

WATER & SEWERAGE AUTHORITY

ANNUAL REPORT 2005/6





Vision

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

Mission Statement

In all designated areas, we provide potable water and safely dispose of treated wastewater in the environment.

Board of Directors



Chairman - Mr. Bataung Leleka



Dr. Percy Mangoela



Mrs. 'Mamonaheng Ramonaheng



Mr. Ntali Matete



Mr. Lebohang Mofammere



Chief Executive
Mrs. Refiloe Tlali



Mrs. 'Mammako Molapo

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WASA in Lesotho

Senior and Middle Management

SENIOR MANAGEMENT

Mrs. Refiloe Tlali

Chief Executive
B.A. Accounting CA (Lesotho)

Mrs. 'Mamosebi Pholo

Director of Corporate Services
BA (law) LLB

Mrs. Nomvula Bohloa

Director of Finance
B.Com. Accounting CA (Lesotho)

Mr. Falla Seboko

Acting Director of Operations & Maintenance
BEng. Civil Eng (Hons)

Mr. Lira Mohosho

Acting Director of Engineering
BEng. Civil Eng

Mrs. 'Malethole Masenyetse

Manager Water Production
BEng. Civil Eng (Hons.)

Mr. Moeti Makoa

Project Manager
BSc & MSC Water Eng.

Mrs Pontšo Tau

Manager Network
BEng. (Hons.) Civil Eng.

Mr. Letlama Jobo

Manager Sewerage
BSc. Civil Eng.

Mr. Refiloe Khomari

Manager Vehicle Workshop
BSc. Mechanical Eng.

Mrs Matšepo Kotelo

Credit Control Accountant
B Com (Management)

Ms. Tselane Mohapi

Stores Accounting Manager
General Accountant (Lesotho).

Mr. Makhakhe Maliehe

Marketing Manager
MComm (Marketing)

Mrs Ntsoaki Mathaha

Regional Accountant - South
BCom (Accounting)

Mr. Sekhonyana Sekhonyana

Corporate Planner
MSc. Economics

Mr. Ithuteng Pefole

Ass. Corporate Planner
BA. Economics

Mr. Matobo 'Mabathoana

Training and Development Manager
BA(Law), Dip. Training Mngt.

Mr. Motsamai Sootho

Ass. Corporate Planner
BA Econ. & Stats, MBA

Mr Tšelisio Sibolla

Stores Accountant
BCom (Accounting)

MIDDLE MANAGEMENT

Mr. Brey Goolam

Manager Contracts Administration
BSc. Civil Eng. Msc. Water Res. Tech

Mrs. Lerato Mokuoane

Financial Accounting Manager
B.Com. Accounting CA (Lesotho)

Mr. Khotso Letsatsi

Public Relations Manager
MA. Mass Com.

Ms. Puseletso Rangoako

Manager Human Resources
BA. Public. Admin

Mrs. 'Mamotšoane 'Musa

Stores Accounting Manager
CA (Lesotho)

Ms. 'Mapaseka Makhaba

Laboratory Manager
BSc.

Ms. Meriam Ratšiu

Credit Controller
BCom.(Accounting)

Mr Khutlang Mabusela

Ass. Manager Contracts Administration
B Tech (Civil Water)

Senior and Middle Management

Mrs. Makuena Nyabela
Revenue Accountant
General Accountant (Lesotho)

Mrs. Lineo Moqasa
Public Relations Officer
MA - CCMS

Mrs. Palesa Monogoaha-Mofosi
Environmental Manager
MSc Environmental Eng

Mr. Sehloho Sefeane
Health and Safety Officer
Degree Environmental Health

Mr. Joseph Obiahu
Chief Internal Auditor
BSc (Hons) CA CIA

Mr. Mohapi Jessie
Manager Design Eng.
BSc Civil Eng

Mr. Mohapeloane Mohapeloane
Hydrobiologist
BSc

Mr. Chabeli Machake
Metering Manager
BCom (Hons)

Ms. Relebohile Poulo
SSU Accountant
B Com (Accounting)

Mr. Lefu Mokaoane
Metering Accountant
General Accountant (Lesotho)

Mrs. 'Mamakula Foulo
Management Accountant
BCom (Hon) Accounting

Mrs. 'Mantsietso Lejaha
Credit Control Accountant
General Accountant (Lesotho)

Mrs. Refiloe Rantsane
Financial Accounting Manager
MBA

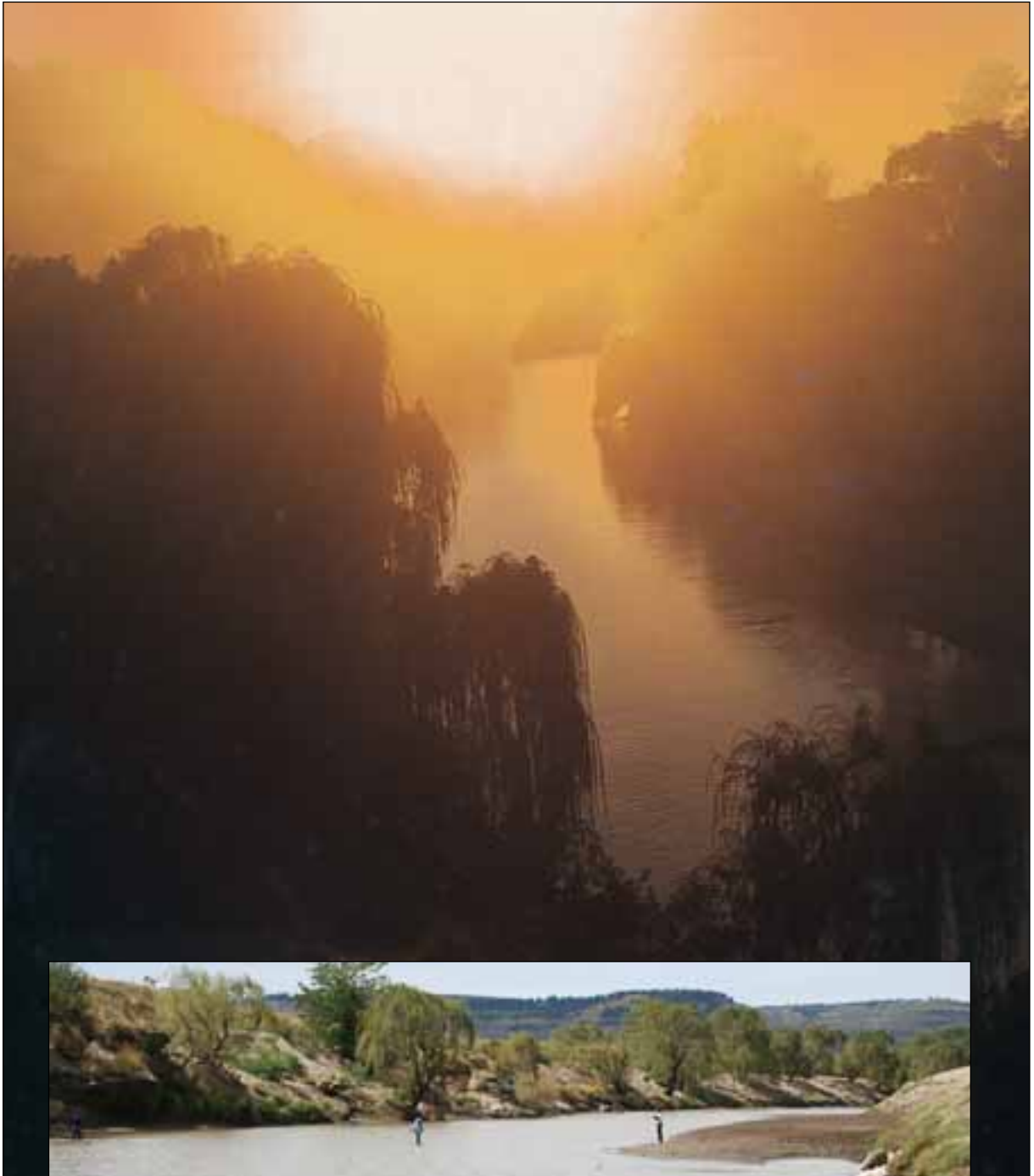
Mr. Lebohang Bulane
ICT Manager
BSc (Hons)

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

Mr. Pheello Masoabi
Legal Affairs Manager
BA (Law) LLB



Tap water is safe to drink



Caledon River

Corporate Profile

In Lesotho, Water and Sewerage Authority (WASA) provides safe drinking water to over 45, 000 connections plus approximately 220 standpipes serving over 200 000 people out of a total population of around 2 000 000. It also serves the many industries and commercial premises, especially in Maseru, the largest being Nien Hsing, C&Y, Global Garment and Lesotho Brewery which uses about 36% of the water produced. In total 40% of the water produced is used in industries and commerce.

