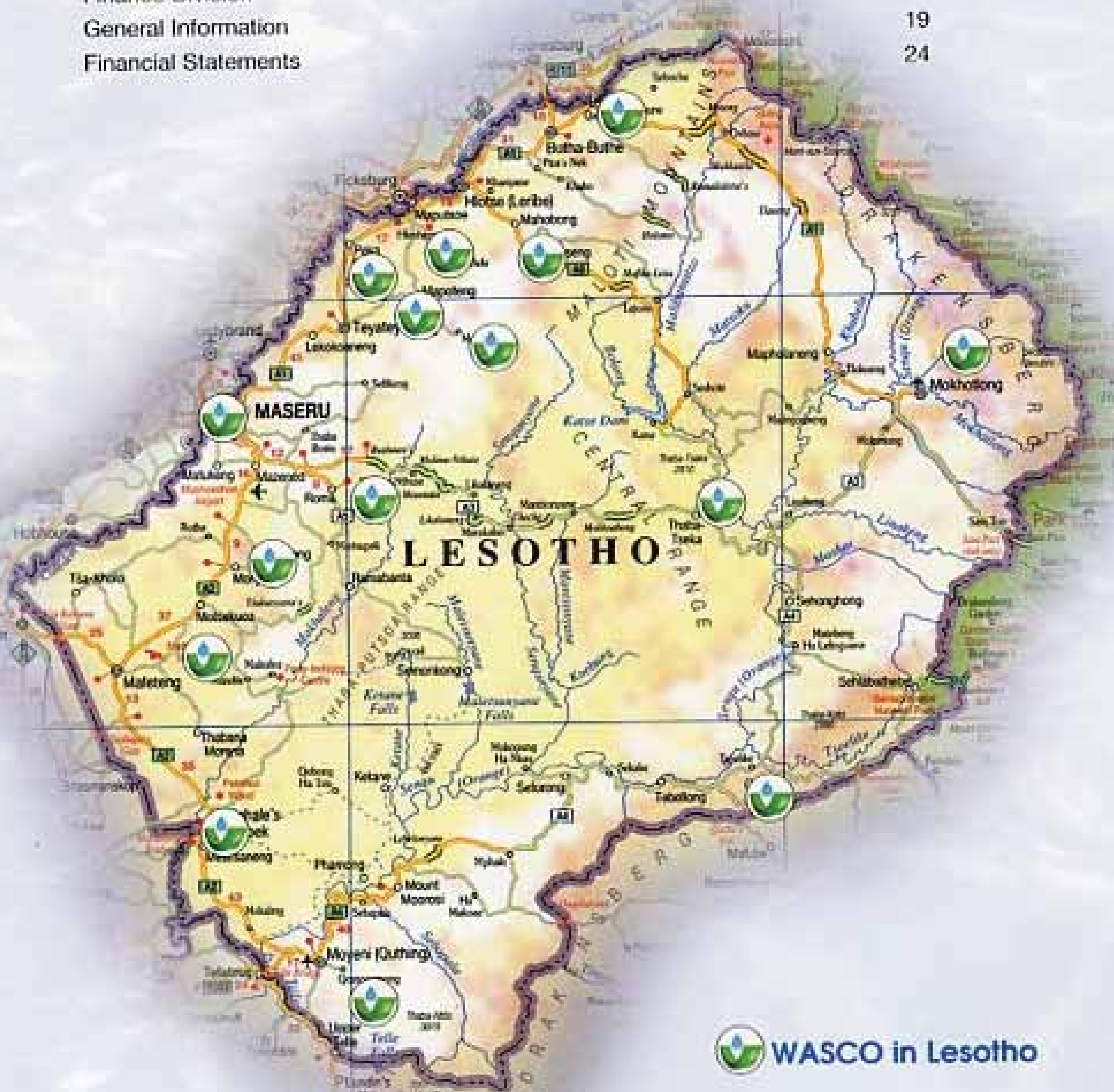
Annual Report 2012/2013

Water & Sewerage Company

WASCO

Contents



WASCO in Lesotho

Vision

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

Mission Statement

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

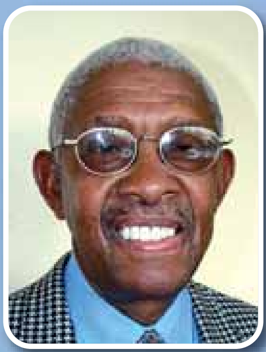
Corporate Profile

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

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

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

Board of Directors



Dr. Percy Mangoaela
Chairman

Mrs. ‘Mammako Molapo

Mr. Ntahli Matete

Mrs. ‘Mamonaheng
Ramonaheng

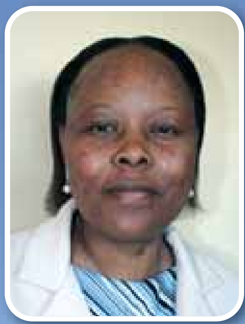
Mr. Lebohang Mofammere

Mrs. Refiloe Tlali
Chief Executive

Senior and Middle Management

Mrs. 'Mamathe Makhaola
Chief Executive Officer
Director of Engineering

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



Mrs. “Mamots’oane ‘Musa
Director of Finance

Mr. Lira Mohosho
