

for the year ended 31 March 2014

WASCO
SAVE EVERY DROP

Nature of business

To provide adequate potable water and safe disposal of waste water to every stakeholder in the urban centres of Lesotho

Board of Directors

Chairman

Dr. Metsing Mangoaela

Members

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

Chief Executive

Mr. Lerotholi Mathealira

Secretary

Mr. Sekhonyana Sekhonyana

Business Address

Water and Sewerage Company
Off Moshoeshoe Road
Industrial Area
Hoohlo Maseru

Postal Address

P.O. Box 426 Maseru 100

Bankers

Standard Lesotho Bank
NedBank Lesotho

Auditors

Moteane, Quashie & Associates for Auditor General
Private Bag A169, Maseru 100

Statement of Board of Directors

for the year ended 31 March 2014

DIRECTORS STATEMENT OF RESPONSIBILITY AND APPROVAL

The Board of Directors is required to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is its responsibility to ensure that the financial statements fairly present the state of affairs of the company at the end of the financial year and the results of its operations and cash flows for the year ended and in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the financial statements.

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

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

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

The Board of Directors has reviewed WASCO's cash flow forecast and budgets for the year to 31 March 2015 and is satisfied that WASCO has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on WASCO's financial statements.
The financial statements set out on pages 26 to 45 were approved by the Board of Directors
in Maseru and are signed on its behalf by:-

Chairman

Chief Executive Officer

Report of the Directors

for the year ended 31 March 2014

The Board of Directors presents its report which forms part of the audited financial statements for the year ended 31 March 2014. Water and Sewerage Authority was reincorporated as Water and Sewerage Company (Proprietary) Limited (WASCO) in terms of the WASCO Act 13 of 2011. This act provides for the vesting of the assets liabilities rights and obligations of Water and Sewerage Authority in the company.

Nature of Business

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

Shareholders

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

Operating Results

The loss on ordinary activities for the year amounted to **M14.28** million (2013: (**M4.696** million)). Full details of the financial results are set out on pages 26 to 45.

Subsequent Events

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

Going Concern

We draw attention to the fact that at 31 March 2014 the Company had an accumulated loss of **M61.571** million. The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities contingent obligations and commitments will occur in the ordinary course of business. The Board of Directors is satisfied that WASCO has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

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

Moteane, Quashie and Associates Chartered Accountants, under Section 15(1) of the Audit Act 1973, have audited the accompanying financial statements of Lesotho Water and Sewerage Company which comprise the balance sheet as at 31 March 2014 and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 26 to 45.

Director's responsibility for the financial statements

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

Auditor's responsibility

My responsibility is to express an opinion on these financial statements based on my audit. The audit has been conducted in accordance with International Standards on Auditing. Those standards require auditors to comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for adverse opinion

1. **Bank Accounts**

   a. The Standard Lesotho Bank main account BSCB 01 has non-reconciled credits of M1,92 million.

   b. Bank account numbers BSCB 13 and BSCB 14 used to record Unknown Bank Debits and Credits both had a balance of M0,8 million.

2. **Impairment of financial assets**

   a. The fair value of the Trade receivables balance of M65,459 million in Note 5 has not been determined in terms of the accounting policies in Notes 2.7.4 and 2.7.6.

   b. Trade receivables of M85,715 million in Note 5 differ from the age analysis total of M84 million.

3. **Impairment of non-financial assets**

Non-financial assets of M1,19 billion disclosed in Note 3 are not stated in terms of the accounting policies in Notes 2.3 and 2.4 of the financial statements and they were last valued in 2008.

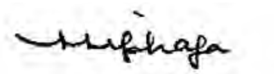
4. **Inventories**

IAS2 requires that inventories should be measured at lower cost or net realisable value. Included in inventories of M8,38 million disclosed in Note 4 are inventories amounting to M1,1 million stated at a cost higher than realisable value.

Due to the matters highlighted in paragraphs 1 to 4, I am unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded Trade Receivables, Cash and Bank, Revenue, accounts Payables and the elements making up the Statement of Comprehensive Income, Statement of Changes in Equity, Tax and Statement of Cash Flows.

