



# TARIFF FILING PROPOSAL

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**Financial Year 2015-16**

**Final Edited Draft**

**December 2014**

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**Pursuant to the provisions of the operating licence signed on 30<sup>th</sup> April 2013**


**The Water and Sewerage Company (WASCO) has prepared and finalised this Tariff Filing Document.**

**The Tariff filing document has been seen and approved by the WASCO Board on 17<sup>th</sup> December 2014.**

**Signed:**

  
.....  
**WASCO Chief Executive**

**Signed:**

  
.....  
**Chairperson of the WASCO Board**



## EXECUTIVE SUMMARY

This is a tariff review application for a single year period covering the period April 2015 to March 2016.

Expenditure to date (as at September 2014) for the financial year 2014-15 is recorded at M82, 932, 407. It is anticipated that expenditure will reach an amount of M199, 241, 948 at the end of the financial year. This will be a growth of 15.2 percent from the recorded expenditure of the 2013-14 financial year.

The planned expenditure for the financial year 2015-16 is estimated to be M246, 782, 426

Revenue for the 2014-15 period to the end of September 2014 is recorded at M93, 533, 034. The projected revenue for the financial year is M203, 946, 939 this will be an increase in revenue from the last financial year of M171, 233, 000 by 19 percent.

In order to meet the planned expenditure for the 2015-16 financial year, WASCO proposes a tariff adjustment of 25% to the existing volumetric tariff in all bands and 5% for standing charges. WASCO also proposes the adjustment of water connections for the first three bands by M500.00 while keeping the last band unchanged.

Major issues that underpin this tariff application include the takeover of the Metolong Dam water treatment and conveyance infrastructure which will add an extra burden on its operations going forward. WASCO is experiencing challenges with regard to aging infrastructure that negatively affects delivery of quality service. Initiatives to deal with this are planned for in the next financial year. A recent assessment of human resources needs for WASCO revealed the need for extra resources (WASCO being highly labour intensive) to carry out service delivery activities. the implementation of the new structure, though in phases, will cost the company an extra five million Maloti in the first year.



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## **1 BASIS OF APPLICATION**

### **1.1 Basis and Key Assumptions**

The basis for the proposed adjustment of the WASCO volumetric tariff hinges on the need for the Company to meet its service delivery commitments that include provision of quality and reliable potable water and safe effluent disposal services.

The effect of inflationary pressure on acquisition of requisite materials for implementation of house connections, maintenance of reticulation infrastructure results in the ever growing expenditure burden on WASCO which is not backed up by commensurate revenue. The determination of the 2015-16 budget is based on divisional submissions based on item by item resources needed for the provision of services for the year.

The growth of the WASCO customer base is restricted to domestic customers which are growing at the rate of approximately 6000 connections per year. The rate of growth of non domestic customers has been largely insignificant in recent years. Against this backdrop and based on a *pareto* principle, the growth of domestic customers against non domestic customers provides an insignificant impact on revenues.

The key drivers for the tariff adjustment include increased human resources and other overheads needed to cater for the handing over of the Metolong Dam Treatment and Conveyance infrastructure, investments in resolving existing infrastructural challenges in most WASCO areas as well as the need for more human resources as per the reviewed WASCO organisational structure for improved service delivery.

The preparation of the WASCO tariff filing document is against the backdrop of WASCO being under the regulatory environment which the company is slowly growing into. The basis for the tariff review takes into consideration issues related to whether WASCO will be able to meet its service obligations as well as its ability to make profits as it has been granted company status and thus has to be able to sustain itself as a commercial entity.

The preparation of the WASCO budgets for the ensuing year is based on a zero-based budget adjusted upwards by an inflation factor of 6 percent. Manpower costs have been also adjusted upwards by 5 percent and an additional M5,000,000 to cater for additional staff as per the organisation's reviewed structure.

### **1.2 Statement of WASCO's Regulated Businesses**

The Water and Sewerage Company (PTY) Ltd came into being through a "Water and Sewerage Act No. 13 of 2010", thereby making it a fully fledged private company wholly owned by the Government of Lesotho earmarked to deliver water and sewerage services in the urban centres of the country.



WASCO operates in 16 centres serving 83, 224<sup>1</sup> customers nation-wide, about 6000 of whom are connected to sewer lines. There are also more than 4, 200 domestic prepaid connections, and more than 3,370 communal pre-paid token holders. Industries and commercial premises, particularly in Maseru, use about 64 percent of the water produced, and domestic customers consume 36 percent.

With effect from 2012 and in order to enhance its operational efficiency and effectiveness, WASCO was placed under regulation undertaken by the Lesotho Water and Electricity Authority (LEWA). This entails periodic monitoring of WASCO's performance in key operational areas.

As indicated earlier, WASCO operates within the water and sanitation sector and reports functionally to the Ministry of Energy, Meteorology and Water Affairs but is overseen strategically by a Board of Directors. The Board is responsible for the overall strategic direction of the company and other key strategic areas of finances, Audit and Risk; and Performance Management. WASCO is headed by a Chief Executive who is supported by a team of four heads of Divisions hereto referred to as Directors heading four divisions of Operations and Maintenance; Engineering, Planning and Design; Finance and Strategic Services and Human Resources.

The business of WASCO emanated from the extraction and production of raw water from rivers and bore holes, its distribution and ultimate supply to households and entities as well as the extraction of sewer for safe disposal back into the environment. On this basis, the following functions or business of WASCO will be regulated (i.e. production, distribution and sewerage disposal). The functions of the Sanitation Services Unit (SSU) have since been outsourced to private contractors in 2011 and do not form part of this submission. WASCO's sewerage tankering services, which still occur in the districts are also not included in the regulatory accounts for purposes of this submission.

This is the second formal tariff filing by WASCO since being under regulation. This Single-Year Tariff Filing relates to the provision of water and sewerage services in the service territories as defined in the Composite Water and Sewerage Licence signed by LEWA on 13<sup>th</sup> April 2013.

### **1.3 Issues to be Addressed**

The filing proposal is prepared against a background of a determination of the Contingency Fund for Emergencies (CFE) which was done in the last tariff determination. A Customer Levy, which will be collected by WASCO from customers on behalf of LEWA is yet to be determined while the licence fee was stipulated as part of the tariff determination for this financial year. Key WASCO performance and service indicators have been developed and finalised and agreed upon. What remains is the finalisation of reporting templates and guidelines.

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<sup>1</sup> Figure as at October 31<sup>st</sup> 2014

Due to financial constraints, the Cost Allocation Manual (CAM) and asset valuation will only be dealt with in 2015-16 financial year as well as a fully fledged cost of service study and will provide the basis for subsequent tariff proposals.

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## **2. REVIEW OF PREVIOUS YEAR: 2013-14 (WATER AND SEWERAGE)**

Here below is a presentation and review of the performance of WASCO for the period ending March 2014.

### **2.1 Review of Out-Turn Regulatory Accounts and Budget Estimates**

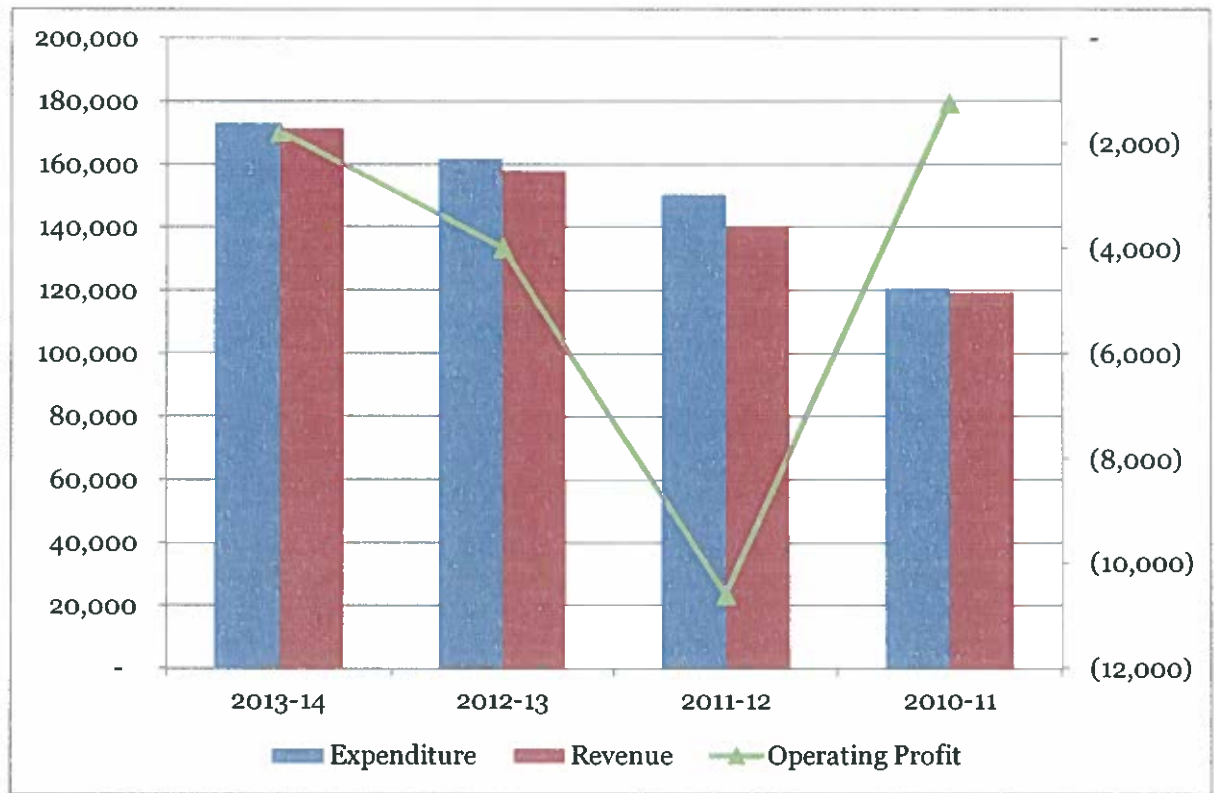
- 2.1.1 According to the results presented for the 2013-14 financial year, WASCO reported an annual operating loss of M1, 781, 000. Revenue generated for the period is M171, 233, 000. The main components of revenue have been Water and Sewerage billing M151, 452, 000(88.4%), new service connection at M14, 922,000 (8.71%). Other income registered a figure of M4, 646, 000.
- 2.1.2 Expenditure for the period is recorded at M173, 014, 000. The main contributors to expenditure have been manpower costs (at 46.7 percent), Power (at 9.4 percent), reticulation and plant maintenance (at 7.3 percent) and chemical usage makes a contribution of 4.2 percent.
- 2.1.3 The loss realised in the 2013-14 financial year was an improvement from a previous loss of M3, 999 million experienced in the previous year. The company experienced its highest loss (at M10, 595 million) during the 2011-12 financial year. This improvement has been largely as a result of a substantial and steady growth of Water and sewerage billing for the last five years since 2010-11 financial year.

The table below highlights the out-turn on the finances of WASCO for the review period as well as two preceding years.