Director of Operations and Maintenance

SENIOR MANAGEMENT

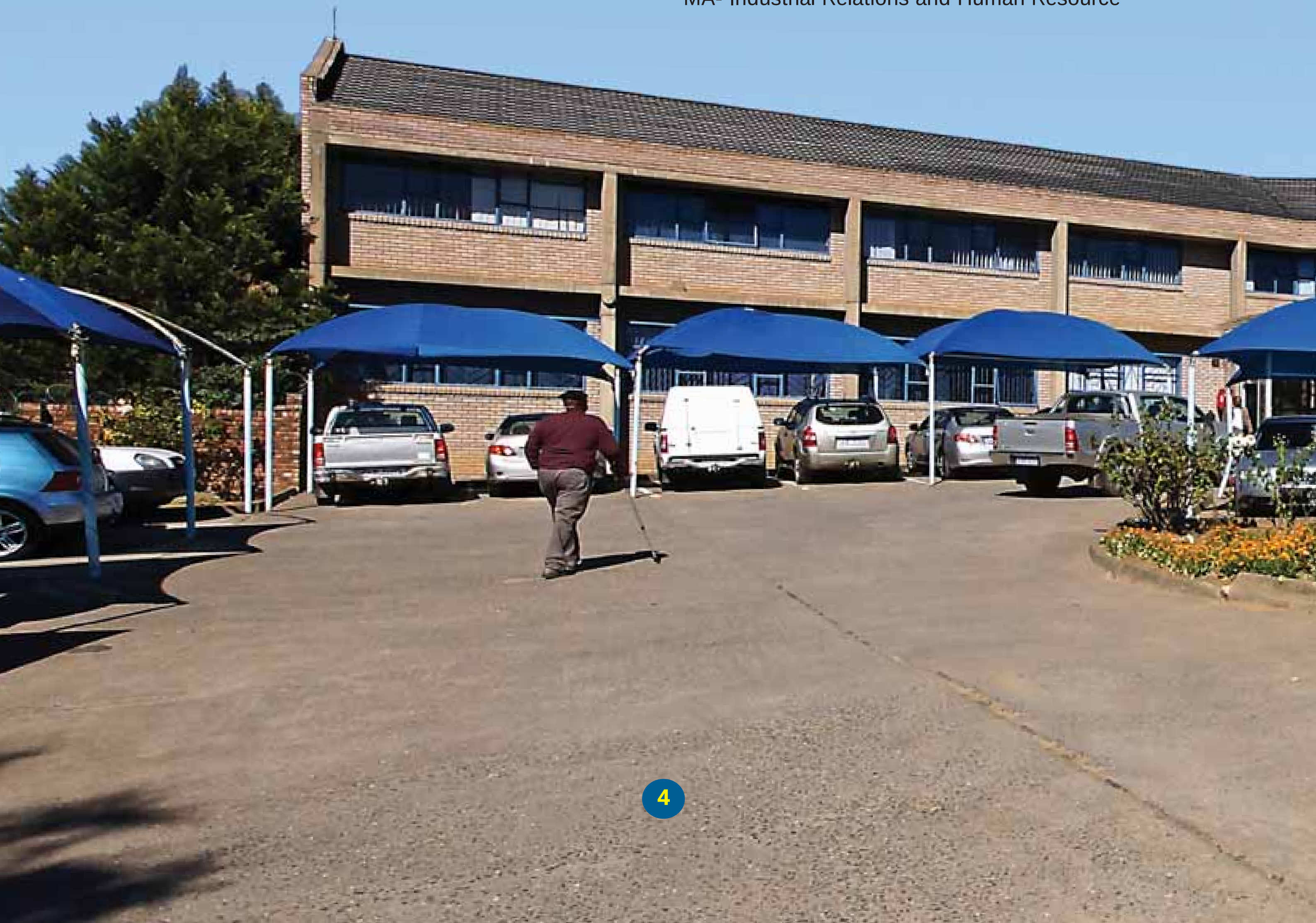
Mrs. ‘Mamathe Makhaola
Chief Executive
BEng. Civil Eng.

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

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

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

STRATEGIC SERVICES and HUMAN RESOURCES

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

ENGINEERING

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

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

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

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

FINANCE

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

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

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

Ms. Tselane Mohapi
Credit Controllor
Registered Accountant

Mrs. Lerato Mokuoane
Stores Accounting Manager
CA (Lesotho)