Adverse opinion

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



LUCY L. LIPHAFA (Mrs)
AUDITOR GENERAL

11 February 2015

Statement of Financial Position

as at 31 March 2014

	Notes	2014 M'000	2013 M'000
ASSETS			
Non-current assets		**1 190 093**	**1 174 200**
Property, plant and equipment	3	1 190 093	1 174 200
Current assets		**140 183**	**130 818**
Inventory	4	8 267	10 055
Trade and other receivables	5	71 814	71 434
Short-term investments	6	27 716	13 452
Bank and cash	7	32 387	35 877
TOTAL ASSETS		**1 330 276**	**1 305 018**
CAPITAL AND LIABILITIES			
Capital and Reserves		**1 111 955**	**1 060 857**
Share Capital	8	1	1
GOL funding	9	387 377	389 381
GOL grant	10	794 722	736 616
Accumulated funds	11	(61 856)	(56 852)
Reserves	12	(8 289)	(8 289)
Non-current liabilities		**148 352**	**151 356**
Provisions for severance pay	13	16 426	13 311
Long-term loans	14	131 926	138 045
Current Liabilities		**69 969**	**92 805**
Bank	7	–	26 674
Accounts payable	15	69 969	66 131
TOTAL CAPITAL AND LIABILITIES		**1 330 276**	**1 305 018**

Statement of Comprehensive Income

for the year ended 31 March 2014

	Notes	2014 M'000	2013 M'000
Revenue	19	**171 233**	**157 756**
Manpower costs		80 743	69 327
Depreciation		15 086	14 767
Stock adjustment		2 027	496
Reticulation and plant maintenance		12 556	7 684
New connections		9 912	7 956
Other expenses	19	52 690	61 516
Total expenses		**173 014**	**161 746**
Operating Profit/(Loss)		**(1 781)**	**3 990**
Net interest received/(charged)		(12 501)	8 686
Net profit before taxation	19	**(14 282)**	**4 696**
Taxation	2.13	–	–
Profit/(Loss) for the year		(14 282)	4 696
Prior year adjustment	16	9 278	3 092
Profit/(Loss) at end of year		**(5 004)**	**7 788**

Statement of changes in Capital and Reserves

for the year ended 31 March 2014

	GOL Funding	GOL Grant	Share Capital	Reserves	Accum-ulated Surplus/ (Deficit)	Total
	M'000	M'000	M'000	M'000	M'000	M'000
Balance at 31 March 2013	**389 381**	**736 616**	**1**	**(8 289)**	**(56 852)**	**1 060 857**
Net loss for the year	–	–	–	–	(14 282)	(14 282)
Prior year adjustments	–	–	1	–	9 278	9 278
GOL funding	(2 004)	58 106	–	–	–	56 102
Grant amortised	–	–	–	–	–	–
Balance at 31 March 2014	**387 377**	**794 722**	**1**	**(8 289)**	**(61 856)**	**1 111 955**

Statement of Cash Flow

for the year ended 31 March 2014

	2014 M'000	2013 M'000
CASH GENERATED FROM OPERATING ACTIVITIES		
Net Profit before interest charges	**(14 282)**	**5 315**
Adjustment for:		
Depreciation	15 086	14 767
Adjustments	–	–
(Profit)/Loss on fixed assets disposal	(212)	–
Provision for severance pay	3 115	768
Write offs and adjustments	2 027	496
Prior year adjustment	9 278	3 092
Interest paid	17 157	–
Interest income	(4 656)	(9 305)
	27 513	**15 133**
Changes in working capital:		
Decrease/ (Increase) in inventory	1 788	(2 287)
Decrease/ (Increase) in receivables	(380)	7 141
(Decrease)/Increase in payables	3 838	(3 093)
Cash generated from operations	32 759	16 894
Interest paid	(17 157)	(619)
	15 602	**16 275**
CASH UTILISED IN INVESTING ACTIVITIES		
Purchase of tangible fixed assets	(125 413)	(67 189)
Transfer of assets	92 619	–
Interest received	4 656	9 305
	(28 138)	**(57 884)**
CASH FROM FINANCING ACTIVITIES		
Increase in GOL contribution/grant	56 102	57 936
Increase/ (Decrease) in long term liabilities	(6 119)	(5 450)
	49 983	**52 486**
Net Movement for the Year	**37 447**	**10 877**
Cash and cash equivalent at beginning of year	22 655	11 778
Cash and cash equivalents at end of year	**60 102**	**22 655**