*Table 2a: Revenue/Expenditure Outturn for 2010/11 to 2013/14*

	<b>2013-14</b>	<b>2012-13</b>	<b>2011-12</b>	<b>2010-11</b>
<b>Item</b>	<b>M '000</b>			
<b>Total Revenue</b>	<b>171, 233</b>	<b>157, 756</b>	<b>139, 705</b>	<b>119, 364</b>
<i>Water and Sewerage Billing</i>	<i>151, 452</i>	<i>137,878</i>	<i>115,691</i>	<i>103,555</i>
<i>New Service connections</i>	<i>14, 922</i>	<i>15,878</i>	<i>21,733</i>	<i>10,886</i>
<i>Other Income</i>	<i>4, 646</i>	<i>4,000</i>	<i>2,285</i>	<i>4,818</i>
<i>Interest Income</i>	<i>-</i>	<i>9,305</i>	<i>-</i>	<i>5,944</i>
<b>Expenditure</b>	<b>173, 014</b>	<b>161, 746</b>	<b>150,300</b>	<b>120,596</b>
<i>Manpower</i>	<i>80, 743</i>	<i>69,327</i>	<i>68,133</i>	<i>65,053</i>
<i>Power</i>	<i>16, 262</i>	<i>13,622</i>	<i>10,980</i>	<i>10,295</i>
<i>Reticulation and Plant Maintenance</i>	<i>12, 556</i>	<i>7,684</i>	<i>9,545</i>	<i>7,808</i>
<i>Chemical Usage</i>	<i>7, 230</i>	<i>5,460</i>	<i>6,688</i>	<i>4,272</i>
<i>New Connections Materials</i>	<i>9, 912</i>	<i>7,955</i>	<i>10,110</i>	<i>6,126</i>
<i>Depreciation</i>	<i>15, 086</i>	<i>14,767</i>	<i>14,586</i>	<i>13,751</i>
<b>Operating Profit</b>	<b>(1, 781)</b>	<b>(3, 990)</b>	<b>(10,595)</b>	<b>(1, 232)</b>

Figure 2a: Income/Expenditure performance for the years 2010 to 2014

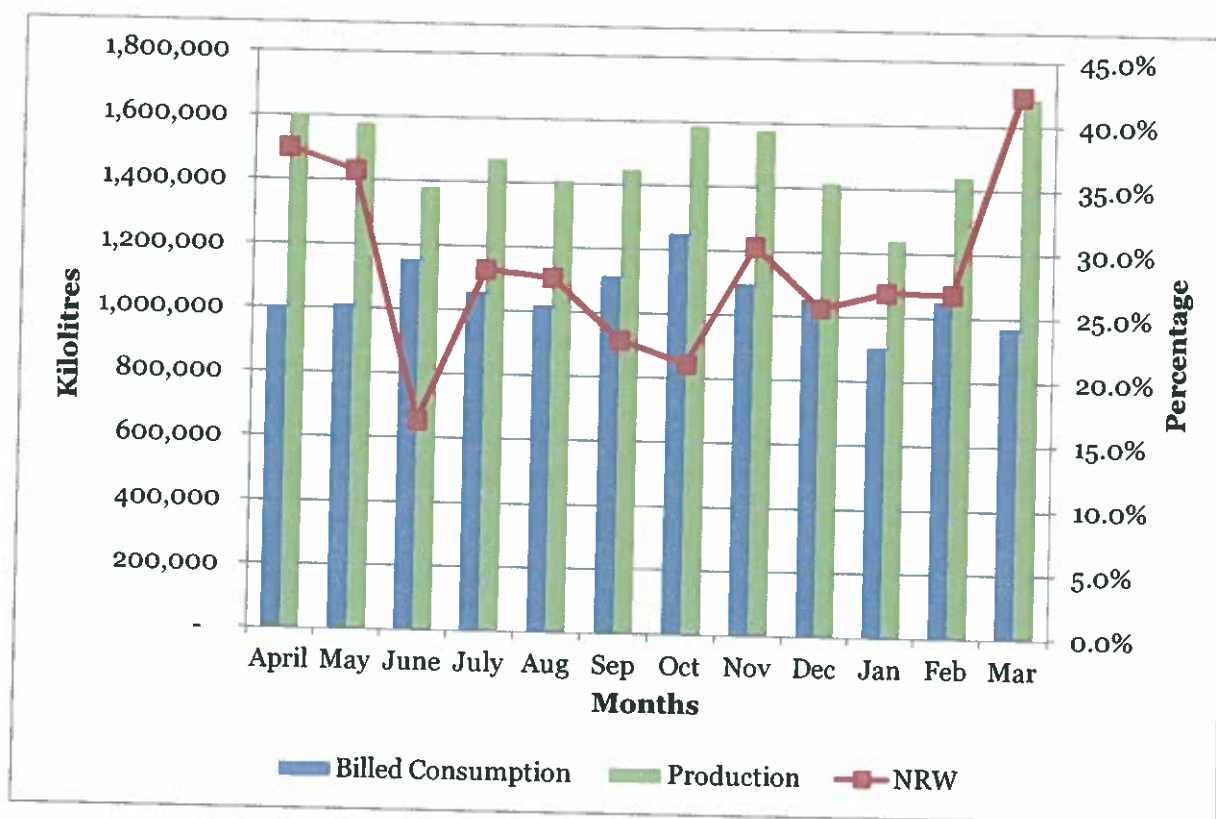


- 2.1.4 The main cost drivers for WASCO continue to be Manpower and electricity as well as chemical usage, while revenue is driven largely by service charges (water and sewerage billing). The rate of increase in expenditure on power has been very high in recent period mainly due to increase in tariffs by the LEC as well as increases in the demand for pumping due to increased coverage and population demand. The rate of growth of new service connection has been very erratic in recent years mainly due to slow implementation of reticulation extension initiatives and service coverage improvement projects.
- 2.1.5 A detailed outline of the regulated accounts for the past three years (actuals) is presented in Appendix B

## 2.2 Production, consumption and sales data

2.2.1 Here below is a presentation of production and consumption data for the twelve month period ending in March 2014.

Figure 2b: Analysis of production against billed consumption



2.2.2 It can be inferred from the above figure that water production has been on average at the 1.4 million kiloliters for the period, while consumption averaged 1.0 million kilolitres. The behaviour of the two parameters has been very erratic during the twelve month period. This resulted in an uneven behaviour on non revenue water for the period which was largely below the 30 percent mark.

### 3. **REVIEW OF CURRENT YEAR: 2014-15 (WATER AND SEWERAGE)**

#### 3.1 **Review and Reconciliation of Management Accounts and Budget Estimates (April-Sept. 2014)**

- 3.1.1 Here below is a presentation of management accounts for the period ending September 2014 in the form of regulated accounts. A detailed presentation of budgeted figures for 2015/16 is reflected in Appendix A.

*Table 3a: 2014-15 Management Accounts against budget*

Expenditure Item	2014-15 Budget			2014-15 Actual		
	Distribution	Production	Sewer	Distribution	Production	Sewer
Manpower	51,506,810	51,865,138	14,832,036	19,250,624	18,249,773	5,682,649
Electricity	94,275	19,347,356	1,784,246	63,181	6,862,601	673,584
Chemicals	0	7,701,082	177,851	-	1,266,996	-
Reticulation and Plant Maintenance	5,085,998	11,172,387	1,831,070	1,424,473	1,908,449	920,000
Administration Costs				2,880,242	6,407,161	1,129,849
New Connection Materials	15,828,751	0	0	5,563,354	-	-
Depreciation	6,793,817	7,943,750	3,262,433	3,489,608	4,199,812	828,072
<b>Total Expenditure</b>	<b>92,882,433</b>	<b>118,594,671</b>	<b>26,007,453</b>	<b>33,586,109</b>	<b>39,611,225</b>	<b>9,289,608</b>

- 3.1.2 Below is a tabular presentation of WASCO's income for the period ending September 2014.

*Table 3b: Performance of Revenue Streams for the period ending September 2014*

Income Stream	Amount	Percentage
Water Meter Billing	70,051,052	74.9%
Water New Connection	6,914,237	7.4%
New Water Application Fees	183,750	0.2%
Sewerage Billing	13,950,171	14.9%
Sewerage New Connection	875,942	0.9%
Other Fees		1.7%
<b>Total Revenue</b>	<b>93,533,034</b>	<b>100</b>

- 3.1.3 The target set for revenue for the 2014-15 period is M175 million. The six months to the end of September 2014 saw generation of M93, 533, 034 which is 53.4 percent of the overall target. The performance of revenue as recorded at above the 50 percent mark is regarded as good for the period since it is above the figure anticipated for the period. Operating profit is estimated at M11, 600, 628. This operating profit registered an operating profit margin of



12.40 and is higher than the targeted profit margin of 8 percent in the 2014-15 ABP.

### 3.2 Production, consumption and sales data

3.2.1 Below is a detailed presentation of production, consumption and sales data for the period ending September 2014.

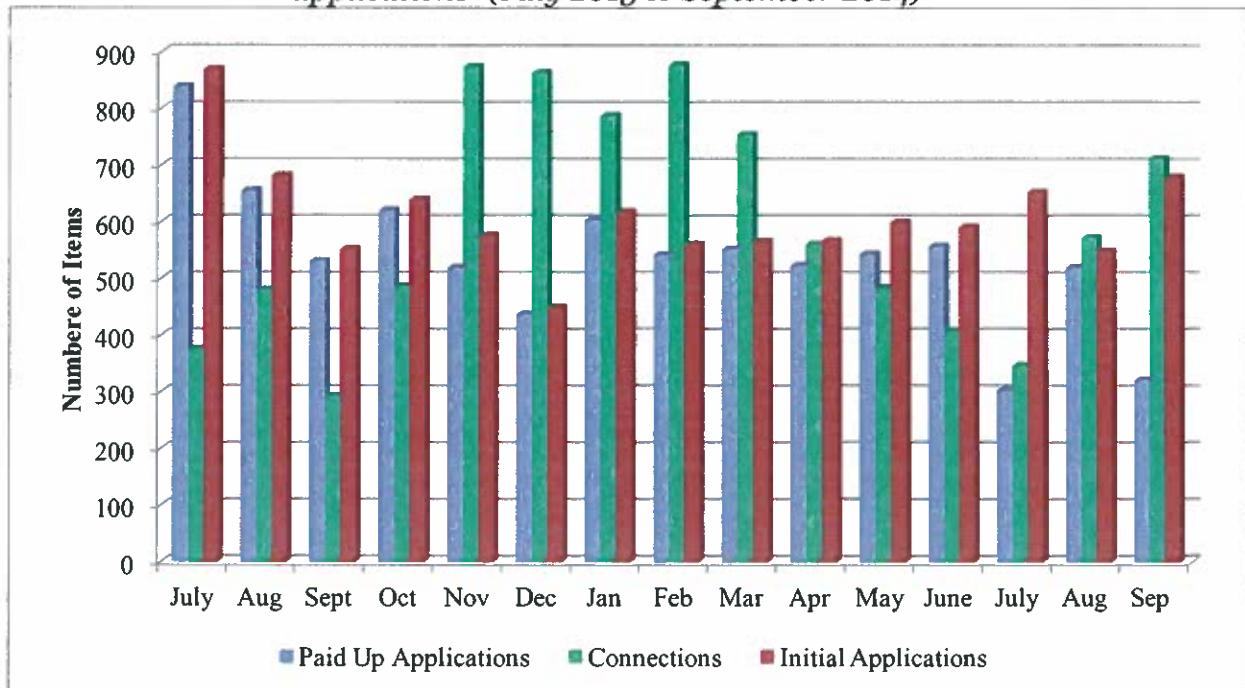
*Table 3c: Production, Consumption and sales Data (April to Sept. 2014)*