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

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

OPERATIONS

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

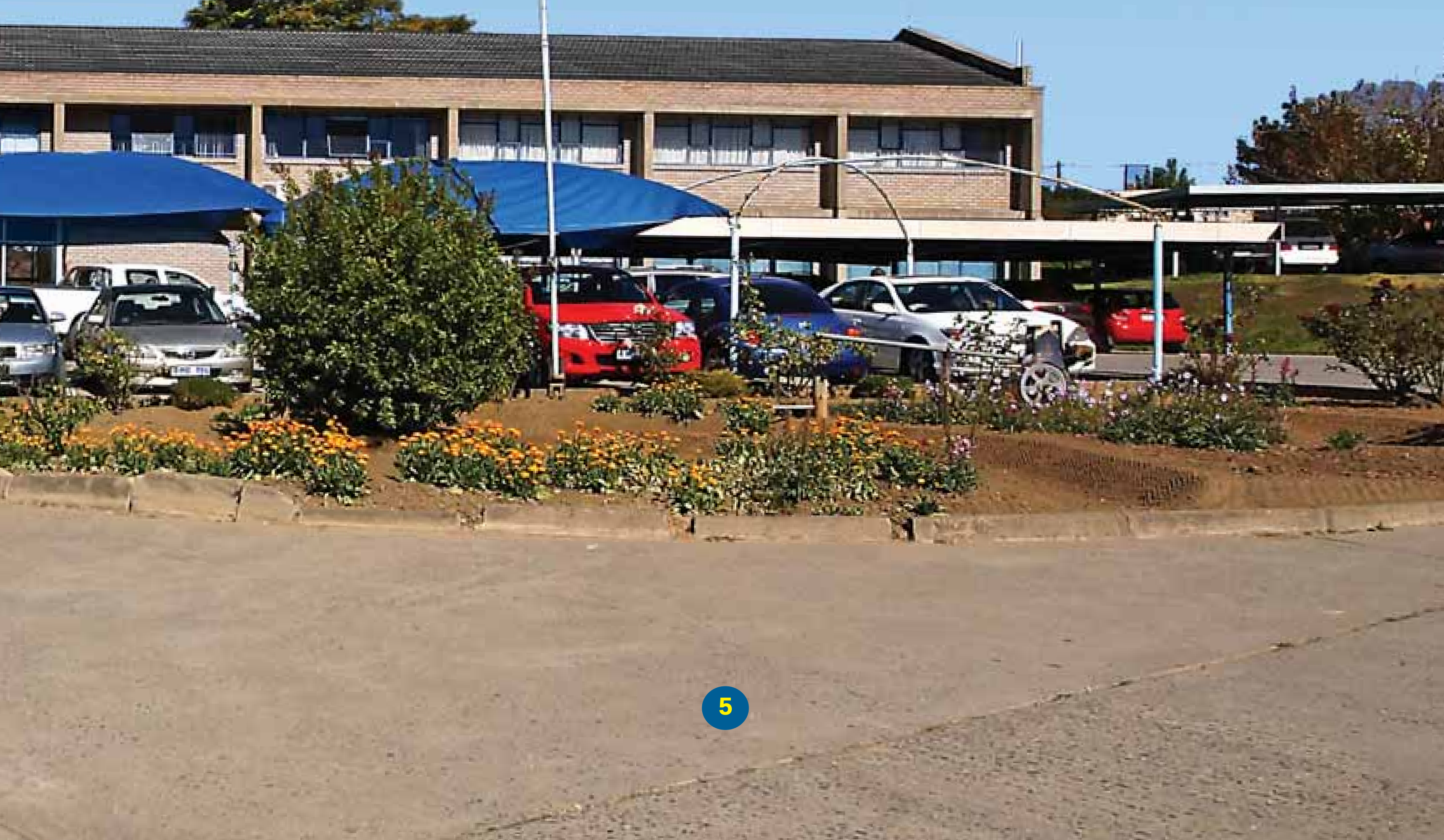
Mr. Letlama Jobo
Manager Sewerage
BSc. Civil Eng.

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

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

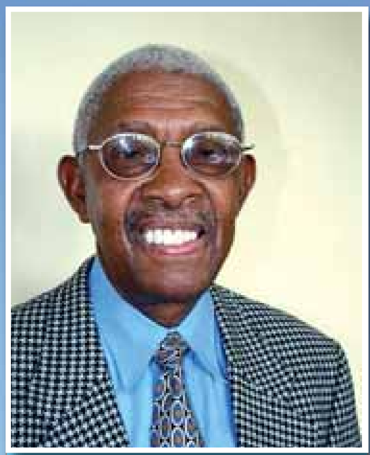
Mr. Matjeketjeke Mokhesi
Regional Manager North
BTech. Civil Eng.

Ms. 'Mapaseka Makhaba
Laboratory Manager
BSC MSc. Economics



Chairman's Statement

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



Dr Percy Mangoaela

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

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

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

The Performance Committee of the Board continues to oversee our performance and produced a report which shows that WASCO experienced a mixed year regarding

implementation of set goals. A few of the set goals and objectives were attained but most were not. This is due to insufficient human and financial resources as well as lack of capacity in some areas. Firstly in improving customer complaints and also failed to adhere to the set targets regarding adherence to service level standards.

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

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

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

Percy Mangoaela
Chairman

Chief Executive's Review

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

Mrs. 'Mamathe Makhaola

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

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

To safeguard its fixed assets the legal section ensures that it acquires leases and servitudes for WASCO's fixed assets. Every year the legal team has to apply for leases at Land Administration Authority for the newly acquired sites. Land Administration Authority has to process these applications and issue WASCO with leases. In applying for a lease the following documents are prepared at the initiative of the legal section; site survey reports, proof of ownership documents, memorandum and articles of association of WASCO and the requisite power of attorney. These documents are prepared together with the lease application forms and landholdings declaration forms obtainable at LAA and submitted.

Inter-alia the legal section also contributes to the debt collection by instituting legal proceedings against defaulting customers to improve debt management and ultimately, the financial position of the Company.

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

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

All aspects of the Company's performance results from the efforts of over 550 men and women who share a vision of providing; 'reliable potable water and safe sewerage services to all residents in urban areas of Lesotho'. It is their ingenuity and commitment alongside our continued investment in development projects that allow us to seize the opportunities that our changing world presents and to face the future with confidence.

Strategic and Human Resources Division

During the period, annual targets were set against the strategic plan 2012- 2015, which was on its first year of implementation and performance monitoring against these targets was done on a quarterly basis. Quarterly reports against the targets were produced and presented to the Performance Committee of the Board, and subsequently to the Board.