1. BACKGROUND

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

2. ACCOUNTING POLICIES

2.1 Basis of Preparation

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

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

2.2 Standards and amendments effective in 2013

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

2.3 Property, plant and equipment

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

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

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

Summary of Significant Accounting Policies (continued)

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

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

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

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

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

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

Revaluation of fixed assets

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

Reticulation

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

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

Other assets

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

2.4 Impairment of non-financial assets

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

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

Summary of Significant Accounting Policies (continued)

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss. An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease. An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets that may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

2.5 Revenue recognition

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

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

Income

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

Revenue from rendering services is recognised by reference to the completion of the specific transaction assessed as the basis of the actual service provided as a proportion of the total services provided when it is probable that the economic benefits associated with a transaction will flow to WASCO and the amount of revenue and associated costs incurred or to be incurred can be measured reliably.

Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired WASCO reduces the carrying amount to its recoverable amount being the estimated future cash flow discounted at original effective interest rate of the instrument and continues unwinding the discount as interest income. Interest on impaired loans is recognised either as cash is collected or on a cost-recovery basis as conditions warrant.

Dividend income

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

2.6 Inventories

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

2.7 Financial assets

2.7.1 Classification

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

- Loans and receivables
- Financial liabilities measured at amortised cost

Summary of Significant Accounting Policies (continued)

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

2.7.2 Initial recognition and measurement

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

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

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

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

2.7.3 Subsequent measurement

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

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

2.7.4 Impairment of financial assets

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

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

2.7.5 Impairment losses are recognised in profit or loss

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

2.7.6 Reversals of impairment losses are recognised in profit or loss

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

2.7.6 Trade and other receivables

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

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

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in profit or loss.

Summary of Significant Accounting Policies (continued)

2.8 Cash and cash equivalents

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

2.9 Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that WASCO will not be able to collect all amounts due according to the original terms of the receivables. Significant reorganisation and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of comprehensive income. When a trade receivable is uncollectible it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the statement of comprehensive income.

2.10 Account s payable

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

2.11 Liabilities and provisions

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

WASCO recognises a provision for onerous contracts when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under the contract.

Restructuring provisions comprise lease termination penalties and employee termination payments and are recognised in the period in which WASCO becomes legally or constructively committed to payment. Costs related to the ongoing activities of WASCO are not provided in advance.

2.12 Borrowings

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

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

2.13 Current tax assets and liabilities

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

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

WASCO was granted autonomous status on 1st April 1992 and as such is liable for Corporation Tax at the applicable rate on its assessed taxable profit. It is expected that no liability to taxation will arise for the year based on the reported results of the previous years.

Summary of Significant Accounting Policies (continued)

2.14 Government grants

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

2.15 Dividend distribution

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

2.16 Leases

Leases of property plant and equipment where WASCO has substantially all the risks and rewards of ownership are classified as finance lease. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations net of finance charges are included in other long-term payables. The interest element of the finance cost is charged to the statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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

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

2.17 Financial risk management

Financial risk factors

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

Market risk

From time to time WASCO is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the US dollar. Foreign exchange risk arises from future commercial transactions recognised assets and liabilities. Foreign exchange risk arises when future commercial transactions recognised assets and liabilities are denominated in a currency that is not WASCO's functional currency. As at 31 March 2012WASCO was not exposed to any foreign currency exchange risk.

Price risk

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

Cash flow and fair value interest rate risk

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

Summary of Significant Accounting Policies (continued)

2.17 Financial risk management (continued)

	Less than 1 year M'000	Between 1 and 5 years M'000	Over 5 years M'000
At 31 March 2014			
Borrowings	–	19 709	112 217
Trade and other payables	55 335	–	–
At 31 March 2013			
Borrowings	–	19 709	118 336
Trade and other payables	69 969	–	–

Capital risk management

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

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

During 2014, WASCO's strategy, which was unchanged from 2013, was to maintain a low gearing ratio of not more than 40%. The gearing ratios at 31 March 2014 and 2013 were as follows:

	2014 M'000	2015 M'000
Total borrowings (note 14) includes bank overdraft	164 858	164 719
Total equity	1 111 955	1 060 857
Total capital (total borrowings plus equity)	1 276 813	1 198 905
Gearing ratio	**12,9%**	**13,7%**

Fair value estimation

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

2.18 Employee benefits

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

Summary of Significant Accounting Policies (continued)

2.19 Critical accounting estimates and assumptions

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

Provision of impairment of trade receivables

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

Review of useful lives

WASCO depreciates items of property, plant and equipment based on the useful lives of those items.
The useful lives of the items are management's best estimates. The useful lives are disclosed in accounting policy 2.3 and they are treasonable in management's view. These useful lives determine the amount of depreciation recognised in the statement of comprehensive income each year.