WASA has about 2,929 customers who are connected to the sewerage system. Of this, a total of 76 are industrial, 376 commercial and 2,324 are domestic sewerage connections.

Over and above the said connections, WASA operates a sewer tanker service which services approximately 5000 registered customers in all the urban centers of the country. The sewer emptying service is provided to households and businesses in areas reticulated with water supply but do not have access to piped sewerage. The tankers are used to empty septic and conservancy tanks including VIP latrines.

On the average water production for the City of Maseru is 35 million litres per day. In order to supplement the river flow, off-channel raw water storage, (Maqalika dam) is used during the dry season when the Caledon River is not flowing.

Settling out heavy solids and then filtering with the addition of chemicals to aid the process of water-treatment, Chlorine is added for disinfections and to kill bacteria. After treatment water is pumped to potable water reservoirs at various high points around the city. From these the water flows through a network of about 449 km of mains and pipelines to individual properties and commercial delivery points.

Districts

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

Domestic water consumption

It is estimated that in households where there is internal plumbing and a sewer connection, the average consumption is about 150 liters per capital per day (ℓ/c/d). Where the supply is to an outside tap, the average consumption is about 50ℓ/c/d and this reduces it further when the supply is from the house. On average people obtaining water from public standpipes consume 20ℓ/c/d. The minimum target set by Government is 30ℓ/c/d.



Capital Maseru

Chairman's Report



Chairman
Mr. Bataung Leleka

It gives me great pleasure to once more table before you valued stakeholders and customers the progress, challenges and achievements of the year 2005/2006.

In the last report I stated that the Authority is improving financially. In this reporting year

I still reiterate that WASA is moving in a positive direction. The improvement is an important positive step in enhancing the fulfilment of the Authority's mandate of providing clean and safe drinking water to all Basotho residing in all gazetted urban centers of Lesotho.

During the previous reporting year, the country experienced a serious drought that affected our operations. In the last year floods damaged our water pumping facilities at places where we abstract from rivers, particularly in Maseru, Outhing, Teyeteyaneng, Maputsoe and Hlotse. Due to these incidents, some customers stayed without water for some days, even though the Authority did everything possible in an effort to reinstate the water supply within the shortest time conceivable. The inconvenience is highly regretted and we wholeheartedly apologize to our customers.

In the period under review, we observed the completion of the Roma Water Supply Project that was implemented to address water supply shortages during drought periods, which impacted heavily on the National University of Lesotho (N.U.L) community. I would sincerely like to thank our stakeholders, the Government of Lesotho, the University Management and the Roma Community who cooperated with WASA, for the successful completion of this project.

I am gratified to inform you that the Authority is now in the second-year of the implementation of the Performance Agreement with the Government of Lesotho. In the first year, the Authority has achieved excellent performance in most of the targets, except in a few target areas such as water and effluent quality. The audit was carried out by a New Zealand International Auditing

firm; Maunsell Ltd represented by Graeme Hughson, a specialist in infrastructure management.

I would like to sincerely thank the Management and the Staff of the Authority in achieving a high standard performance in this regard. It is my hope that in the next coming two years the Corporation will perform even higher than the first year of the project.

As stated above, WASA's mandate is to provide clean and safe drinking water and to safely dispose of waste water in all urban centers of Lesotho. One of the major challenges facing the Authority at the moment is meeting the demand due to an increasing number of people moving from the rural areas to the urban centers for employment opportunities and later settling there. WASA supported by Government is working hard to source financing for extending its services. The Corporate Plan target is to increase water and sewerage coverage from the current 55% to 65%, sewerage 6% to 10% respectively by 2009.

It will be an injustice if I cannot mention that HIV and AIDS is still continuing to deprive us of our sisters, brothers, children and highly skilled working force of the organization. It is high time that we stand up and fight this monster, failing which our country's economy will be devastated.

May I conclude my statement by thanking my fellow Board Members for their dedication and unwavering support over the past year. The efforts and perseverance of the Authority's Management and staff that yielded the good results for the year under review are greatly appreciated.

A handwritten signature in dark ink, appearing to be 'Bataung Leleka', written in a cursive style.

Chief Executive's Report

As stated in the last report, the year under review still confirms great improvement in relation to the Authority's performance financially.

For the last three years WASA has been making small profits and this is a big achievement as compared to the previous years where it was running at a loss.

PERFORMANCE AGREEMENT

The year 2006/07 marks the second year in the implementation of the Performance Agreement between the Government of Lesotho and The Water and Sewerage Authority. The Performance Agreement was signed in 2004 and was effective in April 2005. The agreement entails the achievement of twenty (20) targets in the quest to improve service delivery. The Government also has obligations in a number of areas, which would hence create an enabling and conducive environment for WASA to improve service delivery. These include formulation and/or revision of legal and regulatory frameworks, putting in place structures that would make it viable for WASA to undertake meaningful commercial activities; and to identify certain vulnerable groups that may be considered for assistance in the provision, hence respond to poverty reduction.

The Water and Sewerage Authority on the other hand, as stated, had to meet a number of set targets that would be used as a gauge in its task of improving service delivery. These targets range from financial efficiency and prudence, water quality, energy savings per cubic meter produced and treated to broadening the customer base in terms of increasing the number of house connections and maintaining optimum supply levels supported by adequate pressures.

The Authority has performed very well in the areas of financial prudence, level of service, reducing the number of people who are more than 150 meters away from the main supply and unaccounted for water. WASA exceeded the set targets in these areas. Specifically, up to the second quarter in the implementation of the Performance Agreement, WASA had reached an UfW figure of 27% as opposed to a 30% set target. The target of reducing the number of people more than 150 meters away from the main water supply and also that of reducing the number of people who receive water for less than 18 hours per day, were exceeded by 15%.

There are those targets, among others, the Customer Billing and Collection System, the District Metering Scheme, the Geographic Information System, which needed the engagement of a number of consultancies to address their achievement. The process of procuring those consultancies had varying degrees

of success, mainly due to stringent procurement procedures set by the World Bank. There are also targets that still posed as challenges for WASA to achieve. These included the Energy Saving target and the Emergency Procedures. WASA did not have adequate expertise to develop strategies to achieve these targets and hence could not meet them. In this regard a number of consultancies have since been approached to assist the Authority in dealing with these areas.

At the end of the first year of the implementation of the Performance Agreement, a Technical auditor was appointed to make an assessment of the performance of WASA and has since made a report which highlighted commendable results and hence endorsed the performance henceforth mentioned. The performance report also included a scale of measurement ranging from 1 to 5 where 1 represents excellent performance while 5 represents very poor performance on which WASA was to be assessed. In this case, WASA scored 1.58, which was regarded as exceedingly good. From the Technical Auditors report the areas in which WASA scored mostly are Water Quality, Unaccounted for Water, Financial Performance and Corporate Planning process and the Human Resources policy.