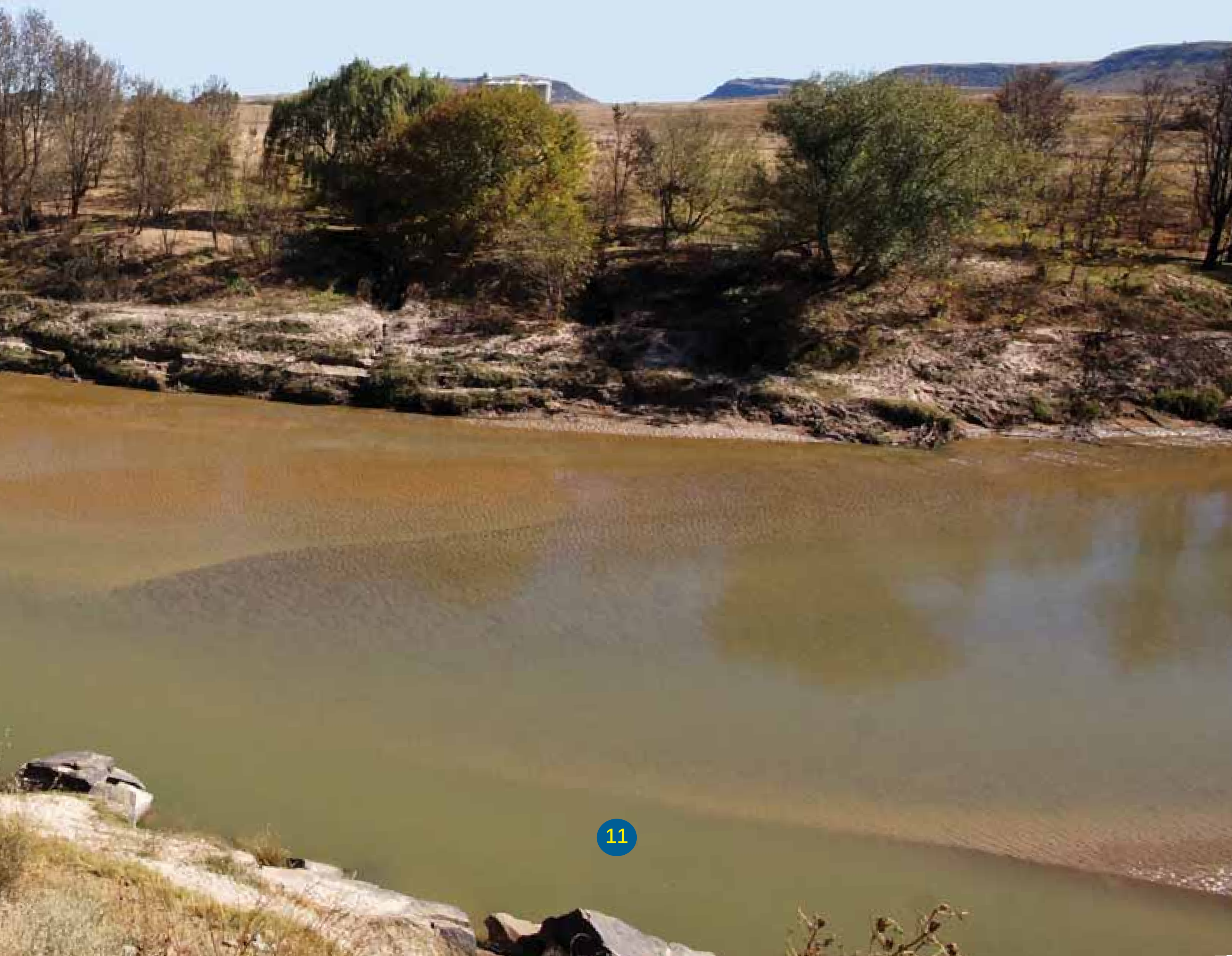
Mrs. 'Mamojela Koneshe

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

To strengthen human resource management and performance management, a plan was to review the organizational structure of the Company during the first year of implementation of the Strategy, following the establishment of WASCO in 2011. The exercise was meant to come up with a more relevant and well aligned structure, which will assist the Company to meet its current and future business requirements.

The initiative was put on hold as a result of high staff turnover, whereby the Company lost all leadership positions for various reasons. This hindered service delivery and flow of planned activities, as without leadership, it becomes a challenge to implement the desired strategies and achieve the set/required goals. The exercise will take place during 2013/14 even though the initial procurement process to source the appropriate Consultant started in the last quarter.

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



Engineering, Planning and Development Division

Introduction

Mrs. 'Mamathe Makhaola

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

- **Projects Planning and studies Section:** Provides professional support to undertake projects and maintenance of infrastructure in an economically/financial viable manner. This is realised from a regularly revised capital investment programme/Infrastructure Master plan. The section is also entrusted to develop and ensure Maintenance of capital investment programme, GIS and hydraulic model.
- **Contract Administration Section:** Administers externally funded projects to ensure attainment of objectives, adherence to schedules, fulfilment of conditions of contract and control of costs and disbursement.
- **Engineering Design Section:** Plans, designs and supervises the implementation of in-house projects in accordance to WASCO Design Guidelines and International Standards and ensure that implementation is as per the recommended designs and specifications. Over and above this tasks, the section is also mandated to survey and produce quotations for new water and sewerage house connections.
- **Environment Section:** Ensures that all the construction/engineering activities and Operations of WASCO are executed in an environmentally friendly and acceptable manner as per the Environment Act.

Contracts Administration Section

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

Completed Projects

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

This project was financed by BADEA, OPEC, and Government of Lesotho to the tune of approximately 105 million Maloti. The objective of this project was to expand/extent the water supply service to the peri-urban areas of Maseru North-East and Maseru South West. North-East area includes: Khubetsoana, Ha-Bobojane, Ha Tsosane, Sekamaneng, Koalabata, Sekhutlong, Ha-

Semonkong treatment works at an early stage

Tsiu, and Ts`enola. The South-west area includes: Ha-Ratjomose, Ha-Tsolo, Ha-Lesia, Ha-Tikoe, and lower lying parts of Ha-Rats`oana, Ha-Chala, and Ha-Seleso.