Income taxes

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

2.20 Contingent liabilities

WASCO discloses a contingent liability where:

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

2.21 Functional and presentation currency

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

2.22 Comparative figures

Where necessary comparative figures of WASCO have been restated to conform to the current reporting format.

2.23 Rounding

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

3. Property, plant and equipment

FOR THE YEAR ENDED 31 MARCH 2014	2014 Cost M'000	2014 Accumulated depreciation M'000	2014 Carrying amount M'000	2013 Cost M'000	2013 Accumulated depreciation M'000	2013 Carrying amount M'000
Owned assets						
Land & buildings	31 084	(4 723)	26 361	29 745	(4 002)	25 743
Specialised operational structures	194 996	(40 642)	154 354	141 572	(37 109)	104 463
Reticulation	279 604	(94 356)	185 248	255 570	(89 284)	166 286
Plant & machinery	32 439	(15 303)	17 136	32 042	(12 480)	19 562
Motor vehicles	17 362	(13 795)	3 567	17 080	(13 608)	3 472
Office equipment & furniture	19 450	(7 209)	12 241	18 828	(5 963)	12 865
Assets in construction	790 446	–	790 446	841 217	–	841 217
Suspense	740	–	740	592	–	592
	1 366 121	**(176 028)**	**1 190 093**	**1 336 646**	**(162 456)**	**1 174 200**

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

	Amount at beginning of period M'000	Transfer to completed projects M'000	Addition M'000	Others Cost M'000	Others Depreciation M'000	Carrying amount at end of period M'000
Owned assets						
Land & buildings	25 743		1 335	–	(717)	26 361
Specialised operational structures	104 463		53 404	–	(3 513)	154 354
Reticulation	166 286		24 029	–	(5 067)	185 248
Plant & machinery	19 562		348	–	(2 774)	17 136
Motor vehicles	3 472		3 649	(1 504)	(2 050)	3 567
Office equipment & furniture	12 865		342	–	(966)	12 241
Assets in construction	841 217	(92 929)	42 158	–	–	790 446
Suspense	592		148			740
	1 174 200	**(92 929)**	**125 413**	**(1 504)**	**(15 086)**	**1 190 093**

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

WASCO

SAVE EVERY DROP

3. Property, plant and equipment (continued)

FOR THE YEAR ENDED 31 MARCH 2013	2013 Cost M'000	2013 Accumulated depreciation M'000	2013 Carrying amount M'000	2012 Cost M'000	2012 Accumulated depreciation M'000	2012 Carrying amount M'000
Owned assets						
Land & buildings	29 745	(4 002)	25 743	29 698	(3 285)	26 413
Specialised operational structures	141 572	(37 109)	104 463	141 449	(33 597)	107 852
Reticulation	255 570	(89 284)	166 286	254 098	(84 217)	169 881
Plant & machinery	32 042	(12 480)	19 562	28 263	(9 707)	18 556
Motor vehicles	17 080	(13 608)	3 472	16 276	(11 891)	4 385
Office equipment & furniture	18 828	(5 963)	12 865	7 980	(4 983)	2 997
Assets in construction	841 217	–	841 217	801 783	–	801 783
Suspense	592		592			
	1 336 646	**(162 456)**	**1 174 200**	**1 279 547**	**(147 679)**	**1 131 867**

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

FOR THE YEAR ENDED 31 MARCH 2013	Amount at beginning of period M'000	Transfer to completed projects M'000	Addition M'000	Others Cost M'000	Others Depreciation M'000	Carrying amount at end of period M'000
Owned assets						
Land & buildings	26 413	–	–	47	(717)	25 743
Specialised operational structures	107 852	83	–	40	(3 512)	104 463
Reticulation	169 881	1 472	–	–	(5 067)	166 286
Plant & machinery	18 556	3 067	–	712	(2 773)	19 562
Motor vehicles	4 385	219	–	585	(1 717)	3 472
Office equipment & furniture	2 997	10 314	–	534	(980)	12 865
Assets in construction	801 783	(27 755)	67 189	–	–	841 217
Suspense	–	–	–	592	–	592
	1 131 867	**(12 600)**	**67 189**	**2 510**	**(14 766)**	**1 174 200**