Areas that were not addressed adequately will be given more attention this year.



Chief Executive
Mrs. Refiloe Tlali

Chief Executive's Report cont.

The table below gives mirror of the first year of WASA's performance in terms of assessment measurements.

PERFORMANCE CRITERION	PERFORMANCE SCORE GAINED	WEIGHTING	WEIGHTED PERFORMANCE SCORE
1.1 Customer Service System: Billing and Collection System	Category One	0.15	0.15
1.2 Level of Service Improvement: Domestic Customers served for less than 18hrs per day	Category One	0.05	0.05
1.3 Poverty Relief Services: No of people 150 meters away from a main supply.	Category One	0.05	0.05
2.1 Water Resources Management: Capital Investment Programme	Category One	0.05	0.05
2.2 Leakage Control: District Metering Scheme	Category One	0.05	0.05
2.3 Leakage Control: Unaccounted for Water	Category One	0.1	0.1
3.1 Corporate Strategy: The Business Planning Process	Category One	0.05	0.05
3.2 Human Resource Policy: The Human Resources Plan.	Category One	0.1	0.1
3.3 Drought Strategy Management Plan	Category One	0.05	0.05
4.1 Planned Preventive Maintenance System: PPM Database.	Category Five	0.05	0.25
4.2 Geographic information system: G.I.S database	Category One	0.05	0.05
4.3 Quality Control: % Biological Samples Failing	Category Three	0.01	0.03
4.4 Quality control: % chlorine Samples Failing	Category Five	0.01	0.05
4.5 Quality Control: % Effluent Samples Failing	Category Five	0.01	0.05
4.6 Emergency Operations	Category Five	0.03	0.15
4.7 Energy Plan: % Reduction in energy per m ³ supplied	Category Five	0.02	0.1
4.8 Energy Plan: % reduction per m ³ effluent treated.	Category Five	0.02	0.1
5.1 Cash Collection: % Collected	Category One	0.05	0.05
5.2 Financial Performance: % Debts covered (collection/Total Costs)	Category One	0.05	0.05
5.3 Asset Register: Asset database	Category One	0.05	0.05
TOTAL PERFORMANCE SCORE			1.58

Chief Executive's Report cont.

During the year under review the Authority embarked on the following projects as part of our mission to provide every Mosotho with clean and safe drinking water in the designated urban centers of Lesotho:

(i) Maseru Peri-Urban Water Supply Project Phase I Contract 11 that aims to supply water in the Southern part of Maseru is under way and it is near completion.

(ii) Construction of a 15M/L Water Reservoir financed by the Government of Lesotho to supply water to Tikoe Industrial Estate. The reservoir was officially handed over to WASA by the Ministry of Trade, Industry, Cooperative and Marketing.

(iii) Extension of our water reticulation system to the following areas in Maseru urban centers; Lithabaneng, Ha Seoli and Borokhoaneng, to benefit 700 households.

In the districts, mains extension was done at Maputsoe, Hlotse, Mohales Hoek and Mafeteng, of which 600 households are expected to benefit from the project. These projects were financed in-house.

A long awaited water pre-paid meters system is under way. I would like to report that even though we are introducing this project to Basotho, the installation of meters will only be done in designated areas within Maseru and not the entire country. This will allow the Authority time to access the workings of this new technology, and how best to improve it, before covering the whole country. With the pilot project at Hillsvie, 100 meters were installed to randomly selected customers while 2 000 meters in the following areas in Maseru City: Maseru West, Ha Hoohlo, Hillsvie, White City, Old and New Europa.

As part of this project a communal pre-paid system was also introduced at the following areas; Ha Lesia, Qoaling and Ha Thamae. Three pre-paid standpipes were installed at these three villages and are functioning well.

HUMAN RESOURCE (HR)

1. Development of an appropriate structure for HR

In the 2005/06 Business Plan, the need for the development of the appropriate structure for HR section was identified in order to enable the section to meet demands put on it by various divisions. For a start, creation of the position of Employee Relations Officer was approved, aimed at focusing on

staff welfare issues. At the same time under the terms of reference for World Bank funded project of the Water Sector Improvement, the component of HR was accommodated as a component that will address the broad HR issues viz, Policy Review and Development, assessment of the capacity of HR and recommendations thereto, remuneration survey and salary review. During 2005/06 the process of procurement of the consultant was mid way, and the work schedule was to begin in April, 2006.

2. Staff Morale and Productivity

Staff morale was also seen as a means towards enhancing productivity. In this regard HR, with the support from other sections, drew up an incentive scheme which laid down how performers and non-performers would be treated at agreed intervals, e.g. non-cash awards were proposed for best performers per quarterly performance review, and cash awards for annual reviews. However, since the HR Consultants referred to the above were to assist in linking the scheme to Performance Management System, implementation would be in 2006/07.

3. Policy Review and Development

Regulation and control of staff is the main function of HR which is based on the prevailing company regulations, and the national laws. The last review of our 1992 personnel regulations was done in 2001, and in 2005/06, HR embarked on the updating of these regulations. The identified amendments were consolidated, and were to be disseminated to all staff members in 2006/07, in order to get inputs, and the buy-in.

4 Recruitment

The ICT Office was strengthened this year with the recruitment of an ICT Officer to assist the ICT Manager. After the recruitment of the Marketing Manager, WASA saw the strengthening of the Customer Care service arm. This was evident by the refurbishment of the outbuilding that is now being used as a one-stop-shop for customer service. It has been fully staffed with qualified personnel. Further recruitment was made in the Finance Division with the addition of Accountants (of which some have been placed at the Regional Offices to enhance work at WASA Centers). Moreover, the previously named Officers-in-Charge (OIC's) positions have been renamed Area Managers and Area Engineers in the quest to improve efficiency in the provision of services.

Chief Executive's Report cont.

5. Training and Development

In order to better manage training, a comprehensive Training Plan was developed with the assistance of Sechaba Consultants for implementation from 2006/07 over a 3 year period. 2006/07 was marked by a lot of training activities for the Authority. 18 Managers were trained on in the world acclaimed Stephen Covey's "7 habits of highly effective people". 26 HIV and AIDS Peer Educators were trained. First Aid training was conducted for 26 officers. The Chief Executive, Director of Finance and 9 managers took a study tour on Performance Agreement to the Swaziland Water Services Corporation. Managers from our Finance, Operations and Engineering Divisions took a study tour on GIS to the Ethekewini Municipality. 3 officers attended a course on Data Loggers, while the Director of Operations underwent a course on water demand in Johannesburg.

Staff Turnover

	2004/2005	2005/2006
Resignation	5	2
Retirement	4	1
Deaths	5	12
Dismissals	6	6
Staff Compliment:	458	462



Tiisetso Rantlo, a student of Mafeteng High School is receiving M1000, from WASA Public Relations Manager, Mr. Khotso Let-satsi, for writing the best essay on environmental issues.

PUBLIC RELATIONS

Efforts were carried out to ensure effective communication with all customers and stakeholders in the country through the media. The year under review, the section produced 187 radio programmes on various subjects with the aim of informing, educating, and creating awareness about the Authority's operations. At the moment the Authority has now secured



WASA's new customer centre.

Chief Executive's Report cont.

a permanent radio slot at Radio Lesotho where the Corporation produces a weekly fifteen minutes educational radio programme every Tuesday, starting at 6.45 pm to 7.00 pm.

To disseminate more information to customers and stake holders, public gatherings have been used as one of the modes of communication. A total of 36 public gatherings were held throughout the country. Quarterly newsletters and an Annual report are also sources of information for our customers.