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

2. Tikoe-Thetsane Water Supply Project

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

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

On-going Projects

1. Urban and peri urban water supply project

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

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

Raw water balancing tank in Semonkong

- **Package 2 (Semonkong):** It includes construction of new water treatment works, reservoirs of varying capacities, pump stations, and the the reticulation network of varying diameters. The Construction commenced in August 2012 and is expected to end in July, 2013.
- **Package 3 (Mafeteng, Mohale`s Hoek, Quthing, and Qacha`s Nek):** It includes the rehabilitation of the existing water treatment works, pump stations, and reticulation network as well as the construction of reticulation networks to the new villages that had no water supply. The construction works commenced in August, 2012 and are expected to be completed in August, 2013.

Semonkong potable water treatment works under construction

- **Package 4 (Hlotse, Butha – Buthe, and Mokhotlong):** It includes the rehabilitation of the existing water treatment works, pump stations, and reticulation network as well as the construction of reticulation networks to the new villages that had no water supply. Construction was expected to be completed in October, 2012; however the completion date was revised to April, 2013.
- **Package 5 (Mapoteng):** It includes the replacement of the existing gravity main, installation of the chlorination system, construction of a new reservoir and a weir. The construction commenced in August, 2012, and is expected to be completed in May, 2013.

2. Maseru wastewater project – Medium Term Works

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

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

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

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

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

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

Panels piled around newly built storage tank stand

Reservoir A under construction in Qacha's Nek (MCA Projects)

3. Hydraulic Model Project

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

Future Projects

1. 5 Towns Water Supply Project

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

Operations and Maintenance Division

Mr. Lira Mohosho

Production and distribution

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

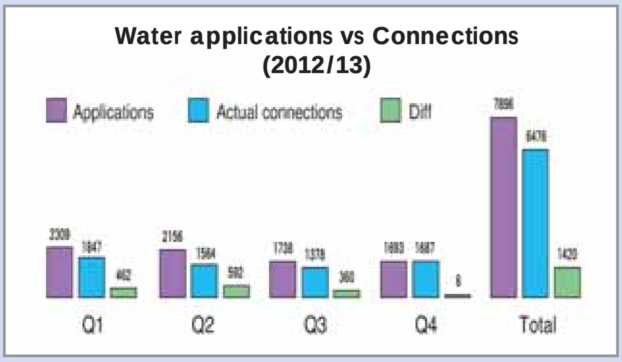
Despite the MCC intervention the age and hence condition of water production and distribution facilities remain a challenge especially with the high rate of urbanisation and increasing water demand being experienced in recent years.

Service coverage

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

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

Diagram 1



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

Quality of product

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

The turbidity passing rate was set at 95 percent and a 96 percent pass was achieved for the year. It should however be noted that some areas/centres did not meet the turbidity target during the course of the year as a result of frequent water supply disruptions.

Tikoe Thetsane pump station

Roma potable water treatment works

Masoe water treatment plant control room

On the other hand, the effluent quality target for the year was at 10 – 30 percent (average 20 percent) for the Chemical Oxygen Demand (COD) and 20 – 40 percent (average 30) for the Suspended Solids. The end of year figure achieved for COD is 8 percent while Suspended Solids achieved 28 percent and these are below the targeted averages for effluent quality. It has become apparent that most or all of the waste-water treatment plants have gone past their design life hence not performing well and therefore, an assessment for their adequacy is in pipeline.

Non-revenue Water

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

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

Elevated steel tank - Thaba-Tseka

Finance Division

Mrs. 'Mamots'oane 'Musa

Financial performance

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

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

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

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

Financial position

Fixed assets

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

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

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

Customer care officers assisting customers

Finance Division (continued)

Net current assets

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

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

Customer care supervisor at work

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

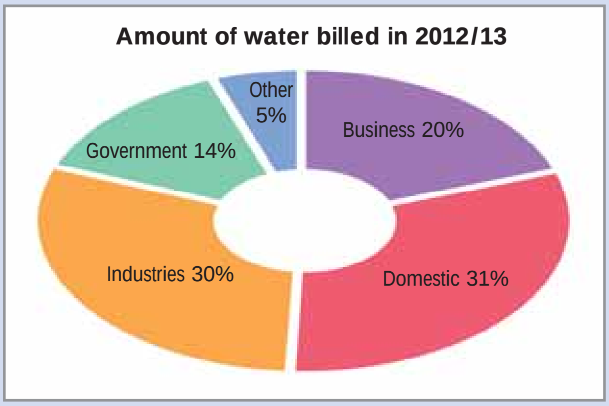
Tariffs for the year under review were adjusted by an application of 6.9%, commencing in April 2013. A complete review of tariffs was last done on 2008/2009, since then tariffs have been increasing by the inflation rate. The revised tariffs are in line with a new tariff policy that is being developed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

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

Consumption as per category

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

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



Business	16,994,243	20%
Domestic	26,898,007	31%
Industries	26,272,417	30%
Government	11,855,967	14%
Other	4,512,183	5%
TOTAL	86,532,816	100%

Domestic category has continued to contribute significantly to the realisation of the reported income levels, with 31% of the sales revenue accruing from this customer category. Other recognisable contributors to revenue are the industries sector and the Business sector which respectively accounted for 30% and 20% of the total sales during the year ended March 2013.