Item	April	May	June	July	August	September
<b>Water Production (m<sup>3</sup>)</b>	1, 622, 089	1, 621, 572	1, 510, 149	1, 677, 375	1, 607, 745	1, 625, 441
<b>Consumption (m<sup>3</sup>)</b>	1, 618, 847	1, 638, 069	1, 531, 874	1, 693, 169	1, 621, 990	1, 516, 289
<b>Water Sales (Maloti)</b>	10, 815, 696	14, 327, 964	8, 048, 577	12, 357, 232	10, 189, 998	10, 131, 240
<b>Sewer Sales</b>	1, 975, 025	2, 042, 904	2, 055, 531	2, 791, 643	2, 399, 688	2, 898, 816

### 3.3 Service Coverage

- 3.3.1 The target for water and sewer connections for the year has been set at 6, 000 and 500 respectively. The second quarter realised the achievement of 1,630 water connections undertaken and 89 sewer connections for the quarter. The performance for water connections has exceeded the quarterly target of 1,500 and that for sewer is below the set quarterly target of 125. It can also be indicated that, at 1, 630, the number of house connections for water exceeded the number of applications (1, 144) for the quarter while those for sewer, at 89, were below 103 applications for the quarter.
- 3.3.2 The number of house connections for water for the period slightly increased from the last period's performance of 1,452 connections. There has been a slight drop in the number of connections for sewer from the last quarter performance of 91 connections. Though the rate of connections (water) has improved, there are challenges that include unavailability of materials (as a result of cash-flow problems within WASCO and industrial actions at the suppliers) that stifle the achievement of the full potential of sewer connections.
- 3.3.3 Below is a pictorial presentation of performance of connections that were effected during the period and this was also compared to previous periods including the same period in the last financial year.

**Figure 3a: Connections (water) against initial application and paid-up applications<sup>2</sup> (July 2013 to September 2014)**



3.3.4 It can be seen from the figure above that for the period, the rate of connections is slightly above the number of paid up applications. The number of connections has been on the decrease during the period as well as during the first quarter. This has been largely due to unavailability of materials as a result of industrial action at the suppliers as well as cash flow problems at WASCO. It can also be seen that the number of application has been largely constant except for a dip in the month of July where the number of paid for application reached its lowest point in two years of 303. The number of paid up applications picked up during the month of August to reach the average of 500 but then reduced to 321. The number of carried out house connections for water have been on the rise during the reporting period and reached a peak of 712 in September from a lowest figure of 346 in July.

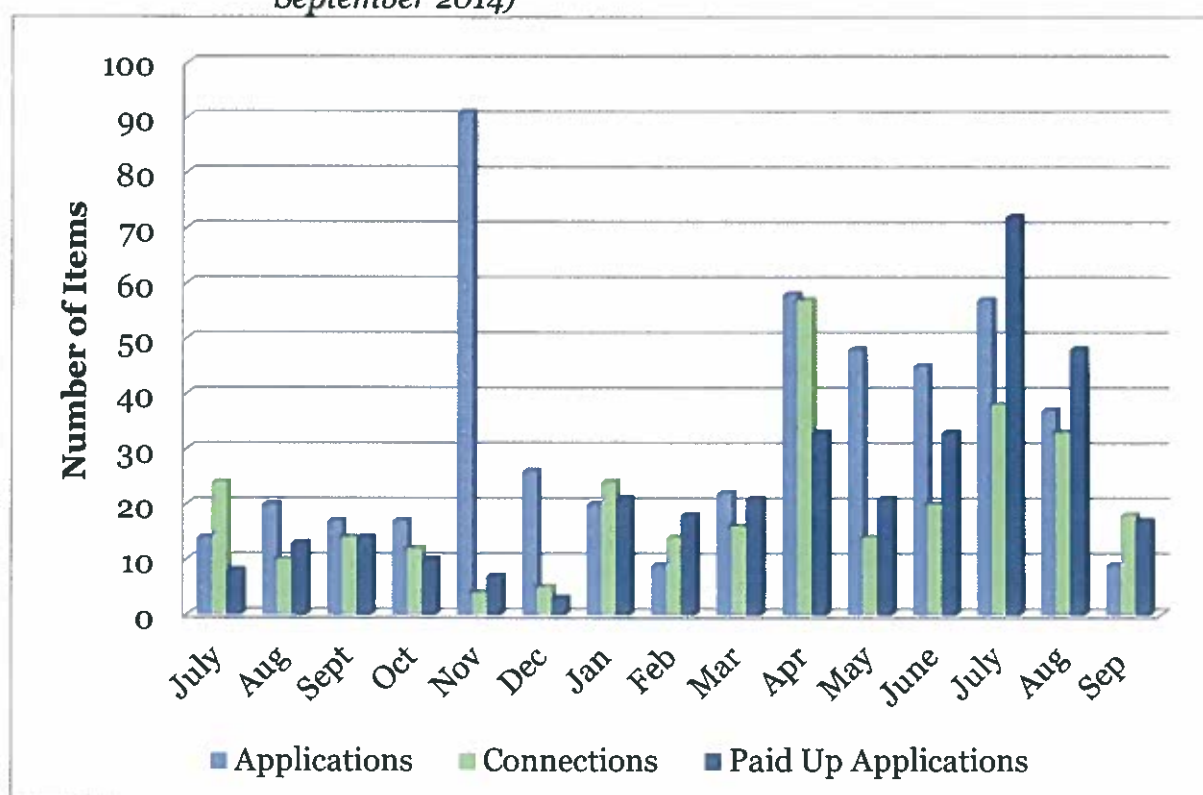
3.3.5 On sewer performance, 89 sewer connections were undertaken for the period against a quarterly target of 125 connections. This is a slight reduction from the last quarter's figure of 91 connections. This is also against 103 applications received during the period. It can be inferred that the number of applications has grown substantially from the figure of 51 connections recorded in the last quarter of the last financial year attributable to the completion of the sewer reticulation extension in selected areas of Maseru.

3.3.6 Here below is a presentation of sewer performance against applications for the period ending September 2014.

<sup>2</sup> Paid up applications refer to those that are either paid in full, part paid or deposit as per credit policy



Figure 3b: Connections against Applications – Sewer (July 2013 to September 2014)

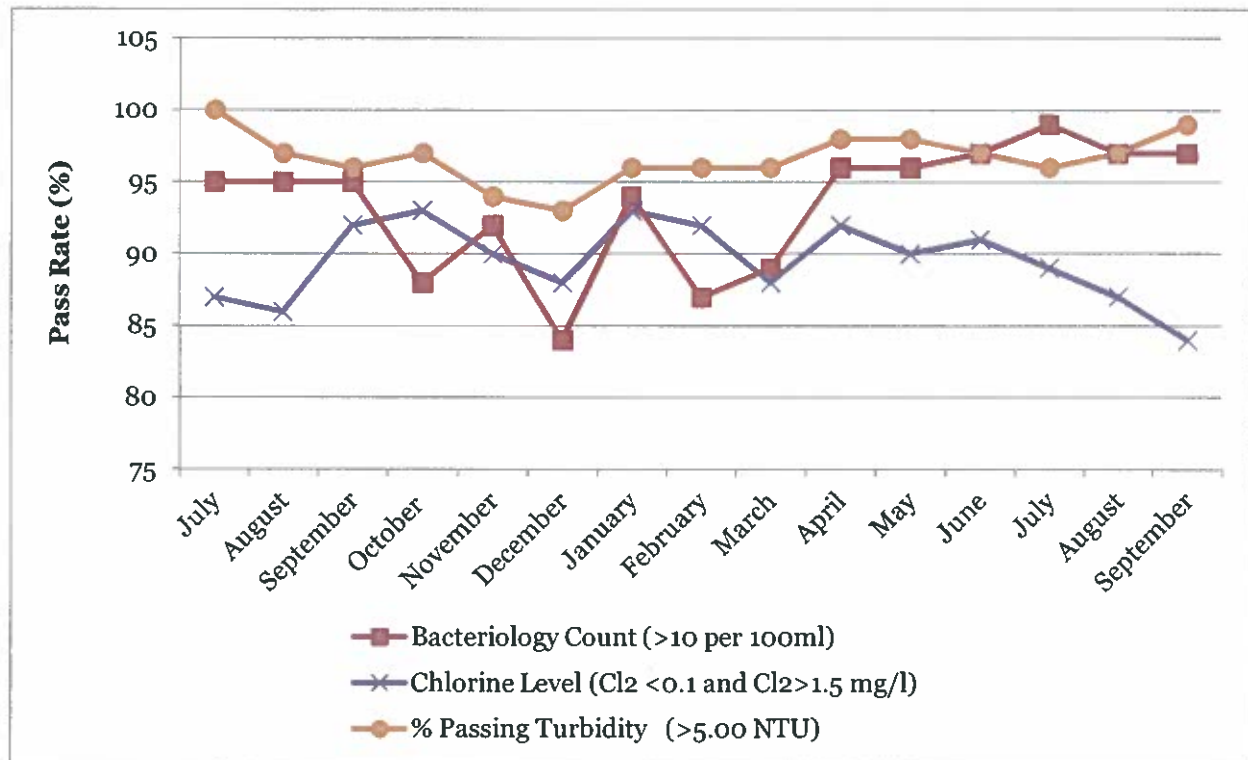


### 3.4 Water and Sewerage Quality

- 3.4.1 For the period under review, samples tested for chlorination for all centres registered a performance of 86 percent. Samples tested for turbidity registered a 97 percent pass rate while compliance to PH levels were at a 31 percent pass rate. This is a slight decline in performance from the previous periods in the quality of produced water and can still be deemed adequate. It is observed an improvement in the performance of PH from the previous quarter of 20 percent. There are challenges that are being faced namely, infrastructural problems that retain water in the system longer than desired hence failures in chlorine tests as well as dosing for maintenance of the requisite standard for PH. To resolve the problem the system for the Metolong water transfer infrastructure (which entails modeling around Chlorine decay and re-chlorination along the system) will be replicated throughout all the other system.
- 3.4.2 For waste water, samples tested for Chemical Oxygen Demand (COD) and Suspended Solids (SS) registered a pass rate of 13 and 19 percent respectively. This is deterioration in performance particularly for suspended solids compared to the previous period and is largely caused by facilities not coping with the load caused by increased discharge as well as occasional discharge of untreated effluent from wet industries. Endeavours such as the expansion of the sewerage network (planned for the near future) will go a long way to alleviate the problem.

3.4.3 Here below is a pictorial presentation of the performance of quality of water produced and supplied to customers and water disposed back to the environment after treatment.