Note:

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

	2014 M'000	2013 M'000
4. Inventory		
Cost	8 388	10 096
Provision for obsolete stock	(91)	(91)
	8 267	**10 005**
5. Accounts receivable		
Trade receivables	85 715	85 763
Less: Provision for doubtful debts	(20 256)	(22 628)
Net trade accounts receivable	**65 459**	**63 135**
Miscellaneous debtors	4 667	5 663
Postal services	196	210
Sanitations unit	–	–
Shoprite services	1 048	1 111
Pick and Pay	201	95
Staff housing loan	7	240
Staff travel imprest	187	159
Prepaid expenses	–	–
Prepaid insurance	–	(50)
Other debtors	49	871
	71 814	**71 434**
The fair values of trade and other receivables are as follows:		
Trade receivables	65 459	63 135
Sundry debtors	6 355	8 299
	71 814	**71 434**

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

As of 31 March 2014 trade receivables of M93 998 000 (2013: M93 653 000) were impaired and provided for. The amount of the provision was M20,256,000 as of 31 March 2014 (2013: M22 628 000). The individually impaired receivables mainly relate to Domestic and Non-domestic accounts mostly disconnected for non-payment.

At 1 April	**22 628**	**6 589**
Provision for receivables impairment	(2 372)	16 039
At 31 March	**20 256**	**22 628**

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

	2014 M'000	2013 M'000
6. Short-term investments		
Standard Lesotho Bank Income Fund Accounts	1 239	1 132
Standard Lesotho Bank Money Markets	27 228	7 600
Central Bank Treasury Bills	–	4 720
	28 467	**13 452**
7. Bank and cash		
Standard Lesotho Bank Call Accounts	7 144	7 930
Cashiers	8	155
Sub-total	**7 152**	**8 085**
Standard Lesotho Bank Current Account	24 458	27 290
Others	26	502
	31 636	**35 877**
7.1 Overdraft		
Standard Lesotho Bank Current Account	–	5 214
Standard Lesotho Bank Money Market	–	–
WASCO DEPOSITS INCOME ACCOUNT	–	20 816
Others	–	644
	–	**26 674**

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

8. Share capital

	2014 M'000	2013 M'000
Authorised		
1 000 shares of M1 each	1	–
Issued and fully paid		
1 000 shares of M1 each	1	–

9. Government of Lesotho funding

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

	2014 M'000	2013 M'000
Balance brought forward	**389 381**	**386 063**
Additions during the year	(2 004)	3 318
	387 377	**389 381**

	2014 M'000	2013 M'000

10. Government of Lesotho grant

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

	2014 M'000	2013 M'000
Balance at 1st April	**736 616**	**681 998**
Industrialisation loan	–	–
W-I-P	380 845	677 947
Completed projects	355 771	4 051
Additions during the year	**67 589**	**63 583**
Adjustments	**(9 483)**	**–**
Amortisation: Completed projects	**(8 965)**	**(8 965)**
	794 722	**736 616**

Note:

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

11. Accumulated deficit

	2014 M'000	2013 M'000
Balance at 1st April	(56 852)	(64 640)
Net profit/(loss) for the year	(14 282)	4 696
Prior year adjustment (Note 16.)	9 278	3 092
	(61 856)	(56 852)

12. Reserves

	2014 M'000	2013 M'000
Revaluation reserve	(8 418)	(8 876)
Prior year adjustment	–	458
General reserve	129	129
	(8 289)	(8 289)

13. Provision for severance pay

	2014 M'000	2013 M'000
Provision for severance pay	16 426	13 331

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.