General Information

for the year ended 31 March 2013

Nature of business

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

Board of Directors

Chairman

Dr. Metsing Mangoaela

Members

Mrs. Mammako Molapo

Mrs. Mamonaheng Ramonaheng

Mr. Lebohang Mofammere

Mr. Ntahli Matete

Chief Executive

Mr. Lerotholi Mathealira (From 1 April 2013)

Mr. L. Mohosho (From 1 March to 30 June 2012)

Mrs. Mamathe Makhaola (From 1 July 2012 to March 2013)

Secretary

Mr. Sekhonyana Sekhonyana (From 28 January 2012)

Business Address

Water and Sewerage Company

Off Moshoeshoe Road

Industrial Area

Hoohlo Maseru

Postal Address

P.O. Box 426 Maseru 100

Bankers

Standard Lesotho Bank

NedBank Lesotho

Auditors

Moteane, Quashie & Associates for Auditor General

Private Bag A169, Maseru 100

Statement of Board of Directors

for the year ended 31 March 2013

DIRECTORS STATEMENT OF RESPONSIBILITY AND APPROVAL

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

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

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

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

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

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

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

Chairman

Chief Executive Officer

Report of the Directors

for the year ended 31 March 2013

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

Nature of Business

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

Shareholders

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

Operating Results

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

Subsequent Events

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

Going Concern

We draw attention to the fact that at 31 March 2013, the Company had an accumulated loss of M56 814 million. The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. The Board of Directors is satisfied that WASCO has, or has access to adequate resources to continue in operational existence for the foreseeable future.

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 2013

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

Director's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Basis for adverse opinion

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

1. The Standard Lesotho Bank account had non-reconciled credits of M4.92 Million and non-reconciled debits amounting M3.72 million. Included in this are non-reconciling items amounting to M1.25 million fraudulently transferred out of the bank by former employee. Another bank account had duplications amounting to M1.97 million while an account used to record Unknown Debits and Credits had a balance of M4.91 million. Due to the nature of these items used in reconciliations of bank accounts, I was unable to verify the accuracy of cash balances presented in the financial statements.

2. The receivable Age Analysis has M88.82 million figure which differs from financial statements amount of M89.86 million by M1.04 million. Accounts receivables amounting to M1.09 million was included in the financial statements even though these debtors no longer exist. Therefore, I was unable to satisfy myself of the accuracy of the Accounts Receivables balance shown in the financial statements.

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

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

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

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

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

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

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

Adverse opinion

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

LUCY L. LIPHAFA (Mrs)
AUDITOR GENERAL
30 April 2014

Statement of Financial Position

as at 31 March 2013

	Notes	2013 M'000	2012 M'000
ASSETS			
Non-current assets		**1 174 200**	**1 131 867**
Property, plant and equipment	3	1 174 200	1 131 867
Current assets		**130 818**	**123 506**
Inventory	4	10 055	7 768
Trade and other receivables	5	71 434	68 982
Short-term investments	6	13 452	25 459
Bank and cash	7	35 877	21 297
TOTAL ASSETS		**1 305 018**	**1 225 373**
CAPITAL AND LIABILITIES			
Capital and Reserves		**1 060 857**	**995 133**
Share Capital	8	1	1
GOL funding	9	389 381	386 063
GOL grant	10	736 616	681 998
Accumulated funds	11	(56 852)	(64 640)
Reserves	12	(8 289)	(8 289)
Non-current liabilities		**151 356**	**156 038**
Provisions for severance pay	13	13 311	12 543
Long-term loans	14	138 045	143 495
Current Liabilities		**92 805**	**104 202**
Bank	7	26 674	34 978
Accounts payable	15	66 131	9 224
TOTAL CAPITAL AND LIABILITIES		**1 305 018**	**926 377**

Statement of Comprehensive Income

for the year ended 31 March 2013

	Notes	2013 M'000	2012 M'000
Revenue	19	157 756	139 705
Manpower costs		(69 327)	(68 133)
Depreciation		(14 767)	(14 586)
Stock adjustment		(496)	(27)
Reticulation and Plant maintenance		(7 684)	(9 545)
New connections		(7 956)	(11 011)
Other expenses	19	(61 516)	(46 997)
Total expenses		**(161 746)**	**(150 299)**
Operating Profit/(Loss)	17	(3 990)	(10 594)
Net interest received/(charged)		8 686	1 282
Net profit before taxation	19	4 696	(9 313)
Taxation	2.13	–	–
Profit/(Loss) for the year		4 696	(9 313)
Prior year adjustment	16	3 092	(3 087)
Profit/(Loss) at end of year		**7 788**	**(12 400)**

Statement of changes in Capital and Reserves

for the year ended 31 March 2013

	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 2012	**386 063**	**681 998**	**1**	**(8 289)**	**(64 6409)**	**995 133**
Net profit for the year	–	–	–	–	4 696	4 696
Prior Year adjustments	–	–	1	–	3 092	3 092
GOL funding	3 318	54 618	–	–	–	57 936
Grant amortised	–	–	–	–	–	–
Balance at 31 March 2013	**389 381**	**736 616**	**1**	**(8 289)**	**56 852**	**1 060 857**

Cash Flow Statement

for the year ended 31 March 2013

WASCO
SAVE EVERY DROP

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

Notes to the Financial Statements

for the year ended 31 March 2013

1. BACKGROUND

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

2. ACCOUNTING POLICIES

2.1 Basis of Preparation

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

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

2.2 Standards and amendments effective in 2013

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

2.3 Property, plant and equipment

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

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

Summary of Significant Accounting Policies (continued)