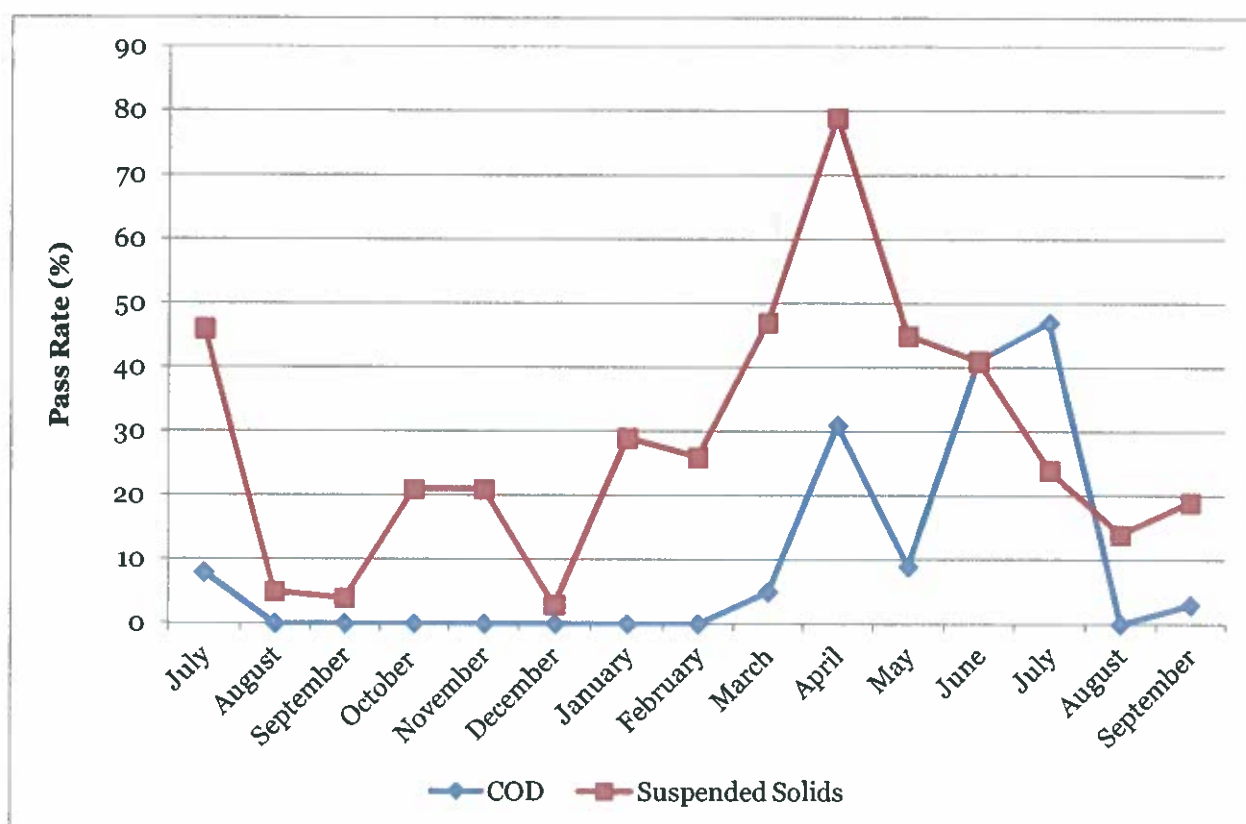
*Figure 3c: Quality of Water Produced (April 2013 to September 2014)*



3.4.4 Performance in the quality of water produced and supplied to the public has been relatively good during the review period as well as in recent months. All treatment plants managed to maintain turbidity levels above the 95 percent mark for the past six months and have largely been above the 90 percent mark for almost a year to date. Levels of bacteria have been erratic over the 12 month period and largely below the 95% mark but later improved towards the 100 percent mark from April 2014 to date. Chlorination performance has also been very erratic and deteriorated from April 2014 to date.

3.4.5 At this rate, the reasons raised above of the reticulation retaining water for longer than desired can be confirmed. Infrastructural problems for dosing for maintenance of PH is still a major concern.

Figure 3d: Quality of Sewer disposed (July 2013 to September 2014)



- 3.4.6 After a period of continuous performance improvement for Chemical Oxygen Demand (COD) for the first quarter, there was a substantial deterioration in performance in the second quarter which reached its lowest point (at zero) in August 2014. The graph above portrays a general deterioration in performance of suspended solids for the first quarter whose downward trend was continued in the second quarter. This is evidence of the infrastructure failing to meet ever increasing discharge due to growth in urban populations hence causing a strain on the infrastructure. The magnitude of investments in upgrading and replacement of waste water infrastructure are enormous and will be put in place over the long term with support from development partners.

### 3.5 Cost of Water Production

- 3.51 The costs of producing water by the WASCO can be attributed to those direct costs relating to the use of human resources (manpower) in terms of salaries and related costs, power and the use of chemicals. WASCO does not incur any other cost relating to procurement of raw water from external entities.
- 3.5.2 The table below analyses the performance of WASCO expenditure as cost of production against set targets/budget for the period under review.

Table 3e: 2014-15 Cost of Water Production against budget

Expenditure Item	2014-15 Budget				2014-15 Actual			
	Distribution	Production	Sewer	Total	Distribution	Production	Sewer	Totals <sup>3</sup>
Manpower	51,506,810	51,865,138	14,832,036	118,203,984	19,250,624	18,249,773	5,682,649	43,183,046
Electricity	94,275	19,347,356	1,784,246	21,225,877	63,181	6,862,601	673,584	7,599,366
Chemicals	-	7,701,082	177,851	7,878,934	-	1,266,996	-	1,266,996
Reticulation and Plant Maintenance	5,085,998	11,172,387	1,831,070	18,089,456	1,424,473	1,908,449	920,000	4,252,921
Administration Costs	5,784,523	10,642,161	1,929,836	18,356,520	2,880,242	6,407,161	1,129,849	10,417,252
New Connection Materials	15,828,751	0	0	15,828,751	5,563,354	-	-	5,563,354
Depreciation	6,793,817	7,943,750	3,262,433	18,000,000	3,489,608	4,199,812	828,072	8,517,492
Total Expenditure	92,882,433	118,594,671	26,007,453	237,484,556	33,586,109	39,611,225	9,289,608	82,486,942

#### 4. FORECASTS FOR NEXT YEAR: 2015-16 (WATER AND SEWERAGE)

##### 4.1 Introduction

- 4.1.1 The 2015-16 budget estimates respond to the planned objectives and commensurate initiatives and activities laid out in the 2015-16 Annual Business Plan as well as the implementation of routine operational activities aimed at delivering service to customers. The ABP and the responding budget focuses on the following main initiatives; reducing debt by increasing cash collection, refurbishing the ailing reticulation system and reducing Non Revenue Water.

##### 4.2 Statement of Approved Budget

- 4.2.1 The 2015-16 WASCO budget has been presented and laid out in terms of key revenue and expenditure drivers. The key drivers of revenue for the company include water and sewer billing, connection fees for water and sewerage, reconnection fees, application fees and tankering. Water and sewerage billing income constitute just under 80 percent of proposed income for the 2015-16 financial year.
- 4.2.2 On the expenditure side the key drivers are salaries and related emoluments, fees (including consultancies), chemical usage for water and sewer treatment, power, and plant maintenance. Base salaries constitute about 43 percent of WASCO proposed expenditure while combined budget for electricity and chemical usage adds up to about 14 percent of total planned expenditure.

<sup>3</sup> The total figures are up to September 2014



- 4.2.3 The 2015-16 budget highlights the need to explore more means to increase collection from customers. This is presented in the rolling out of smart meters in selected areas of Maseru. The budget also brings to the fore the issue of the takeover of the Metolong Dam operations which has increased manpower and other operational costs.

### 4.3 Forecast Operating Costs

- 4.3.1 The growth of manpower needs of the company has not grown significantly in the past one to two years. However the effect of the implementation of the Organisational Structural Review, expected to take place in the 2015-16 financial year, which will be on an incremental basis for the subsequent financial years will put more pressure on manpower costs. It is envisaged that there will be a substantial growth in expenditure on Manpower in the coming years starting with the next financial year. Though the implementation of the organisational structure review will be implemented in phases, it is expected that the cost of this implementation would result in an increase in expenditure by approximately 5 million in the first year (2015-16). It is also the desire of the company to adjust upwards the salaries of members of staff by 5 percent in the next financial year.
- 4.3.2 The Metolong Dam water supply will provide much needed water to the areas of TY, Morija, Roma and Maseru. While it is expected that the takeover of the Metolong Dam operations by WASCO will leave some of the infrastructure that is being used currently for these areas unused, there will be a period that they will still be in operation together with the operation of Metolong treatment and conveyance, hence substantially increasing treatment and conveyance costs for a short period during the year. After this period there are some facilities and infrastructure (pump stations, treatment works, etc) that will be mothballed.
- 4.3.3 The determination of the inflation rate for the forecast period is at 6.0 percent and it has been envisaged that the growth of the inflation rate will be maintained in the single digit range for the near future.
- 4.3.4 Here below is a tabular presentation of envisaged operating costs for the 2015-16 financial year.

Table 4a: 2015-16 operating Budget

Items	2015-16 Budget			
	Distribution	Production	Sewer	Total
<b>Expenditure</b>				
<b>Manpower</b>	<b>52,690,554</b>	<b>50,781,105</b>	<b>14,541,637</b>	<b>118,013,296</b>
<b>Electricity</b>	120,789	18,993,249	2,247,285	<b>21,361,322</b>
<b>Chemicals</b>	0	8,471,180	195,612	<b>8,666,792</b>
<b>Reticulation and Plant Maintenance</b>	9,169,970	6,743,104	2,154,482	<b>18,067,557</b>
<b>Administration Costs</b>	6,809,759	14,106,550	2,129,433	<b>23,045,742</b>

<b>Depreciation</b>	6,843,932	8,003,066	3,285,894	<b>18,132, 892</b>
<b>Total Expenditure</b>	<b>104,248,549</b>	<b>16,840,266</b>	<b>26,415,560</b>	<b>247, 504, 375</b>
<b>Income</b>				
<b>Total Income</b>	222,804,737	710,666	33,463,343	<b>256,978,746</b>

A detailed presentation of data for the forecasted operating costs for 2015/16 is in appendix A.

#### **4.4 Forecast Capital Costs**

##### ***Introduction***

4.4.1 WASCO is implementing a number of projects aimed at improving service coverage and sound treatment of waste water. These projects are largely funded through funds from the Government of Lesotho and its development partners. Small projects are funded internally and are mainly focused towards reticulation extensions and small works.

4.4.2 The following projects are ongoing and will continue to be implemented during the 2015-16 financial year.

- Five Towns Water Supply Project,
- Urban and Peri-Urban Water Supply Project
- Maseru Waste Water Project

##### ***4.4.3 Five Towns Water Project***

For the coming financial year, it is planned that preliminary and detailed designs of the project will be finalised as well as procurement of contractor and commencement of construction works.

##### ***4.4.4 The Urban and Peri-Urban Water Supply Project***

This project is considered complete. However, the next steps in the implementation of this project entail the transfer of water into the new network and implementation of interconnection lines.

##### ***4.4.5 The Maseru Waste Water Project***

4.4.5.1 The implementation of phase two of the Maseru Waste water Project will be in two contracts namely MWWP-W4 and MWWP-W1.

4.4.5.2 The contract MWWP-W4 will comprise two lots for the coming year. Lot 1 entails the construction of a pump station and pump house as well as the construction of a rising main from the one to be constructed to an existing one. Lot 2 deals with the implementation of a 3000 meter sewer line at Thetsane East and additional works on the sewer network at Thetsane West. This also includes construction of 5000 meters of sewer network for Masowe.