14. Long term liabilities

14.1 Standard Lesotho Bank loan

	2014 M'000	2013 M'000
A loan advanced by the Standard Lesotho Bank to finance the purchase of two excavators. The loan is payable over a period of sixty months at an interest rate of 12% per annum	–	(22)

	2014 M'000	2013 M'000
14. Long term liabilities (continued)		
14.2 Maseru Waste Water - EIB		
A loan advanced by European Investment Bank to finance the Sewer reticulation system & construction of treatment plant the repayment of loan for each tranche shall be paid by 40 Semi-annual installments.	83 301	87 379
14.3 IDA - WSIP loan		
A subsidiary agreement between Kingdom of Lesotho & WASCO for financing Lesotho Water sector improvement project. The loan is payable over the period of 25 years including grace period of seven years. The interest is charged at 2% p.a	30 957	30 957
14.4 Nedbank - loan		
A loan advanced by Nedbank Lesotho to enable WASCO to finance the supply of clean water to the Maseru North East Areas (Maseru Peri- Urban Project). The loan is payable over the period of ninety six (96) equal monthly installments and payable on the 15th day of each succeeding month. Interest rate is subject to fluctuations in prime	17 668	19 709
	13 926	**138 023**

15. Accounts payable and accruals

	2014 M'000	2013 M'000
Accrued expenses	2 580	2 516
Customers' deposits	7 060	6 495
Due to contractors	25 234	27 394
Interest payable to the government	22 517	17 503
Interest payable to NedBank	(495)	–
Provision for severance pay	1 825	1 479
Trade creditors	183	(1 464)
Vat payable	908	772
Gratuity provision	6 410	7 231
Goods received not invoiced	4 948	4 884
Income Tax deducted	1 186	1 939
Other payables	(272)	293
Medical Aid Insurance	(325)	(636)
Withholding tax (Trade creditors)	139	(267)
WASCO Staff Welfare Fund	(409)	(307)
Salaries and wages	(1 520)	(1 701)
	69 969	**66 131**

16. Prior year adjustments

	2014 M'000	2013 M'000
Un-reconciled differences in Reserves	–	3 092
Correction of unsupported balances	9 278	–
	9 278	**3 092**

	2014 M'000	2013 M'000

17. Risk management

Capital risk management

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

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

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

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

There are no externally imposed capital requirements.

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

Financial risk management

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

Liquidity risk

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

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

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

31 March 2013	**Total** M	Less than 1 year M	Between 1 and 2 years M	Between 2 and 5 years M	Over 5 years M
Trade and other payables	**69 969**	**69 969**	**–**	**–**	**–**

Cash flow and fair value interest

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

Credit risk

Credit risk is managed on a divisional basis.

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

Price risk

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

Foreign exchange risk

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

	2014 M'000	2013 M'000

18. Financial instruments

Credit risk

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

	Carrying amount 31 March 2014 M	Carrying amount 31 March 2013 M
Trade receivables	71 814	71 339
Cash and cash equivalents	60 102	22 750
	131 916	**94 089**

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

Categories of financial instruments	Carrying amount 31 March 2014 M	Fair value 31 March 2013 M
Financial assets		
Loans and receivables		
Trade and other receivables	71 814	71 339
Cash and cash equivalents	60 102	22 750
Total financial assets	**131 926**	**94 089**
Financial liabilities		
Trade and other payables	69 969	66 131
Total financial liabilities	**69 969**	**94 089**

19. Income

	2014 M'000	2013 M'000
Water and sewage charges	151 452	137 878
New service connection	14 922	15 878
Gain on disposal	212	–
Other income	4 646	4 000
	171 233	**157 756**
EXPENDITURE		
Manpower costs	80 743	69 327
Electricity	16 262	13 622
Reticulation & plant maintenance	12 556	7 684
Chemicals	7 230	5 460
Transport	6 260	5 007
New connections	9 912	7 955
Telephone, stationery & postage	4 975	3 736
Rents, security & insurance	6 856	6 813
Training & travel expenses	1 588	1 792
Directors fees	736	695
Audit fees	448	152
Office equipment	2 073	1 557
Other expenses (including write-offs)	8 072	6 424
Rates	562	219
Adjustment account	2 027	496
Depreciation	15 086	14 767
Bad debts	(2 372)	(16 040)
	173 014	**(161 746)**
Operating profit (loss) for the year	**(1 781)**	**(3 990)**

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WASCO

SAVE EVERY DROP

Water & Sewerage Company

P O Box 426, Maseru, 100 Lesotho

Tel: +266 22 312 449

Fax: +266 22 310 006

24 Hours: +266 22 313 943

Tollfree No: 800 22 011

e-mail: pro@wasco.co.ls or info@wasco.co.ls

Website: www.wasco.co.ls