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

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

Revaluation of fixed assets

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

Reticulation

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

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

Other assets

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

2.4 Impairment of non-financial assets

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

2.5 Revenue recognition

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

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

Income

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

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

Interest income

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

Dividend income

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

2.6 Inventories

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

2.7 Financial assets

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

Financial assets at fair value through profit or loss

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

Loans and receivables

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

Available-for-sale financial assets

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

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

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

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

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

2.8 Cash and cash equivalents

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

2.9 Trade and other receivables

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

2.10 Accounts payable

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

2.11 Liabilities and provisions

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

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

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

2.12 Borrowings

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

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

2.13 Current tax assets and liabilities

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

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

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

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

2.14 Government grants

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

2.15 Dividend distribution

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

2.16 Leases

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

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

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

2.17 Financial risk management

Financial risk factors

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

Market risk

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

Price risk

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

Cash flow and fair value interest rate risk

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

Credit risk

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

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

Liquidity risk

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

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

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 2013			
Borrowings	–	19 709	118 336
Trade and other payables	66 131	–	–
At 31 March 2012			
Borrowings	–	20 000	123 495
Trade and other payables	66 244	–	–

2.17 Critical accounting estimates and assumptions (continued)

Capital risk management

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

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

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

	2013 M'000	2012 M'000
Total borrowings (note 14) Includes bank overdraft	164 719	178 473
Total equity	1 060 857	945 443
Total capital (total borrowings plus equity)	1 198 905	1 138 628
Gearing ratio	**13,7%**	**15,6%**

Fair value estimation

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

2.18 Employee benefits

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

2.19 Critical accounting estimates and assumptions

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

Provision of impairment of trade receivables

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

Review of useful lives

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

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

Income taxes

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

2.20 Contingent liabilities

WASCO discloses a contingent liability where:

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

2.21 Functional and presentation currency

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

2.22 Comparative figures

Where necessary comparative figures of WASCO have been restated to conform to the current reporting format. The comparative year transactions cover the period traded as WASA up to31 August 2011 and then as WASCO from 1 September 2011.

2.23 Rounding

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

3. Property, plant and equipment

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	Additions M'000	Open balance adjustment Cost M'000	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**	**(2 633)**	**(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

3. Property, plant and equipment (continued)

FOR THE YEAR ENDED 31 MARCH 2012	2012 Cost M'000	2012 Accumulated depreciation M'000	2012 Carrying amount M'000	2011 Cost M'000	2011 Accumulated depreciation M'000	2011 Carrying amount M'000
Owned assets						
Land & buildings	29 698	(3 285)	26 413	29 150	(2 571)	26 580
Specialised operational structures	141 449	(33 597)	107 852	140 500	(30 092)	110 408
Reticulation	254 098	(84 217)	169 881	254 098	(79 150)	174 948
Plant & machinery	28 263	(9 707)	18 556	27 296	(7 021)	20 275
Motor vehicles	16 276	(11 891)	4 385	16 310	(11 708)	4 602
Office equipment & furniture	7 980	(4 983)	2 997	6 582	(4 047)	2 535
Assets in construction	801 783	–	801 783	694 823	–	694 823
	1 279 547	**(147 680)**	**1 131 867**	**1 168 760**	**(134 589)**	**1 034 170**

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	Disposal Cost M'000	Accumulated depreciation M'000	Depreciation M'000	Carrying amount at end of period M'000
Owned assets							
Land & buildings	26 580	214	547	–	–	(714)	26 413
Specialised operational structures	110 408	1198	751	–	–	(3 505)	107 852
Reticulation	174 948	–	–	–	–	(5 067)	169 881
Plant & machinery	20 275	79	863	–	–	(2 686)	18 556
Motor vehicles	4 602	–	1 467	(1 502)	1 496	(1 678)	4 385
Office equipment & furniture	2 535	270	1 121	–	–	(935)	2 997
Assets in construction	694 823	(547)	107 324	–	–	–	801 783
	1 034 171	**214**	**112 073**	**(1 502)**	**1 496**	**(14 585)**	**1 131 867**

	2013 M'000	2012 M'000
4. Inventory		
Cost	10 096	7 859
Provision for obsolete stock	(91)	(91)
	10 005	**(7 768)**
5. Accounts payable		
Trade debtors	85 763	66 377
Less: Provision for doubtful debts	(22 628)	(6 588)
Net trade accounts receivable	**63 135**	**59 789**
Miscellaneous debtors	5 663	6 663
Postal services	210	200
Sanitations unit	–	111
Shoprite services	1 111	2 319
Pick and Pay	95	–
Roma drought emergency	–	317
Staff housing loan	240	229
Staff travel imprest	159	230
Prepaid expenses	–	610
Prepaid insurance	(50)	(562)
Other debtors	871	74
	71 434	**68 982**
The fair values of trade and other receivables are as follows:		
Trade receivables	63 135	59 789
Sundry debtors	8 299	9 193
	71 434	**68 982**

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

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

	2013 M'000	2012 M'000
5. Accounts receivable (continued)		
At 1 April	6 589	6 589
Provision for receivables impairment	16 039	–
At 31 March	22 628	6 589

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

6. Short-term investments

	2013 M'000	2012 M'000
Standard Lesotho Bank Income Fund Accounts	1 132	1 068
WASCO Income Account	–	9 300
Standard Lesotho Bank Money Markets	7 600	15 091
Central Bank Treasury Bills	4 720	–
	13 452	24 459

7. Bank and cash

	2013 M'000	2012 M'000
Standard Lesotho Bank Call Accounts	7 930	1 338
Cashiers	155	191
Sub-total	8 085	1 529
Lesotho Bank Current Account (note.)	27 792	19 768
	35 877	21 297

7.1 Overdraft

	2013 M'000	2012 M'000
Standard Lesotho Bank Current Account	5 214	19 429
Other Balances	21 460	15 459
	26 674	34 978

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

8. Share capital

	2013 M'000	2012 M'000
Authorised		
1 000 shares of M1 each	1	–
Issued and fully paid		
1 000 shares of M1 each	1	–

	2013 M'000	2012 M'000

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.