4.4.5.3 The MWWP-W1 contract will entail the continuation of construction of on-site sanitation facilities (water closets and pit latrines) in the identified areas.

4.4.5.4 The service contract under this project entails assisted operations which is skills transfer through training intervention exercises. Another service contract under this project deals with the development of a sanitation master plan for WASCO.

### ***New Projects***

4.4.6 The following are new projects that have been conceptualised for internal and external funding. WASCO envisages implementing these projects during the financial year.

#### ***4.4.7 Four Towns Wastewater Project***

The project entails development of detailed designs, rehabilitation of the existing wastewater facilities and construction of the new wastewater treatment works, pumping stations, transmission mains, trunk mains, and collection sub mains in the four Towns of Botha Bothe, Hlotse, Maputsoe, and Teyateyaneng. The project will be implemented over a four year period and is estimated to cost approximately M600 million.

#### ***4.4.8 Greater Maseru Water Facilities Project***

The project entails design and construction of water distribution network and associated infrastructure in the three packaged areas namely South (Masana, Mazenod, Motloheloa, Ha luka, Bosofo, Lenono and Makhoathi), South West (Tsiamé, Ha Tikoe, Ratjomose/Lesia, Tsautse and Qoaling) and North East (Maqalika, Mabote, Tsenola, Sehlabeng, Foso, Marabeng and Berea).

4.4.9 The project comprises design and construction of new water transmission mains, trunk mains, and collection sub mains, and pumping stations with supply of water mainly from Metolong water treatment works and other existing works. Due to extension requirements, a sizable reticulation network of pipes, various pumping options and additional reservoirs will be constructed.

4.4.10 The project will be implemented over a three year period and is estimated to cost approximately M309 million.

#### ***4.4.11 Maseru South West Wastewater Transmission Works Project***

The project entails design and installation of a sewerage transmission main and a pump station from the proposed Pena-pena and surrounding residential areas to the Waste Water Treatment plant situated at Masowe area. The project will also include the construction of a sewerage network in the area surrounding Pena-pena Development and associated pump stations.

- 4.4.12 The project area will cover Pena-pena and surrounding Maseru South West (Masowe) areas comprising, amongst others, Semphetenyane, Masowe 1 and parts of Lithoteng in Maseru district
- 4.4.13 The Project will be implemented over a two year period and is estimated to cost M216 million.
- 4.4.14 The following are projects and equipment procurement that are of a lesser magnitude but of significant value and importance in terms of improving service delivery and will be funded internally.

<b>Item</b>	<b>Description</b>	<b>Amount</b>
Mafeteng infrastructure projects	Construction of reticulation extension infrastructure (in-fills) in selected areas	M1, 186, 011
	Infrastructure rehabilitation/ replacement	M1, 330, 371
Maseru infrastructure projects	Construction of reticulation extension infrastructure (in-fills) in selected areas	M3, 129, 872
Qacha's Nek Infrastructure projects	Construction of water and sewer reticulation infrastructure and in-fills.	M588, 836
Moriya infrastructure projects	Construction of in-fills and other reticulation infrastructure and rehabilitation	M1, 377, 322
Plant and Equipment	Procurement of plant, replacement and stand-by capacity in selected areas across the country.	M3, 413, 228
Vehicles	Procurement of vehicular transportation for improves service delivery	M4, 230, 000
Other projects/ Equipment procurement	Office equipment and machinery , etc	M1, 546, 556
<b>Total</b>		<b>M11, 154, 334</b>



## 5. PROPOSED TARIFF REQUIREMENTS FOR 2015-16

This chapter outlines the basis for the proposed tariff for the 2015-16 financial year.

### 5.1 Regulated Accounts

- 5.1.1 The value of the company's assets as well as its depreciation has been factored in the determination of the tariff for 2015-16 financial year. A thorough valuation of all WASCO assets will be conducted in the new financial year.

### 5.2 Weighted Average Cost of Capital

- 5.2.1 The determination of the weighted cost of capital does not form part of this filing proposal at this stage.

### 5.3 Proposed Tariffs and Charges

#### *Volumetric Tariff Adjustment*

- 5.3.1 As set out in the foregoing pages which highlighted performance of WASCO on its operation and finances as well as the desire to improve service delivery, WASCO envisages total operating costs to reach M246, 782, 426 in the 2015-16 financial year. In order to allow a budgeted cushion profit of M6, 085, 391 the optimal revenue needed for the year would be M252, 867, 818. This revenue would be largely realised through a 25 percent and 6.0 percent adjustment of volumetric and standing charges respectively to customer as presented in the table below:

*Table 5a: Comparative analysis of the proposed tariff*

Band	Current Tariffs /m <sup>3</sup>	Increase/m <sup>3</sup>	New Tariffs /m <sup>3</sup>
<b>Domestic Customers</b>			
A: 0 – 5kl	4.18	1.05	5.23
B: >5 – 10kl	7.07	1.77	8.84
C: > 10 – 15kl	12.43	3.11	15.54
D: > 15kl	17.14	4.29	21.43
Domestic Standing charge	38.95	2.34	41.29
(Band A)	21.93	1.32	23.25
<b>Non Domestic Customers</b>			
- Industrial, business, government	11.31	2.83	14.14
- Schools, churches	11.22	2.81	14.03
-Other	11.31	2.83	14.14
<b>Non-domestic Standing charge</b>			
- Industrial, Business, Schools	259.37	15.56	274.93
- Government	374.64	22.48	397.12
- Churches,	187.33	11.24	198.57
- Other Non Domestic	259.37	15.56	274.93

- Standpipe customers	4.86	0.29	5.15
<b>Waterborne sewerage customers</b>			
Sewerage to be charged on 85% of water consumed	8.5	2.13	10.63
<b>Low-Flush Waterborne sewerage customers</b>			
Water closet customers to be charged on 60% of water consumed.	8.5	2.13	10.63

- 5.3.2 Following the determination of the tariff for the 2014-15 financial year, the determination of the envisaged revenues generated was undertaken. The proposed tariff adjustment will yield billing revenue of M200, 707, 911. Sewerage revenues will have a resultant of M30, 355, 282 following the tariff adjustment.

#### *Connection Fees Adjustment*

- 5.3.3 Another key driver of revenue for WASCO is the charges attributed to connection of services to households.
- 5.3.4 Below is an analysis of costs incurred by WASCO in carrying out a house connection for water. The cost of some of the materials (meter gadget, elbows, valves, stop corks, adapters, etc) for an individual connection does not change with the distance of the connection. The only items that vary with the distance are the length of pipe, labour and inspection costs. These are the ones that largely influence the cost of an individual connection.

<b>Band</b>	<b>Connection costs to WASCO</b>		<b>Banded charge to Customer</b>
	<b>Least distance</b>	<b>Maximum distance</b>	
A (0 – 25 meters)	M2,089.56	M2, 761.96	M1, 500.00
B (26 – 50 meters)	M2, 862.82	M3, 535.22	M2, 500.00
C (51 - 100 meters)	M3, 938.66	M4, 947.26	M3, 500.00
D (101 – 150 meters)	M5, 619.66	M6, 628.26	M4, 500.00

- 5.3.5 The above charges for household connections have not been revised in the last five years. The unit costs for non variable materials for a house connection have been increasing at an inflation rate over time.
- 5.3.6 It can also be seen from the above table that household connections have been carried out at subsidised fees across all bands. The least cost to WASCO for carrying out a connection under an individual band is higher than the connection fee across all bands. WASCO has been experiencing losses for undertaking house connections for water.
- 5.3.7 In this regard, WASCO proposes an upward adjustment of these fees by M500.00 across the bands in order to meet the cost of providing such service to its prospective customers. This will bring the fees closer to the actual cost of proving such a service to prospective customers.

- 5.3.8 The following is a presentation of proposed new fees for household water connections for the 2015-16 financial year. No adjustment is proposed for the highest band (101 – 150 meters) as a pro-poor measure because prospective customers in such areas are largely low income and are few in number. Anecdotal evidence implies that an upward adjustment would be detrimental to their ability to connect and hence not being able to gain access to WASCO services. Sewer connection fees have been left unchanged for the new financial year

Band	Old Charge	Adjustment	New Charge
A (0 – 25 meters)	M1, 500.00	500.00	M2000.00
B (26 – 50 meters)	M2, 500.00	500.00	M3000.00
C (51 - 100 meters)	M3, 500.00	500.00	M4000.00
D (101 – 150 meters)	M4, 500.00	No Adjustment	M4500.00

- 5.3.9 The revision of household connections for water comes at an opportune time for WASCO to meet its cost to undertake such connections, mainly at the lowest bands (A to C) which have largely been at below cost for quite some time.
- 5.3.10 Revenue from house connections is expected to grow to M15, 811, 100 as a result of this adjustment and will be made up of the targeted 6000 new connections envisaged for the 2015-16 financial year.

## 5.4 Affordability Indicators

- 5.4.1 Though Lesotho is predominantly a least developed country, the rate of growth in its economy can be regarded as very positive. Although requisite and relevant data could not be obtainable at the time of filing, it can be attested, based on direct observation that there has been a substantial growth of middle to high income earners and this has increased affordability levels and disposable income.
- 5.4.2 Most of WASCO customers are in the first two bands and will not be adversely affected by the tariff revision. A 25% revision of the tariff will add an extra M6.75 to a customer's bill in the first band while it will add an extra M11.25 for the bill of a customer in the second band per month. This augurs very well with poverty alleviation endeavours by the Government of Lesotho and an endorsement of ensuring that the poor and vulnerable groups are taken care of.

## APPENDICES

## APPENDIX A

TABLE	WASCO - DISTRIBUTION OF COSTS INTO THREE MAIN COST CENTRES				
COMPONENT	2015-16 BUDGET				
	Per m3 analysis Fixed / Variable	Dist (M )	Prod (M )	Sewer (M )	TOTAL (M )
REVENUE		223,322,721	712,318	33,541,140	257,576,179
DIRECT COSTS					
Manpower costs					
Salary		40,923,566	48,379,460	15,007,513	104,310,539
Temporary employee		172,520	1,088,073	64,613	1,325,206
Fees & consultancies		8,158,786	1,193,291	0	9,352,077
Staff welfare		1,245,152	0	0	1,245,152
Social Responsibility		79,359	91,818	28,823	200,000
Security		2,827,640	2,347,475	160,055	5,335,171
Sub-Total - Manpower		53,407,024	53,100,116	15,261,004	121,768,144
Staff Welfare/Benefits & Others		1,245,152	0	0	1,245,152
Total - Manpower	F	54,652,176	53,100,116	15,261,004	123,013,296
Electricity		120,789	18,993,249	2,247,285	21,361,322
Total - Electricity	V	120,789	18,993,249	2,247,285	21,361,322
Chemicals		0	8,471,180	195,612	8,666,792
Total - Chemicals	V	-	8,471,180	195,612	8,666,792
Maintenance					
Meters	F	4,026,753	0	0	4,026,753
Treatment Plant	V	407,273	6,467,805	1,219,027	8,094,105
Reticulation	F	4,785,569	0	648,553	5,434,121
Buildings	F	0	1,063,373	435,435	1,498,808
Total - Maintenance		9,219,595	7,531,178	2,303,015	19,053,788
Transport		4,792,629	6,786,796	0	11,579,425
Total - Transport	F	4,792,629	6,786,796	0	11,579,425
TOTAL - DIRECT COSTS		68,785,188	94,882,519	20,006,916	183,674,623
CONNECTION COSTS		17,125,578	0	0	17,125,578
Loss From Capital WIP (Compensations)		336,000	69,000	95,000	500,000
Total - Connection Costs		17,461,578	69,000	95,000	17,625,578
ADMINISTRATION COSTS					
Senior Management					
Middle Management					
Telephone, Stationary & Postage		1,434,464	3,537,876	512,026	5,484,365
Rates and Insurance		453,793	454,227	122,498	1,030,518
Training & Travel Expenses		771,009	6,378,065	262,615	7,411,689
Directors Fees					0
Audit Fees		79,359	91,818	28,823	200,000
Office Equipment		645,805	2,390,946	165,370	3,202,120
Other Expenses		921,153	921,872	398,000	2,241,025
Office rent		68,165	78,866	24,757	171,789
Advertising		1,490,380	306,060	421,387	2,217,827
Bank charges		771,644	2,461	115,894	890,000
Sub-Total - Administration Costs		6,635,772	14,162,190	2,051,370	22,849,333
Others (specify)					
Total - Administration Costs	F	6,635,772	14,162,190	2,051,370	22,849,333