WASA as a public utility, its product destination is customer taps; therefore the Corporation is entering the second year of producing a Customer Survey report with the intention of getting customers perceptions of the Authority's performance.

The first report of this exercise portrays WASA as an average performer. It is our hope that with this picture we will perform much better in the years to come because we know exactly what the customers want. This year is the second year in carrying out a customer satisfaction survey, to determine customer perceptions on the product the Authority is delivering to its customers.

MARKETING

The establishment of the Marketing Section has yielded a situation whereby the Authority's sections that provide services to customers are being housed in one area. This has assisted the customers not to move from one office to another looking for service.

On top of that, a total of approximately 22 adverts have been produced and aired in the media trying to inform, educate and market the Authority services to the public. With this information/education, a lot of Basotho in all 15 urban centers have been coming to WASA offices to get services and seeking more clarity.

May I conclude my statement by directing my special thanks to the Board Members, Management and Staff of WASA for their support and dedication towards their work. Without you, we would not be where we are, but I would like to urge you to remember that without customers WASA would not exist; therefore, special treatment should always be given to a customer.



Installation of pre-paid meters in Maseru. 0

Corporate Services



Mrs. 'Mamosebi Pholo
Director of Corporate Services

CORPORATE AND SECRETARIAL SERVICES

Co-ordinates the activities of the Board and Management. Eight Board meetings were held both ordinary and special to attend organizational demands. Finance and Audit meetings were held, these were nine in all to strictly monitor the financial status of the organization.

1. Preparation of Minutes of and all documentation for meetings, including filtering thereof to ensure compliance with good governance and to raise matters that may warrant Board or Management attention.

2. Review and maintain effective and efficient communication channels between the Board, Management and Staff.

3. Safe-keep the Authority's important documents and records in an effective and efficient manner.

4. Performance Committee sittings were held five times. This is to monitor the performance of the organization.

CORPORATE PLANNING

The utility uses the Corporate Plan and the Performance Agreement to develop Annual Business Plans (ABP). As a means of enhancing the development of the 2006/07 ABP's, the Corporate Plan was reviewed in order to identify the plan's completed and outstanding assignments. This was done to check whether the 2006/07 targets will still need to be implemented as initially planned. As a result the prior years' and 2006/07 targets were reviewed and agreed. Upon the completion of the exercise, managers were assisted to develop the 2006/07 ABP's, that were later approved by Board's Performance Committee.

The 2005/06 ABPs were successfully monitored through writing of both monthly and quarterly reports by all man-



Corporate Services

agers and compiled by the Corporate Planning Unit.

The unit also contributed in the adjustment of the tariffs by the inflation factor. In addition preparations for the engagement of the consultants that will develop the tariff policy were initiated. The preparations were at a very advanced stage as the ToR had been sent to World Bank for 'no objection' which they accepted by the end of the year.

LEGAL

Corporate Services has been reinforced by the recruitment of the Legal Affairs Manager in the 2006/2007. After employment of this officer WASA has procured several titles/leases of WASA offices in many designated areas will now be build after the procurement of these titles. Defaulting customers are now facing litigation. Most of them are paying their debts, hence an increase in WASA revenue. Customers involved in illegal connection are now facing criminal prosecution.

In this reporting year the section has contributed to social justice, labour, peace and democratization of the work place by fulfilling the primary objective of Labour Law, by providing a framework within which employees and their employer 's collectively bargain to determine terms and conditions of employment and other matters of mutual interest. Numerous contracts between WASA and its Service providers have been reviewed for the benefit of WASA. The legal section has ensured that all WASA property is duly insured. Claims against insurance for compensation are lodged by this Section.

ADMINISTRATION

Building maintenance is part of administration. All the offices of WASA in the Districts have been painted and carpeted. Administration has developed a schedule for taking an inventory. The inventory of WASA property has been duly taken. Through the adoption of Risk Management, the following have been undertaken.

- Installation of burglar proofing.
- Restoration of water for the Headquarters ' fire hydrants.
- Installation of perimeter fencing at Headquarters.

TRANSPORT

This section is responsible for fleet acquisition, management and disposal. It facilitates the purchase of fleet for budget schedule. Inter-alia it is responsible for fleet insurance, their Registration and painting WASA colours. The section selects vehicles due for disposal and removal of WASA colours. Monitoring of vehicle usage, vehicle maintenance among others and attending vehicles accidents are some of key activities of the section. The section is also responsible to affect vehicle registration and renewal and updating of vehicle register.





Mr. Lira Mohosho
Acting Director of Engineering

The annual report for 2005/2006 covers the projects that have been completed, on-going and those that have reached the first stage i.e. design and documentation:

1.0 COMPLETED PROJECTS

1.1 Roma Emergency Water Supply

The project was intended to supply water to the National University of Lesotho and Roma Valley as a whole. The project components were the intake, pumping station, package treatment plant, pumping and gravity mains.

The project increased the capacity of treated water for Roma by 1.3Ml/day (15litres/second).

This emergency intervention has really relieved the University which had some problems of water supply during the dry season.

1.2 Friebel Estate Water Supply

The project was to augment the supply to Friebel Estate in Maseru. With later development the project will also supply the proposed new Parliament at Mpilo Hill, the Parliament village and the neighbouring proposed settlement within Mpilo and Mpilonyane

1.3 Communal Pre-paid Water Points

In addition to the normal water reticulation extensions that are being carried out for people to connect, there are still poor residents who could not afford the connection fee. Under these circumstances WASA had intervened by installing pre-paid water points at strategic areas in Maseru to help the poor and those who live in rented houses (malaene).

The areas are:

- Ha-Lesia
- Ha-Tsolo
- Ha-Tikoe



New pump station at Lithabaneng (Ha Motsoeneng)

Engineering, Planning & Development

- Ha-Shelile
- Khubelu
- Pena-Pena

These water points serve up to four hundred (400) people each depending on the density of the population at each area. The water points are managed by the communities.

1.4 Water Supply to Maseru City Council Sites

Unlike Lesotho Housing and Land Development Corporation, the Maseru City Council has allocated sites to residents without service infrastructure like water, electricity, roads etc. WASA pre-financed one of such settlements with the purpose of recovering the money at a later date when residents are already getting the supply. There were about 250 households who received this service.

2.0 On-going Project

2.1 Maseru Peri-Urban Water Supply Phase I – Contract II

The project started in October, 2004 with the sole purpose of supplying water to the peri-urban areas of Lepereng, Lithabaneng, Ha Leqele,

Ha Makhoathi, Bosofo, Ha Khobatha, Makhohaeng, Phakalasane, Ha Seleso and Ha Tikoe. The project was supposed to be completed by October 2006, but due to some delays encountered during the implementation, it will be completed during the first quarter of 2007.

The project, when completed will increase the service coverage for Maseru by 15% and will also connect about four thousand residents.

2.2 Water Supply to Lesotho Housing and Land Development Corporation in Outhing

The project started as early as 2000 but only reticulation infrastructure within the sites was completed. Water supply to the sites still remained a problem. The pipeline to the sites was completed during 2005 but the pipe bridge across Qomoqomong spring/river was washed away in February, 2006. The new crossing will be completed in the next reporting year.

2.3 Tikoe 1

The project is supplying water to the proposed Industrial Area at Ha Tikoe. The project is complete but not yet operational because of lack



Water pumps

Engineering, Planning & Development

of infrastructure at the site. The project will be supplying 2.4Ml/day to the new area and neighbouring villages and Lesotho Housing and Land Development Corporation at MASOWE.