	2013 M'000	2012 M'000
Balance brought forward	**386 063**	**376 063**
Additions during the year	3 318	10 000
	389 381	**386 063**

10. Government of Lesotho grant

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

	2013	2012
Balance at 1st April	**681 998**	**629 885**
Industrialisation loan	–	–
W-I-P	677 947	532 264
Completed projects	4 051	97 621
Additions during the year	–	61 078
Amortisation: Completed projects	(8 965)	(8 965)
	736 616	**681 998**

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

	2013	2012
Balance at 1st April	(64 640)	(52 240)
Net profit/(loss) for the year	4 696	(9 313)
Prior year adjustment (Note 16.)	3 092	(3 087)
	(56 8520)	**(64 640)**

12. Reserves

	2013	2012
Revaluation reserve	(8 876)	(8 876)
Prior year adjustment	458	458
General reserve	129	129
	(8 289)	**(8 289)**

13. Provision for severance pay

	2013	2012
Provision for severance pay	**11 281**	**12 543**

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.

	2013 M'000	2012 M'000
14. Long term liabilities		
14.1 Standard Lesotho Bank loan		
A loan advanced by the Standard Lesotho Bank to finance the Pre-paid system project.The loan is payable over a period of thirty six months at an interest rate of 12% per annum. Repayment of the loan will commence upon completion of the project.	–	–
14.2 Standard Lesotho Bank loan		
A loan advanced by the Standard Lesotho Bank to finance the purchase of two excavators. The loan is payable over a period of sixty months at an interest rate of 12% per annum	(22)	(22)
14.3 Maseru Waste Water - EIB		
A loan advanced by European Investment Bank to finance the Sewer reticulation system & construction of treatment plant the repayment of loan for each tranche shall be paid by 40 Semi-annual installments.	87 379	92 560
14.4 IDA - WSIP loan		
A subsidiary agreement between Kingdom of Lesotho & WASCO for financing Lesotho Water sector improvement project. The loan is payable over the period of 25 years including grace period of seven years. The interest is charged at 2% p.a	30 957	30 957
14.5 Nedbank - loan		
A loan advanced by Nedbank Lesotho to enable WASCO to finance the supply of clean water to the Maseru North East Areas (Maseru Peri- Urban Project). The loan is payable over the period of ninety six (96) equal monthly installments and payable on the 15th day of each succeeding month. Interest rate is subject to fluctuations in prime	19 709	20 000
	138 045	**143 495**
15. Accounts payable and accruals		
Accrued expenses	2 516	1 719
Customers' deposits	6 495	5 905
Due to contractors	27 394	34 766
Interest payable to the government	17 503	18 539
Provision for severance pay	1 479	1 394
Trade creditors	(1 464)	(1 471)
Vat payable	772	122
Gratuity provision	7 231	7 502
Goods received not invoiced	4 884	–
Income Tax deducted	1 939	88
Other payables	293	3 401
Medical Aid Insurance	(636)	(326)
Withholding tax (Trade creditors)	(267)	(228)
WASCO Staff Welfare Fund	(307)	(409)
Salaries and wages	(1 701)	(1 838)
	66 131	**69 224**

	2013 M'000	2012 M'000
16. Prior year adjustable		
Un-reconciled differences in Reserves	3 092	(3 087)
(Audited balance vs Trial balance	**3 092**	**(3 087)**

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.

	Carrying amount 31 March 2013 M	Carrying amount 31 March 2013 M
Trade receivables	71 339	78 575
Cash and cash equivalents	22 750	11 778
	94 089	90 353

17. Risk management (continued)

Cash flow and fair value interest

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

Credit risk

Credit risk is managed on a divisional basis.

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

Price risk

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

Foreign exchange risk

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

18. Financial instruments

Credit risk

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

	Carrying amount 31 March 2013 M	Carrying amount 31 March 2012 M
Trade receivables	71 339	78 575
Cash and cash equivalents	22 750	11 778
	94 089	**90 353**

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 2013 M	Fair value 31 March 2012 M
Financial assets		
Loans and receivables		
Trade and other receivables	71 339	78 575
Cash and cash equivalents	22 750	11 778
Total financial assets	**94 089**	**90 353**
Financial liabilities		
Trade and other payables	66 131	69 224
Total financial liabilities	**94 089**	**90 353**

19. Income

	2013 M'000	2012 M'000
Water and sewage charges	137 878	115 691
New service connection	15 878	21 733
Gain on disposal	–	(4)
Other income	4 000	2 285
	157 756	**139 705**
EXPENDITURE		
Manpower costs	(69 327)	(68 133)
Electricity	(13 622)	(10 980)
Reticulation & plant maintenance	(7 684)	(9 545)
Chemicals	(5 460)	(6 688)
Transport	(5 007)	(4 892)
New connections	(7 955)	(11 011)
Telephone, stationery, postage	(3 736)	(3 254)
Rents, security & insurance	(6 813)	(5 233)
Training & travel expenses	(1 792)	(1 715)
Directors fees	(695)	(596)
Audit fees	(152)	(187)
Office equipment	(1 557)	(1 167)
Other expenses (including write-offs)	(6 424)	(11 980)
Rates	(219)	(306)
Adjustment account	(496)	(27)
Depreciation	(14 767)	(14 586)
Bad debts	16 040	–
	(161 746)	**(150 299)**
Operating profit (loss) for the year	**(3 990)**	**(10 594)**

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WASCO

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