Provision for doubtful debts		3,901,573	12,445	585,982	4,500,000
Total - Provision	V	3,901,573	12,445	585,982	4,500,000
DEPRECIATION AND FINANCE COSTS					
Depreciation		6,843,932	8,003,066	3,285,894	18,132,892
Total Depreciation	F	6,843,932	8,003,066	3,285,894	18,132,892
FINANCE COSTS BY PROJECT LOAN					
Sub-Total - Finance Costs		2,457,766	2,873,771	1,180,234	6,511,772
Others (specify)					
Total - Finance Costs	F	2,457,766	2,873,771	1,180,234	6,511,772
TOTAL DEPRECIATION AND FINANCE COSTS		9,301,698	10,876,838	4,466,128	24,644,664
TOTAL COSTS BY COMPONENT					
DIRECT COSTS		68,785,188	94,882,519	20,006,916	183,674,623
CONNECTION COSTS		17,461,578	69,000	95,000	17,625,578
ADMINISTRATION & Debt COSTS		10,537,345	14,174,635	2,637,353	27,349,333
DEPRECIATION AND FINANCE COSTS		9,301,698	10,876,838	4,466,128	24,644,664
GRAND TOTAL		106,085,809	120,002,992	27,205,397	253,294,198
Total incl depreciation but without finance		103,628,043	117,129,220	26,025,162	246,782,426





## Appendix B

## WASCO - DISTRIBUTION OF COSTS INTO THREE MAIN COST CENTRES

WAPCO - DISTRIBUTION OF COSTS INTO THREE MAIN COST CENTRES												
TABLE COMPONENT	2012-13 ACTUALS			TOTAL (M'000)	2011-12- ACTUALS			TOTAL (M'000)	2010-11 ACTUALS			TOTAL (M'000)
	Dist (M'000)	Prod (M'000)	Sewer (M'000)		Dist (M'000)	Prod (M'000)	Sewer (M'000)		Dist (M'000)	Prod (M'000)	Sewer (M'000)	
REVENUE	139,463	0	27,600	167,063	118,009	0	21,696	139,705	104,715	-	20,593	125,308
EXPENDITURE												
Manpower costs	30,905	29,299	9,123	69,327	30,373	28,794	8,966	68,133	29,000	27,492	8,563	65,053
Electricity	113	12,301	1,207	13,622	91	9,915	973	10,980	86	9,297	913	10,295
Rectification & Plant maintenance	2,574	3,448	1,662	7,684	3,197	4,283	2,065	9,545	2,615	3,504	1,689	7,808
Chemicals	-	5,460	-	5,460	-	6,688	-	6,688	-	4,272	-	4,272
Transport	3,040	1,967	-	5,007	2,970	1,922	-	4,892	2,517	1,629	-	4,146
New Connections	7,955	-	-	7,955	11,011	-	-	11,011	6,126	-	-	6,126
Telephone, stationery & postage	5	3,362	368	3,736	5	2,929	321	3,254	3	2,020	221	2,244
Rents, security & insurance	2,934	2,951	927	6,813	2,254	2,267	712	5,233	1,794	1,805	567	4,166
Training and travel expenses	366	1,356	70	1,792	350	1,298	67	1,715	352	1,305	67	1,725
Directors fees & consultancies	102	593	-	695	88	508	-	596	77	403	-	520
Audit fees	68	64	20	152	83	79	25	187	50	48	15	113
Office equipment	345	1,177	35	1,557	258	882	27	1,167	311	1,061	32	1,404
Other expenses	2,286	2,956	1,181	6,424	4,264	5,513	2,203	11,980	2,473	3,198	1,278	6,949
Rates	98	93	29	219	136	129	40	306	128	122	38	288
Adjustment account Depreciation	203	245	48	496	11	13	3	27	(3,386)	(4,075)	(803)	(8,264)
Depreciation	6,050	7,281	1,436	14,767	5,976	7,192	1,418	14,586	5,634	6,780	1,337	13,751
Interest paid	254	305	60	619	-	-	-	-	-	-	-	-
Bad debts	6,572	7,909	1,559	16,040	-	-	-	-	-	-	-	-
	63,870	80,768	17,727	162,365	61,068	72,413	16,819	150,300	47,781	58,901	13,914	120,596



APPENDIX C				
COMPONENT	WASCO DISTRIBUTION OF COSTS PER 3 COST CENTRES			
	2013-2014 ACTUALS			
	Dist (M'000 )	Prod (M'000 )	Sewer (M'000 )	TOTAL (M'000 )
<b>INCOME</b>				
Water and Sewage charges	123,135	-	28,317	151,452
New service connection	14,922	-	-	14,922
Gain on disposal	148	42	21	212
Other income	4,513	-	133	4,646
Interest received	-	-	-	-
	<b>142,719</b>	<b>42</b>	<b>28,471</b>	<b>171,232</b>
<b>EXPENDITURE</b>				
Manpower costs	35,995	34,123	10,625	80,743
Electricity	135	14,685	1,441	16,262
Reticulation & Plant maintenance	4,206	5,634	2,716	12,556
Chemicals	-	7,230	-	7,230
Transport	3,801	2,459	-	6,260
New Connections	9,912	-	-	9,912
Telephone, stationery & postage	7	4,478	490	4,975
Rents, security & insurance	2,953	2,970	933	6,856
Training and travel expenses	324	1,202	62	1,588
Directors fees & consultancies	108	628	-	736
Audit fees	200	189	59	448
Office equipment	459	1,567	47	2,073
Other expenses	2,873	3,715	1,484	8,072
Rates	251	238	74	562
Adjustment account Depreciation	830	999	197	2,027
Depreciation	6,181	7,439	1,467	15,086
Bad Debts	(973)	(1,162)	(237)	(2,372)
	<b>67,261</b>	<b>86,394</b>	<b>19,359</b>	<b>173,014</b>
Operating Profit(loss) for the year				(1,782)



**APPENDIX D**

COMPONENT	WASCO DISTRIBUTION OF COSTS PER 3 COST CENTRES			
	2014-2015 APR - SEPT			
	Dist (M'000 )	Prod (M'000 )	Sewer (M'000 )	TOTAL (M'000 )
<b>INCOME</b>				
Water and Sewage charges	68,384,125	-	15,725,807	84,109,932
New service connection	7,790,179	-	-	7,790,179
Gain on disposal	-	-	-	-
Other income	1,586,273	-	46,651	1,632,923
Interest received	1,220,642	-	274,276	1,494,918
	<b>78,981,218</b>	<b>-</b>	<b>16,046,734</b>	<b>95,027,952</b>
<b>EXPENDITURE</b>				
Manpower costs	19,250,624	18,249,773	5,682,649	43,183,046
Electricity	63,181	6,862,601	673,584	7,599,366
Reticulation & Plant maintenance	1,424,473	1,908,449	920,000	4,252,921
Chemicals	-	1,266,996	-	1,266,996
Transport	687,267	444,711	-	1,131,979
New Connections	5,563,354	-	-	5,563,354
Telephone, stationery & postage	2,673	1,707,678	187,052	1,897,404
Rents, security & insurance	1,656,978	1,666,708	523,718	3,847,404
Training and travel expenses	168,451	623,972	32,072	824,495
Directors fees & consultancies	184,651	1,070,313	-	1,254,964
Audit fees	-	-	-	-
Office equipment	112,818	385,228	11,582	509,628
Other expenses	689,284	891,274	356,123	1,936,681
Rates	65,387	61,987	19,302	146,676
Adjustment account Depreciation	-	-	-	-
Depreciation	3,489,608	4,199,812	828,072	8,517,492
Bad Debts	227,359	271,722	55,454	554,535
	<b>33,586,109</b>	<b>39,611,225</b>	<b>9,289,608</b>	<b>82,486,942</b>
				12,541,010



**LESOTHO WATER AND SEWERAGE COMPANY (PTY) LTD  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2014**

**LESOTHO WATER AND SEWERAGE COMPANY (PTY) LTD**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2014**

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**LESOTHO WATER AND SEWERAGE COMPANY (PTY)LTD**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2014**

**GENERAL INFORMATION**

<b>Nature of business</b>	To provide adequate potable water and safe disposal of waste water to every stakeholder in the urban centres of Lesotho
<b>Board of Directors</b>	
Chairman	Dr. Metsing Mangoaela
Members	Mrs. Mamako Molapo Mrs. Mamonaheng Ramonaheng Mr. Lebohang Mofammere Mr. Ntali Matete
Chief Executive	Mr. Lerotholi Mathealira
Secretary	Mr. Sekhonyana Sekhonyana
<b>Business Address</b>	Water and Sewerage Company Off Moshoeshoe Road Industrial Area Hoohlo Maseru
<b>Postal address</b>	P.O. Box 426 Maseru 100
<b>Bankers</b>	Standard Lesotho Bank NedBank Lesotho
<b>Auditors</b>	Moteane, Quashie & Associates for Auditor General Private Bag A169 Maseru 100

**LESOTHO WATER AND SEWERAGE COMPANY (PTY) LTD**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2014**

**DIRECTORS' STATEMENT OF RESPONSIBILITY AND APPROVAL**

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

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

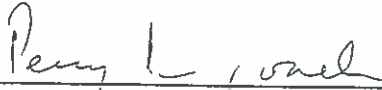
The Board of Directors acknowledges that it is ultimately responsible for the system of internal financial control established by the Lesotho Water and Sewerage Company (Pty) Ltd (WASCO) and places considerable importance on maintaining a strong control environment. To enable it to meet these responsibilities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

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

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

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

The financial statements set out on pages 10 to 36 were approved by the Board of Directors in Maseru and are signed on its behalf by:-

  
Chairman

16/12/14  
Date

  
Chief Executive

15/12/2014  
Date

**LESOTHO WATER AND SEWERAGE COMPANY (PTY) LTD**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2014**

**REPORT OF THE DIRECTORS**

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

**NATURE OF BUSINESS**

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

**SHAREHOLDERS**

The authorised and issued share capitals remain unchanged. Lesotho Government holds 1000 ordinary shares of M1 each and is the sole shareholder.