3.0 Projects under Design and Documentation

3.1 Five Towns Water Supply Project

The Feasibility Study consultant for Water Supply and Sanitation for the Districts of Butha-Buthe, Leribe, Mofale's Hoek, Mafeteng and Qacha's Nek has been appointed and he is about to deliver the final Feasibility Study Report. The project, when implemented and complete, will provide adequate sources of supply, treatment, storage and distribution of water to the above mentioned areas. It will also improve the existing sewerage ponds and provide the additional ones for Butha-Buthe and Leribe. Qacha's Nek will have new ponds because WASA does not have any sewerage treatment facility in this town.

3.2 Six Towns Water Supply Project

The towns covered under this project are Maputsoe, Teyateyaneng, Mapoteng, Roma, Morija and Outhing. The project is intended to improve Water Sanitation services. During the reporting period, the design and tender documents were ready for collection by the bidders. The project is a hundred percent financed by the European Union.

It is anticipated that the construction will start the second quarter of next year (2006/2007).

3.3 Maseru Wastewater Feasibility Study

The project has been divided into three components i.e.:

- a) Technical Assistance for WASA Operations and Maintenance
- b) Immediate Measures
- c) Sewerage Network and Treatment.

Technical Assistance

The inputs of the Technical Assistance will commence early next year (January, 2007). These inputs will help WASA in the operations and maintenance of the water and sewerage facilities with special emphasis on the improvement of effluent from the existing ponds and quality of the treated water.

Immediate Works

The immediate works component comprises the purchasing of eight vacuum tankers for both septic tanks and VIP's (ventilated improved pits), and rehabilitation of all sewerage pumping stations in Maseru and Ratjomose Wastewater Treatment Plant. Tenders for this project will finally be re-submitted in February, 2007.

Sewerage Network and Treatment

The sewerage network will cover areas of Lower Thamae, part of Motimposo, Mabote and Khubetsoana including Maqalika area. The Feasibility Study has already been done and completed. Financing is being awaited from European Investment Bank and European Union.

3.4 Maseru Peri-Urban Water Supply Project Phase II

The project covers North-East and South West of Maseru. The designs and contract documents were completed and advertisement launched. Only one contractor submitted the bid and re-tendering has to be done.

The re-submission of tenders is scheduled for January, 2007. The project will connect about four thousand five hundred (4,500) customers when completed.



Digging of trenches at Ha Lesia for installation of communal pre-paid stand pipes.

Operations and Maintenance



Mr. Falla Seboko

Acting Director of Operations & Maintenance

1. WATER SOURCES

During the year under review floods damaged the pumps stations at the Intakes of the following centers:

- Maseru Caledon 2 Pump Station whose damages were compensated by insurance to a tune of M380, 000. It is worth noting that it took three months to make Caledon 2 Pump Station operational; as such, raw water was solely abstracted from Maqalika Dam. Nevertheless, production of water in Maseru was never compromised because demand was sufficiently met.
- Phuthiatsana River Pump Station, that pumps produced water at the Intake to the distribution, was immersed in water but damages were limited because the station was put back in operation 6 days later. Water was therefore tankered from Maseru in the 6 days in question.

Makhalaneng River at Nyokosoba is now used as another source for Roma water supply since February 2006.

2. WATER TREATMENT PLANTS

Roma water supply was augmented by construction of a package plant at Makhalaneng River at Nyokosoba that produces 0.20 Ml per day; as such, total water produced in Roma is now 0.95 Ml per day. The old plant at Liphiring River at Roma produces 0.75 Ml per day.

Mafeteng water treatment plant has been rehabilitated by putting in new filter media; as such, quality and quantity of potable water produced has improved. An automatic floc dosing equipment was also installed to optimize usage of chemicals.

Filters are being rehabilitated at Maseru water treatment plant, costing around 0.7 million Maloti, to reduce migrating filter sand. The problem of discoloured water was experienced due to the unexpected floods in September 2006; however the situation is being brought under control by increasing the pH to curb the formation of iron compounds that impart rusty colour to the water. It is worth noting that lime is being manually dosed to correct the pH, however an automated lime dosing equipment (silo) has been ordered in December 2006 and shall be installed early in the New Year (2007).

The Old Mohale's Hoek water treatment plant has been rehabilitated to increase potable water produced (by using raw surface water) and improving quality of water from the wellpoints (by filtering manganese from water from the wellpoints).

The Thaba Tseka water treatment plant has also been rehabilitated; as such, water from the boreholes is being supplemented by conventional water treatment.



Operations and Maintenance

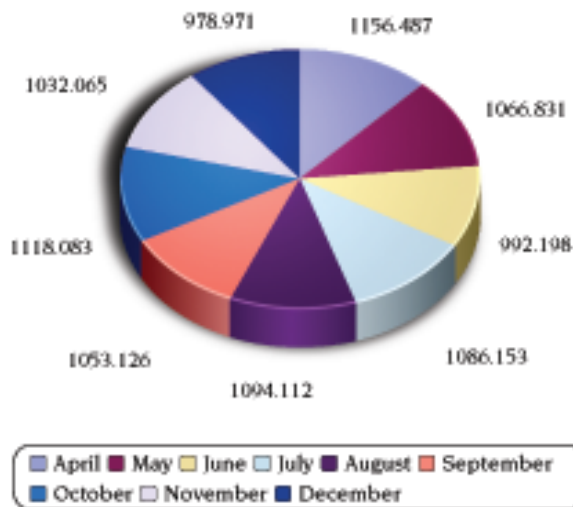
3. WATER PRODUCED

A total of 45.3 ML/day potable water was produced throughout the centers and Maseru contributed an average of 34 ML/day.

WATER PRODUCTION - 2006

MONTHS	RAW	PROD.	BILLED
APRIL	1156.487	938.548	807.000
MAY	1066.831	934.042	758.871
JUNE	992.198	972.942	655.155
JULY	1086.153	952.515	803.771
AUGUST	1094.112	1029.567	802.579
SEPTEMBER	1053.126	1032.228	723.407
OCTOBER	1118.083	1006.199	762.185
NOVEMBER	1032.065	1012.700	771.461
DECEMBER	978.971	969.107	820.107

Water Production in ML



4. DISTRIBUTION NETWORK

75,475 domestic customers were supplied with water for more than 18 hours in Maseru. Maseru reticulation is being monitored by the use of newly acquired data loggers; thus giving an auditable record of the level of service to customers. Year 2 target is that customers supplied with water for less than 18 hours should be reduced to 70,000 as per the Performance Agreement between GoL and WASA.

5. UNACCOUNTED FOR WATER (UfW)

UfW was achieved at around 29% ranging as follows,

1	Maseru	= 23%
2	North	= 48%
3	Central	= 30%
4	South	= 48%

Uneconomic to repair pipelines have been replaced with new pipes (totaling 6.5 Km) in Maseru.

6. STORAGE FACILITIES

The ball-valve has been installed at the Ramokhele Reservoir in Mafeteng to stop overflows that had caused spring-like phenomena opposite the main gate of Correctional Services Premises (Toronkong). As a result, pressure switch system has been installed to automate the start and shut of pump(s) that delivers water to the reservoir as per the set low & high levels of supply.

All reservoirs were cleaned throughout the centers; hence water quality of potable water has improved.



Finance



Mrs. Nomvula Bohloa
Director of Finance

1. FINANCIAL PERFORMANCE

The turnover attained for 2005/06 increased to a figure of M65.71m, from a total of M61.67 million for the previous year, thus registering a growth rate of 6.55%. The biggest portion of the revenue was the income generated through the provision of water and sewage services, which amounted to M56.32m, however registering a minimal growth rate when compared to M56.15m relating to the previous year ended in March 2005. A notable category of income, amounting to M6.64m, was derived from new service connections, representing an overall growth factor of 66%.