**OPERATING RESULTS**

The loss on ordinary activities for the year amounted to **M14.28** million (2013: **(M4.696** million)). Full details of the financial results are set out on pages 10 to 36.

**SUBSEQUENT EVENTS**

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

**GOING CONCERN**

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

**LESOTHO WATER AND SEWERAGE COMPANY (PTY) LTD**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2014**

**DIRECTORS**

The Directors of the Company for the year under review are the following:

**CHAIRMAN**

Dr. Metsing Mangoaela

**MEMBERS**

Mrs. Mammako Molapo

Mrs. Mamonaheng Ramonaheng

Mr. Lebohang Mofammere

Mr. Ntali Matete

**CHIEF EXECUTIVE**

Mr. Lerotholi Mathealira

**SECRETARY**

Mr. Sekhonyana Sekhonyana

**AUDITORS**

The Company's auditors are Moteane, Quashie & Associates on behalf of the Auditor General of Lesotho

**MOTEANE, QUASHIE  
& ASSOCIATES**

**CHARTERED ACCOUNTANTS  
& MANAGEMENT CONSULTANTS**

Partners: M.A. Moteane (resident)  
Kobla Quashie



Plot 58 Hoohe, Cnr Kingsway Rd /Maseru  
Bypass  
Private Bag A169, Maseru 100 Lesotho  
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E-mail: [admin@mqa.co.ls](mailto:admin@mqa.co.ls)  
Website: [www.mqa.co.ls](http://www.mqa.co.ls)

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**REPORT OF THE INDEPENDENT AUDITORS TO THE SOLE SHAREHOLDER OF  
LESOTHO WATER AND SEWERAGE COMPANY (PTY) LTD**

We have audited the financial statements of **Lesotho Water and Sewerage Company (Pty) Ltd** which comprises the Statement of Financial Position as at **31 March 2014**, the Statement of Comprehensive Income, Statement of Cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes as set out on pages 10 to 38.

**Directors' responsibility for the financial statements**

The Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the Lesotho Institute of Accountants and in the manner required by required by the Lesotho Water and Sewerage Company Act No. 13 of 2011. 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.

**Auditors' responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we 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 judgment 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.

We could not obtain sufficient and appropriate audit evidence in the course of our audit and therefore an adverse opinion is expressed.

## **Basis for Adverse Opinion**

1. Bank Accounts
  - a. The Standard Lesotho Bank account number 014/00/19519/01 - BSCB01 WASCO main Account had non-reconciled credits of M 1.92 Million.
  - b. Account number BSCB 13 and BSCB 14 used to record Unknown Bank Debits and Credits and errors had a balance of M0.8 million and M0.8 million respectively.

Due to the nature of these items used in reconciliations of Bank Accounts we were unable to verify the accuracy of Cash balances presented in the financial statements.

2. Impairment of financial assets
  - a. The fair value of the Trade Receivables balance of M65.459 million in note 5 has not been determined in terms of the accounting policies in notes 2.7.4 and 2.7.6.
  - b. Trade Receivables of M85.715 million in note 5 differs from the age analysis total of M84 million.

We were therefore unable satisfy ourselves of the accuracy of the Trade Receivables balance shown in the financial statements.

3. Impairment of non-financial assets
  - a. Non-financial assets of M1.19 billion disclosed in note 3 are not stated in terms of the accounting policies in notes 2.3 and 2.4 of the financial statements and they were last revalued in 2008.
4. Inventories
  - a. IAS2 requires that inventories should be measured at lower of cost or net realisable value. Included in inventories of M8.38 disclosed in note 4 are inventories amounting to M1.1million stated at a cost higher than realisable value.

Due to the matters highlighted in paragraphs 1 to 4, we were unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded Trade receivables, Cash and bank, Revenue, Accounts Payables and the elements making up the statement of comprehensive income, statement of changes in equity, tax and statement of cash flows.

## **Adverse Audit Opinion**

In our opinion because of the significance of the matter discussed in the Basis for Adverse Opinion paragraph the financial statements do not fairly present in all material respects the financial position of the company at 31 March 2014 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 and Sewerage Company Act No. 13 of 2011.

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**Kobla Quashie**  
**Partner**  
**Moteane, Quashie & Associates**  
**Chartered Accountants – (Lesotho)**  
**Registered Auditor**  
**Maseru**  
**\_\_\_, 2014**

**LESOTHO WATER AND SEWERAGE COMPANY (PTY) LTD**

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 MARCH 2014**

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



**LESOTHO WATER AND SEWERAGE COMPANY (PTY) LTD**

**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 MARCH 2014**

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

**LESOTHO WATER AND SEWERAGE COMPANY (PTY) LTD**

**STATEMENT OF CHANGES IN CAPITAL AND RESERVES**  
**FOR THE YEAR ENDED 31 MARCH 2014**

<b>GOL Funding</b>	<b>GOL Grant</b>	<b>Share capital</b>	<b>Reserves</b>	<b>Accumulated Surplus/ (Deficit)</b>	<b>Total</b>
<b>M'000</b>	<b>M'000</b>	<b>M'000</b>	<b>M'000</b>	<b>M'000</b>	<b>M'000</b>
<b>389,381</b>	<b>736,616</b>	<b>1</b>	<b>(8,289)</b>	<b>(56,852)</b>	<b>1,060,857</b>
-	-	-	-	(14,282)	(14,282)
-	-	-	-	9,278	9,278
(2,004)	58,106	-	-	-	<b>56,102</b>
-	-	-	-	-	-
<b>387,377</b>	<b>794,722</b>	<b>1</b>	<b>(8,289)</b>	<b>(61,856)</b>	<b>1,111,955</b>

**Balance at 31 March 2013**

Net loss for the year

Prior Year adjustments

GOL funding

Grant amortised

**Balance at 31 March 2014**

**LESOTHO WATER AND SEWERAGE COMPANY (PTY) LTD****STATEMENT OF CASH FLOW**  
**FOR THE YEAR ENDED 31 MARCH 2014**

	<b>2014</b> <b>M'000</b>	<b>2013</b> <b>M'000</b>
<b>CASH GENERATED FROM OPERATING ACTIVITIES</b>		
Net Profit before interest charges	(14,282)	5,315
<b>Adjustment for:</b>		
Depreciation	15,086	14,767
Adjustments		-
(Profit)/Loss on fixed assets disposal	(212)	-
Provision for severance pay	3,115	768
Write offs & adjustments	2,027	496
Prior year adjustment	9,278	3,092
Interest paid	17,157	
Interest income	(4,656)	(9,305)
	<b>27,513</b>	<b>15,133</b>
<b>Changes in working capital:</b>		
Decrease/ (Increase) in inventory	1,788	(2,287)
Decrease/ (Increase) in receivables	(380)	7,141
(Decrease)/Increase in payables	3,838	(3,093)
Cash generated from operations	<b>32,759</b>	<b>16,894</b>
Interest paid	(17,157)	(619)
	<b>15,602</b>	<b>16,275</b>
<b>CASH UTILISED IN INVESTING ACTIVITIES</b>		
Purchase of tangible fixed assets	(125,413)	(67,189)
Transfer of Assets	92,619	
Interest received	4,656	9,305
	<b>(28,138)</b>	<b>(104,581)</b>
<b>CASH FROM FINANCING ACTIVITIES</b>		
Increase in GOL contribution/grant	56,102	57,936
Increase/ (Decrease) in long term liabilities	(6,119)	(5,450)
	<b>49,983</b>	<b>52,486</b>
<b>Net Movement for the Year</b>	<b>37,447</b>	<b>10,877</b>
Cash and Cash Equivalent at Beginning of Year	22,655	11,778
<b>Cash and Cash Equivalents at End of Year</b>	<b>60,102</b>	<b>22,655</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2014**

## **LESOTHO WATER AND SEWERAGE COMPANY (PTY) LTD**

### **1.0 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.

### **2.0 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.

## **LESOTHO WATER AND SEWERAGE COMPANY (PTY) LTD**

### **NOTES TO THE FINANCIAL STATEMENTS (Continued)** **FOR THE YEAR ENDED 31 MARCH 2014**

#### **Summary of Significant Accounting Policies (continued)**

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

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

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

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

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

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

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

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

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

#### ***Revaluation of fixed assets***

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

**LESOTHO WATER AND SEWERAGE COMPANY (PTY) LTD**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 31 MARCH 2014**

**Summary of Significant Accounting Policies (continued)**

*Reticulation*

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

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

*Other assets*

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

**2.4 Impairment of non-financial assets**

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

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

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

## **LESOTHO WATER AND SEWERAGE COMPANY (PTY) LTD**

### **NOTES TO THE FINANCIAL STATEMENTS (Continued)**

#### **FOR THE YEAR ENDED 31 MARCH 2014**

#### **Summary of Significant Accounting Policies (continued)**

##### **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 recognizes 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 recognized upon performance of services.

Revenue from rendering services is recognized 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 recognized 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 realizable 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.



**LESOTHO WATER AND SEWERAGE COMPANY (PTY) LTD**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 31 MARCH 2014**

**Summary of Significant Accounting Policies (continued)**

**2.7 Financial assets**

*2.7.1 Classification*

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

- Loans and receivables
- Financial liabilities measured at amortised cost

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

*2.7.2 Initial recognition and measurement*

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

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

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

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

*2.7.3 Subsequent measurement*

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

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

*2.7.4 Impairment of financial assets*

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

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



## **LESOTHO WATER AND SEWERAGE COMPANY (PTY) LTD**

### **NOTES TO THE FINANCIAL STATEMENTS (Continued)** **FOR THE YEAR ENDED 31 MARCH 2014**

#### **Summary of Significant Accounting Policies (continued)**

##### *2.7.5 Impairment losses are recognised in profit or loss*

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

##### *2.7.6 Reversals of impairment losses are recognised in profit or loss*

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

##### *2.7.6 Trade and other receivables*

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

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

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

#### **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 recognized 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 reorganization 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 recognized 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.

**LESOTHO WATER AND SEWERAGE COMPANY (PTY) LTD**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 31 MARCH 2014**

**Summary of Significant Accounting Policies (continued)**

**2.10 Accounts payable**

Accounts payable comprise trade accounts payable and accruals. These are recognized 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 recognized as a separate asset but only when the reimbursement is virtually certain.

WASCO recognizes 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 recognized 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.

## **LESOTHO WATER AND SEWERAGE COMPANY (PTY) LTD**

### **NOTES TO THE FINANCIAL STATEMENTS (Continued)**

#### **FOR THE YEAR ENDED 31 MARCH 2014**

##### **Summary of Significant Accounting Policies (continued)**

##### **2.14 Government grants**

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

##### **2.15 Dividend distribution**

Dividend distribution to WASCO's shareholder is recognized 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 recognized assets and liabilities. Foreign exchange risk arises when future commercial transactions recognized assets and liabilities are denominated in a currency that is not WASCO's functional currency. As at 31 March 2012 WASCO was not exposed to any foreign currency exchange risk.

**LESOTHO WATER AND SEWERAGE COMPANY (PTY) LTD**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 31 MARCH 2014**

**Summary of Significant Accounting Policies (continued)**

*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 WASCO's management aims to maintain flexibility in funding by keeping committed credit lines available.