The presence of industries in the textile sector, under the Africa Growth and Opportunities Act (AGOA), has continued to contribute significantly to the realization of revenue, with the sector contributing around 39%. However the sector's consumption has not increased when compared to the year ended in March 2005. Other significant contributors to revenue are the domestic sector and the Government of Lesotho with a contribution of 29.33% and 14.39% respectively. It is noteworthy to mention that the turnover is below the targeted levels which had been based on the optimistic water demand view, which did not anticipate the scaling down of consumption by some industries.

New water connections continued to grow during 2005/06 with a growth rate of 47.47% at the end of March 2006. This growth rate is due to the fact that there has been a major focus by WASA to increase the domestic connections to ensure that consumption by that category increases. The on-going Maseru Peri-Urban Project will greatly assist the achievement of

the goal of increasing the connections by the domestic customers as the project has the potential to connect 4,000 domestic customers.

Income from new sewerage connections increased tremendously during the financial year 2005/06 with a growth rate of 168.29% being achieved. There has been an increased number of sewerage connections from 2004/05 which achieved a growth rate of 258.33%.

The operating costs for the year ended March 2006 stood at M64.71m, making it possible for a small operating profit of M0.997m to be achieved. Power, Chemicals, Reticulation & Plant Maintenance continue to account for a major portion of the operating expenses.

There has been an application of 6% inflation factor to WASA's tariffs in April 2005; however a complete review of tariffs is now an imperative action which needs to be completed as some critical cost components continue to escalate at a rate higher than the inflation and the revenue realized.

WASA posted a net profit of M14.96m at the end of the financial year under review, much of which was derived from the interest income on investments and late debtors' payment. Within this figure, an amount of M11.93m relates to interest on long term debts in respect of which the GOL granted a remission.

2. FINANCIAL POSITION

Fixed Assets

There has been an increase of M61.88m to the fixed assets during the year ended March 2006. The additions are mainly from two completed projects, namely, Maseru Peri Urban Project Phase I-Contract I, and Augmentation of Maseru Water Supply Project, valued at M22.174m and M31.76m respectively. The Maseru Peri-Urban Project (reticulation extensions) was jointly financed by BADEA and the Government of Lesotho whilst the Augmentation of Maseru Water Supply was wholly financed by the Government of Lesotho.

There are on-going projects which have increased the Work-In-Progress (WIP) figure by M35.75m. The bulk of the WIP figure is made up of two projects, viz Maseru Peri-Urban

Finance cont.

Project Contract II (M20m) and Roma Water Supply Augmentation Project (M7.2m). Maseru Peri-Urban Project has been financed by BADEA and GOL whilst the Roma project has been wholly financed by GOL.

Net Current Assets

The Net Current Asset position of the Authority positively moved to a figure of M57.5m at the end of the reporting period, with the current asset figure standing at M77.37m and the current liabilities figure at M19.87m. The net current asset figure has had the effect of both improving and placing the liquidity position of the Authority at comfortable levels. Factors contributing to this situation can be identified as the intensive and sustained effort of debt collection, undertaken through a combined strength of in-house resources augmented by the private collecting firms. A set target has been agreed upon under the Performance Agreement signed with the GOL, that 95% of billing should be matched with the amounts collected each month. It is encouraging to note that the set target is being consistently achieved. However disconnected accounts still pose a problem as a major portion of the debtors do not repay their debts and do not officially reconnect. Concerted efforts continue to be made to follow up on the disconnected customers and to encourage them to pay the outstanding debts.

Plans to implement the pre-paid system in selected areas have been set in motion. It is envisaged that towards the end of the financial year ending March 2007, there will be a marked progress on the installation of prepaid meters in selected areas of Maseru. Collection process will further be enhanced by the installation of the prepaid meter system.

The Authority continues to invest in short term investments such as Money Markets and Treasury bills, which yield higher returns than other investment instruments available in the local financial markets.

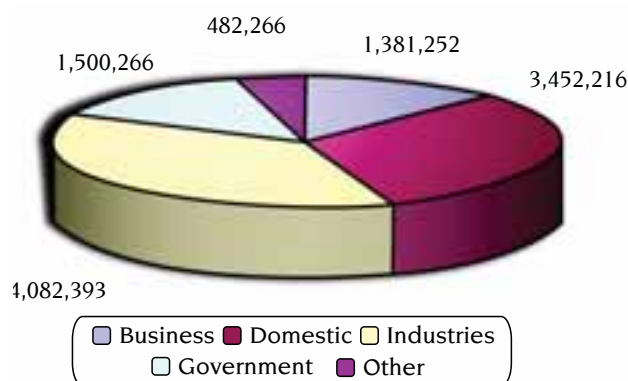
Long Term Loans

A new loan amounting to USD14.1 was procured and signed with the World Bank in December 2004 for the financing of the Water Sector Improvement Project. The Government of Lesot-

ho will contribute USD1.5m. The financing has been earmarked to include Policy Implementation and capacity building in the Ministry of Natural Resources, civil works in Maseru and Mazenod, funding of Performance Agreement.

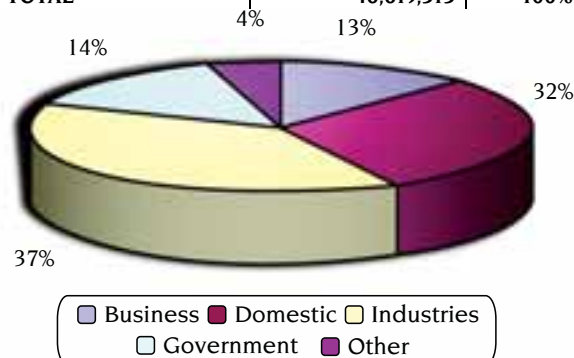
VOLUME OF WATER BILLED IN KILOLITRES 2005/06

Business	1,381,252	13%
Domestic	3,452,216	32%
Industries	4,082,393	37%
Government	1,500,266	14%
Other	482,266	4%
TOTAL	10,898,308	100%



AMOUNT OF WATER BILLED IN MALUTI 2005/06

Business	5,953,780	13%
Domestic	13,672,768	32%
Industries	18,131,360	37%
Government	6,706,806	14%
Other	2,151,599	4%
TOTAL	46,619,313	100%



Financial Statements

LESOTHO WATER & SEWERAGE AUTHORITY FINANCIAL STATEMENTS

For the year ended 31 March 2006

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Statements of the Board of Directors

The Board of Directors is responsible for monitoring the preparation of and the integrity of the financial statements and the related information included in this report.

In order for the Board to discharge its responsibilities, management has developed and continues to maintain a system of internal controls. The Board has ultimate responsibility for the system of internal controls.

The internal controls include a risk-based system of internal accounting and administrative controls designed to provide reasonable but not absolute assurance that assets are safeguarded and that transactions are executed and recorded in accordance with generally accepted business practices and the organisation's policies and procedures. These controls are implemented by trained personnel with appropriate segregation of duties, are monitored by management and include a comprehensive budgeting and reporting system operating within strict deadlines and appropriate control framework.

The financial statements are prepared in accordance with statements of Lesotho Generally Accepted Accounting Practice and are based on appropriate accounting policies supported by reasonable and prudent judgement and estimates. There are no events that occurred after the balance sheet date that would have a material impact on these financial statements.

These Financial Statements set out on pages 27-38 were approved by the Board, and signed on its behalf by:

Chairman



Date: 27.09.2006

Chief Executive Officer



Date: Date: 27.09.2006

Income and Expenditure Statement

INCOME	Notes	2006 M'000	2005 M'000
Operating Profit	18	997	1,433
Net interest received/(charged)		13,960	3,956
Interest received		4,144	5,517
Interest- Debt forgiveness		11,932	
Interest charged		(2,116)	(1,561)
Net profit before taxation		14,957	5,389
Taxation	2,3	-	-
Prior year adjustment	16	14,957 (114)	5,389 515
Profit/(Loss) at end of year		14,843	5,904

Balance Sheet

ASSETS	Notes	2006 M'000	2005 M'000
Non-current assets			
Property, plant and equipment	3	332,681	301,544
Current assets		77,372	78,518
Inventory	4	3,838	4,023
Accounts receivable	5	37,838	36,162
Short-term investments	6	18,465	15,356
Bank and cash	7	17,231	22,977
TOTAL ASSETS		410,053	380,062
CAPITAL AND LIABILITIES			
Capital and Reserves		381,567	357,471
GOL funding	8	319,967	307,530
GOL grant	9	105,732	108,916
Accumulated funds	10	(44,261)	(59,104)
Reserves	11	129	129
Non-current liabilities		8,614	5,425
Provisions for severance pay	12	5,582	5,425
Long-term loans	13	3,032	-
Current Liabilities		19,872	17,166
Bank		2,499	1,980
Accounts payable	14	17,373	14,744
Treasury trading account	15	-	442
TOTAL CAPITAL AND LIABILITIES		410,053	380,062

Statement of Changes in Capital and Reserves

	GOL Funding M	GOL Grant	Reserves	Accumulated excess expenditure over income M	Total M
Balance as at 1 April 2005	307,530	108,916	129	(59,104)	357,471
Net profit for the year	-	-	-	14,843	14,843
GOL funding	12,437	9,185	-	-	21,622
Grant amortised-Principal	-	(437)			(437)
Grant amortised-Interest		(11,932)			(11,932)
Balance as at 31 March 2006	319,967	105,732	129	(44,261)	381,567

Cash flow Statement

	2006 M'000	2005 M'000
CASH GENERATED FROM OPERATING ACTIVITIES		
Net Profit before interest charges	5,141	6,950
Adjustment for:		
Depreciation/provision for reticulation assets maintenance	9,225	10,084
Profit/(Loss) on fixed assets disposal	(447)	-
Provision for severance pay	157	534
Prior year adjustment	(114)	515
Interest income	(4,144)	(5,517)
	9,818	12,566
Changes in working capital:		
Decrease/(Increase) in inventory	185	(711)
Decrease/(Increase) in receivables	(1,676)	(6,800)
(Decrease)/Increase in Treasury Trading	(442)	-
(Decrease)/Increase in payables	2,629	1,656
Cash generated from operations	10,514	6,711
Interest paid	(2,116)	(1,561)
	8,398	5,150
CASH UTILISED IN INVESTING ACTIVITIES		
Purchase of tangible fixed assets	(40,400)	(19,076)
Reticulation fixed assets provision and other adjustments	38	-
Proceeds from sale of fixed assets	447	-
Interest received	4,144	5,517
	(35,771)	(13,559)
CASH FROM FINANCING ACTIVITIES		
Repayment of medium term liabilities	-	-
Increase in GOL contribution/grant	21,185	31,418
Increase in long term liabilities	3,032	-
	24,217	31,418
NET MOVEMENT FOR THE YEAR	(3,156)	23,009
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	36,353	13,344
CASH AND CASH EQUIVALENTS AT END OF YEAR	33,197	36,353

Notes to the Financial Statements

1. BACKGROUND

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

2. STATEMENT OF ACCOUNTING POLICIES

2.1 Basis of Accounting

The financial statements have been prepared on the historic cost basis with the exception of fixed assets acquired prior to September 1991.

2.2 Turnover

Turnover represents amounts invoiced to customers for services provided.

2.3 Taxation

The Water and Sewerage 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.

2.4 Depreciation and valuation of assets

2.4.1 Revaluation of fixed assets

The fixed assets comprising of reticulation networks, structures and other assets were revalued by KPMG Peat Marwick during 1996/97 under an IDA -assisted programme. The revaluations have been incorporated into the Authority's accounts.

2.4.2 Reticulation

The underground network of water supply mains and sewers are treated as specialised structures for accounting purposes.

- Expenditure on reticulation assets which relate to increases in capacity or enhancements of the network are shown as additions and entered at cost.

- Expenditure on maintaining the operating capacity of the network is charged as an operating cost.

- 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.

2.4.3 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.

- 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 - 7 years
Office equipment, including computers	3 - 6 years

- 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.

2.4.4 Minimum Capitalisation

Expenditure on capital projects or acquisitions up to M10,000 is charged to the Profit and Loss Account as operating costs.

2.4.5 Capital work-in-progress

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.

2.5 Provision

Provisions are recognised when the company 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.

2.6 Inventory

Inventory is stated at either cost, or market value if lower, less any provision necessary to recognise damage or obsolescence.

2.7 Grants

Grants are accounted for and recognised in the income and expenditure account in line with IAS 20.

2.8 Rounding

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

Notes to the Financial Statements cont.

3. PROPERTY, PLANT AND EQUIPMENT	2006			2005		
	Cost	Accumulated Depreciation	Carrying Amount	Cost	Accumulated Depreciation	Carrying Amount
<i>Owned assets</i>	M '000	M '000	M '000	M '000	M '000	M '000
Land & Buildings	43,354	22,239	21,115	42,246	21,375	20,871
Specialised Operational structures	151,216	41,724	109,492	117,670	38,805	78,865
Reticulation	201,422	60,005	141,417	178,079	57,285	120,794
Plant & Machinery	29,066	21,837	7,229	27,580	20,473	7,107
Motor vehicles	8,124	4,022	4,102	7,477	4,270	3,207
Office equipment & furniture	4,190	3,026	1,164	3,739	2,714	1,025
Assets in construction	48,162	-	48,162	69,675	-	69,675
	485,534	152,853	332,681	446,466	144,922	301,544

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

FOR THE PERIOD ENDED 31 MARCH 2005	Carrying Amount at beginning of period	Adjustments	Transfer to completed Projects	Additions	Assets Disposed	Depreciation Disposal	Depreciation	Carrying Amount at end of period
	M '000	M '000	M'000	M '000	M '000		M '000	M '000
<i>Owned assets</i>								
Land & Buildings	20,871	-	-	1,108	-	-	864	21,115
Specialised Operational structures	78,865	-	-	33,546	-	-	2,919	109,492
Reticulation	120,794	-	-	23,343	-	-	2,720	141,417
Plant & Machinery	7,107	-	-	1,486	-	-	1,364	7,229
Motor vehicles	3,207	-	-	1,941	1,294	1,294	1,046	4,102
Office equipment & furniture	1,025	-	-	451	-	-	312	1,164
Assets in construction	69,675	(38)	(57,267)	35,792	-	-	-	48,162
	301,544	(38)	(57,267)	97,667	1,294	1,294	9,225	332,681

Notes to the Financial Statements cont.

4. INVENTORY	2006	2005
	M'000	M'000
Cost	4,224	4,501
Provision for obsolete stock	(386)	(478)
	3,838	4,023
5. ACCOUNTS RECEIVABLE		
Trade debtors	49,676	45,895
Miscellaneous debtors	3,841	2,594
Pension Refund (LNIG)	-	11
Wessex Control	-	404
Postal Services	173	310
Cairomatic - Advance	1,000	-
Sanitations Unit	329	321
Shoprite Services	316	-
NUL	261	-
Staff debtors	234	284
Staff housing loan	1,308	1,630
Other debtors	61	161
	57,199	51,610
Less: Provision for impaired debts	(19,361)	(15,448)
	37,838	36,162
6. SHORT-TERM INVESTMENTS		
Treasury bills (Central Bank)	7,753	7,209
Standard Bank Money Markets	10,712	8,147
	18,465	15,356
7. BANK AND CASH		
Lesotho Bank Call Accounts	17,216	22,964
Cashiers	15	13
Sub-total	17,231	22,977
Lesotho Bank Current Account (note.)	(2,499)	(1,980)
	14,732	20,997

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

Notes to the Financial Statements cont.

8. GOVERNMENT OF LESOTHO FUNDING

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

	2006 M'000	2005 M'000
Balance brought forward (Re-stated)	307,530	305,673
Additions during the year	12,437	1,857
	<u>319,967</u>	<u>307,530</u>

9. GOVERNMENT OF LESOTHO GRANT

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

Balance at 1st April	108,916	79,355
W-I-P	87,061	79,355
Completed projects	21,855	-
Additions during the year	9,185	29,561
Amortisation: Completed projects	(437)	-
Interest forgiveness (note)	(11,932)	-
	<u>105,732</u>	<u>08,916</u>

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 has been charged to the current Income Statement in total.

10. ACCUMULATED DEFICIT

Balance at 1st April	(59,104)	(65,008)
Net profit/(loss) for the year	14,957	5,389
Prior year adjustment (Note 16.)	(114)	515
	<u>(44,261)</u>	<u>(59,104)</u>

11. RESERVES

Revaluation reserve	(78)	(78)
General reserve	207	207
	<u>129</u>	<u>129</u>

Notes to the Financial Statements cont.

	2006	2005
	M'000	M'000
12. PROVISION FOR SEVERANCE PAY		
An amount equal to 90% of the provision for severance pay has been classified as long-term liabilities. The basis used is the annual staff turnover.	5,582	5,425
	5,582	5,425
13. LONG TERM LIABILITIES		
13.1 Industrialisation Loan		
The loan has been advanced by the government of Lesotho for infrastructure development at Thetsane and Tikoe areas of Maseru and is repayable over a 25 year period at a simple interest rate of 2% per annum. The first installment was due after a grace period of five years from the signing of the loan which was 28th June 2002.	-	-
13.2 BADEA Loan		
A loan advanced by the government of Lesotho for infrastructure development in Maseru peri-urban area. The loan is repayable over a 14 year period at an interest rate of 3% per annum. The first installment is due on the 1st January 2005.	-	-
	-	-
13.3 IDA Loan		
A loan advanced by the government of Lesotho for infrastructure development in Maseru and Mazenod areas and for implementation of Performance Agreement.	3,032	-
	-	-
Written-off to GOL grant	-	-
Balance	3,032	-

Notes to the Financial Statements cont.

14. ACCOUNTS PAYABLE AND ACCRUALS	2006	2005
	M'000	M'000
Accrued expenses	4,240	2,805
Audit fees payable	-	-
Customers' deposits	3,441	3,229
Due to contractors	3,347	2,744
Interest payable to the government	4,744	3,468
Other Creditors	1	13
Payment receipts in advance	292	288
Provision for severance pay	620	761
Salaries and wages	61	-
Trade creditors	106	920
Vat control	50	91
Withholding tax	-	33
Income Tax Deducted	25	-
Suspense	446	392
	<u>17,373</u>	<u>14,744</u>
 15. TREASURY TRADING ACCOUNT		
Balance at 1st April 1992	<u>-</u>	<u>442</u>
 16. PRIOR YEAR ADJUSTMENTS		
Interest payable	(114)	(253)
Debtors	-	768
	<u>(114)</u>	<u>515</u>

Notes to the Financial Statements cont.

17. INCOME	2006 M '000	2005 M '000
Water and Sewerage charges	56,318	56,146
New service connection	6,636	3,996
Project Revenue	-	1
Gain on disposal	447	-
Other income	2,305	1,530
	<u>65,706</u>	<u>61,673</u>
 EXPENDITURE		
Manpower costs	25,903	22,860
Electricity	7,881	6,239
Reticulation & plant maintenance	4,822	5,353
Chemicals	2,860	2,239
Transport	2,093	1,796
New connections materials	2,371	1,895
Telephone, stationery, postage	1,737	1,630
Rents, Security & Insurance	2,283	1,451
Training & travel expenses	1,116	843
Directors fees	69	59
Audit fees	90	38
Office equipment	733	748
Other expenses (including write-offs)	2,836	2,044
Rates	279	256
Stock adjustment account	400	(4)
Provision for impaired debts	11	2,709
Depreciation	9,225	10,084
	<u>64,709</u>	<u>60,240</u>
 Operating Profit for the year	 <u>997</u>	 <u>1,433</u>

Summary of WASA's Performance for 8 years to 2005/6

	1998/99 M'000	1999/00 M'000	2000/01 M'000	2001/02 M'000	2002/03 M'000	2003/04 M'000	2004/05 M'000	2005/06 M'000
INCOME STATEMENT								
Turnover	38,678	37,445	33,652	39,977	43,970	50,852	61,673	65,706
Less: Operating Expenses	39,341	37,331	40,515	38,789	38,921	49,248	60,240	64,709
Operating profit/(loss)	-663	114	-6,863	1,188	5,049	1,604	1,433	997
Add: Interest Received	924	500	304	455	1,159	5,370	5,517	4,144
Interest - Debt forgiveness								11,932
Less: Interest on loans	-3,865	-4,640	-3,572	-5,734	-4,747	-4,167	-1,561	-2,116
	-3,604	-4,026	-10,131	-4,091	1,461	2,807	5,389	14,957
Less: Exceptional Items: Provision for underground assets	-3,455	-5,927	-3,667	-3,884	-3,872	-	-	-
Net Profit/(loss)	-7,059	-9,953	-13,798	-7,975	-2,411	2,807	5,389	14,957
Prior Year Adjustment	-38,817	1,122	-76	-894	-5,241	-1,305	515	-114
Profit/(Loss) at end of year	-45,876	-8,831	-13,874	-8,869	-7,652	1,502	5,904	14,843
BALANCE SHEET								
ASSETS								
Non-current assets	240,336	236,473	240,102	257,523	272,524	292,552	301,544	332,681
Current assets								
Inventory	2,767	2,894	3,045	3,401	3,014	3,312	4,023	3,838
Accounts Receivable	26,183	28,300	27,720	27,791	29,298	29,362	36,162	37,838
Cash and Bank balances	9,534	6,801	3,089	11,418	13,651	14,671	38,333	35,696
	38,484	37,995	33,854	42,610	45,963	47,345	78,518	77,372
TOTAL ASSETS	278,820	274,468	273,956	300,133	318,487	339,897	380,062	410,053
CAPITAL AND LIABILITIES								
Capital and Reserves								
GOL Funding	282,139	287,753	298,316	299,880	300,849	305,673	307,530	319,967
GOL Grant	533	731	731	731	731	79,355	108,916	105,732
Accumulated funds	-65,924	-74,759	-88,633	-58,859	-66,511	-65,008	-59,104	-44,261
Reserves	38,772	38,772	38,772	129	129	129	129	129
	255,520	252,497	249,186	241,881	235,198	320,149	357,471	381,567
Non-current liabilities								
Provision for severance pay	-	-	-	3,983	4,406	4,891	5,425	5,582
Medium term liabilities	-	-	-	13,593	6,593	-	-	-
Long term loans	-	-	-	25,973	48,618	-	-	3,032
	-	-	-	43,549	59,617	4,891	5,425	8,614
Current Liabilities								
Bank					2,232	1,327	1,980	2,499
Creditors and accruals	22,858	21,529	24,328	14,261	20,998	13,088	14,744	17,373
Treasury trading	442	442	442	442	442	442	442	-
	23,300	21,971	24,770	14,703	23,672	14,857	17,166	19,872
TOTAL CAPITAL AND LIABILITIES	278,820	274,468	273,956	300,133	318,487	339,897	380,062	410,053

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