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

**LESOTHO WATER AND SEWERAGE COMPANY (PTY) LTD****NOTES TO THE FINANCIAL STATEMENTS (Continued)****FOR THE YEAR ENDED 31 MARCH 2014****Summary of Significant Accounting Policies (continued)**

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

*Capital risk management*

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

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

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

	2014 M'000	2013 M'000
Total borrowings (note 14) Includes Bank Overdraft	164,858	164,719
Total equity	1,111,955	1,060,857
Total capital( Total borrowings Plus Equity)	1,276,813	1,198,905
Gearing ratio	12.91%	13.7%

*Fair value estimation*

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



## **LESOTHO WATER AND SEWERAGE COMPANY (PTY) LTD**

### **NOTES TO THE FINANCIAL STATEMENTS (Continued)**

#### **FOR THE YEAR ENDED 31 MARCH 2014**

##### **Summary of Significant Accounting Policies (continued)**

#### **2.18 Employee benefits**

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

#### **2.19 Critical accounting estimates and assumptions**

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

##### *Provision of impairment of trade receivables*

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

##### *Review of useful lives*

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

##### *Income taxes*

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

#### **2.20 Contingent liabilities**

WASCO discloses a contingent liability where:

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

### **NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**LESOTHO WATER AND SEWERAGE COMPANY (PTY) LTD**  
**FOR THE YEAR ENDED 31 MARCH 2014**  
**Summary of Significant Accounting Policies (continued)**

**2.21 Functional and presentation currency**

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

**2.22 Comparative figures**

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

**2.23 Rounding**

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

**LESOTHO WATER AND SEWERAGE COMPANY (PTY) LTD**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2014**

**3.0 PROPERTY PLANT AND EQUIPMENT**

**YEAR ENDED 31 MARCH 2014**

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



**LESOTHO WATER AND SEWERAGE COMPANY (PTY) LTD**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 31 MARCH 2014**

**3.0 PROPERTY PLANT AND EQUIPMENT (Continued)**  
**YEAR ENDED 31 MARCH 2014**

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	Cost M '000	Others	Depreciation M '000	Carrying Amount at end of period M '000
<i>Owned assets</i>							
Land & Buildings	25,743		1,335			(717)	154,354
Specialised Operational	104,463		53,404			(3,513)	185,248
Reticulation	166,286		24,029			(5,067)	17,136
Plant & Machinery	19,562		348			(2,774)	3,567
Motor vehicles	3,472		3649	(1,504)		(2,050)	12,241
Office equipment & furniture	12,865		342			(966)	790,446
Assets in construction	841,217	-92,929	42,158				740
Suspense	592		148				
	<b>1,174,200</b>	<b>-92,929</b>	<b>125,413</b>	<b>(1,504)</b>		<b>(15,086)</b>	<b>1,190,093</b>

**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

**LESOTHO WATER AND SEWERAGE COMPANY (PTY) LTD**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 31 MARCH 2014**

**3.0 PROPERTY PLANT AND EQUIPMENT**

**YEAR ENDED 31 MARCH 2013**

	2013			2012		
	Cost	Accumulated		Carrying Cost	Accumulated	
		Depreciation	Amount		Depreciation	Amount
<i>Owned assets</i>	M '000	M '000	M '000	M '000	M '000	M '000
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			
	<b>1,336,646</b>	<b>(162,456)</b>	<b>1,174,200</b>	<b>1,279,547</b>	<b>(147,679)</b>	<b>1,131,867</b>

**LESOTHO WATER AND SEWERAGE COMPANY (PTY) LTD**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 31 MARCH 2014**

**3.0 PROPERTY PLANT AND EQUIPMENT (Continued)**  
**YEAR ENDED 31 MARCH 2013**

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	Cost M '000	Others	Depreciation M '000	Carrying Amount at end of period M '000
<i>Owned assets</i>							
Land & Buildings	26,413			47		(717)	25,743
Specialised Operational	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
	<b>1,131,867</b>	<b>(12,600)</b>	<b>67,189</b>	<b>2,510</b>		<b>(14,766)</b>	<b>1,174,200</b>

**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



# **LESOTHO WATER AND SEWERAGE COMPANY (PTY) LTD**

## **NOTES TO THE FINANCIAL STATEMENTS** **FOR THE YEAR ENDED 31 MARCH 2014**

	<b>2014</b>	<b>2013</b>
	<b>M'000</b>	<b>M'000</b>
<b>4.0 INVENTORY</b>		
Cost	8,388	10,096
Provision for obsolete stock	(91)	(91)
	<b>8,267</b>	<b>10,005</b>
<b>5.0 ACCOUNTS RECEIVABLE</b>		
Trade receivables	85,715	85,763
Less: Provision for doubtful debts	(20,256)	(22,628)
Net trade accounts receivable	<b>65,459</b>	<b>63,135</b>
Miscellaneous debtors	4,667	5,663
Postal Services	196	210
Sanitations Unit		-
Shoprite Services	1,048	1,111
Pick and Pay	201	95
Staff housing loan	7	240
Staff Travel imprest	187	159
Prepaid expenses		-
Prepaid Insurance	-	(50)
Other debtors	49	871
	<b>71,814</b>	<b>71,434</b>
The fair values of trade and other receivables are as follows:		
Trade receivables	<b>65,459</b>	<b>63,135</b>
Sundry debtors	<b>6,355</b>	<b>8,299</b>
	<b>71,814</b>	<b>71,434</b>

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.

# **LESOTHO WATER AND SEWERAGE COMPANY (PTY) LTD**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 31 MARCH 2014**

	<b>2014</b>	<b>2013</b>
	<b>M'000</b>	<b>M'000</b>
As of 31 March 2014 trade receivables of M93,998,000 (2013: M93,653,000) were impaired and provided for. The amount of the provision was M20,256,000 as of 31 March 2014 (2013: M22,628,000). The individually impaired receivables mainly relate to Domestic and Non-domestic accounts mostly disconnected for non-payment.		
At 1 April	<b>22,628</b>	<b>6,589</b>
Provision for receivables impairment	(2,372)	16,039
At 31 March	<b>20,256</b>	<b>22,628</b>

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.

### **6.0 SHORT-TERM INVESTMENTS**

Standard Lesotho Bank Income Fund Accounts	1,239	1,132
Standard Lesotho Bank Money Markets	27,228	7,600
Central Bank Treasury Bills	-	4,720
	<b>28,467</b>	<b>13,452</b>

### **7.0 BANK AND CASH**

Standard Lesotho Bank Call Accounts	7,144	7,930
Cashiers	8	155
<i>Sub-total</i>	<b>7,152</b>	<b>8,085</b>
Standard Lesotho Bank Current Account	24,458	27,290
Others	26	502
	<b>31,636</b>	<b>35,877</b>

### **7.1 OVERDRAFT**

Standard Lesotho Bank Current Account	-	5,214
Standard Lesotho Bank Call Account	-	-
<i>WASCO DEPOSITS INCOME ACCOUNT</i>	-	20,816
<i>Others</i>	-	644
	<b>-</b>	<b>26,674</b>

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

# **LESOTHO WATER AND SEWERAGE COMPANY (PTY) LTD**

## **NOTES TO THE FINANCIAL STATEMENTS** **FOR THE YEAR ENDED 31 MARCH 2014**

### **8. SHARE CAPITAL**

	2014 M'000	2013 M'000
Authorised 1 000 shares of M1 each	<u>1</u>	<u>1</u>
Issued and fully paid 1 000 shares of M1 each	<u>1</u>	<u>1</u>

### **9. GOVERNMENT OF LESOTHO FUNDING**

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

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

### **10. GOVERNMENT OF LESOTHO GRANT**

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

Balance at 1st April	736,616	681,998
Industrialization loan		4,848
W-I-P	380,845	677,947
Completed projects	355,771	4,051
Additions during the year	67,589	63,583
Adjustments	(9,483)	-
Amortisation: Completed projects	(8,965)	(8,965)
	<u>794,722</u>	<u>736,616</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 was charged to the Statement of comprehensive income in total at the end of March 2007.

# **LESOTHO WATER AND SEWERAGE COMPANY (PTY) LTD**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2014**

### **11. ACCUMULATED DEFICIT**

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

### **12. RESERVES**

Revaluation reserve	(8,418)	(8,876)
Prior year adjustment	-	458
General reserve	129	129
	<b>(8,289)</b>	<b>(8,289)</b>

### **13. PROVISION FOR SEVERANCE PAY**

**16,426**

**13,331**

An amount equal to 90% of the provision for severance pay has been classified as long term liabilities. The basis used is the annual staff turnover.

### **14. LONG TERM LIABILITIES**

	<b>Standard Lesotho Bank Loan</b>	-	(22)
<b>14.1</b>	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.		
	<b>Maseru Waste Water – EIB</b>	83,301	87,379
<b>14.2</b>	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.		
	<b>IDA- WSIP LOAN</b>	30,957	30,957
<b>14.3</b>	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		
<b>14.4</b>	<b>NEDBANK – LOAN</b>	17,668	19,709
	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		
		<b>131,926</b>	<b>138,023</b>



**LESOTHO WATER AND SEWERAGE COMPANY (PTY) LTD****NOTES TO THE FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 31 MARCH 2014****15. ACCOUNTS PAYABLE AND ACCRUALS**

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

**16. PRIOR YEAR ADJUSTMENTS**

Un-reconciled differences in Reserves	-	3,092
Correction of unsupported balances	9,278	-
	<b>9,278</b>	<b>3,092</b>

# **LESOTHO WATER AND SEWERAGE COMPANY (PTY) LTD**

## **NOTES TO THE FINANCIAL STATEMENTS (Continued)** **FOR THE YEAR ENDED 31 MARCH 2014**

### **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.

	<b>Total</b>	<b>Less than</b>	<b>Between</b>	<b>Between</b>	<b>Over</b>
<b>31 March 2013</b>	<b>M</b>	<b>1 year</b>	<b>1 and 2</b>	<b>2 and 5</b>	<b>5 years</b>
		<b>M</b>	<b>years</b>	<b>years</b>	<b>M</b>
			<b>M</b>	<b>M</b>	<b>M</b>
Trade and other payables	<b>69,969</b>	<b>69,969</b>	–	–	–

# **LESOTHO WATER AND SEWERAGE COMPANY (PTY) LTD**

## **NOTES TO THE FINANCIAL STATEMENTS (Continued)** **FOR THE YEAR ENDED 31 MARCH 2014**

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

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

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

**LESOTHO WATER AND SEWERAGE COMPANY (PTY) LTD**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2014**

**DETAILED STATEMENT OF COMPREHENSIVE INCOME**

<b>19. INCOME</b>	<b>2014</b>	<b>2013</b>
	<b>M '000</b>	<b>M '000</b>
Water and Sewage charges	151,452	137,878
New service connection	14,922	15,878
Gain on disposal	212	-
Other income	4,646	4,000
	<b>171,233</b>	<b>157,756</b>
<b>EXPENSES</b>		
Manpower costs	80,743	69,327
Electricity	16,262	13,622
Reticulation & plant maintenance	12,556	7,684
Chemicals	7,230	5,460
Transport	6,260	5,007
New connections	9,912	7,955
Telephone stationery postage	4,975	3,736
Rents Security & Insurance	6,856	6,813
Training & travel expenses	1,588	1,792
Directors fees	736	695
Audit fees	448	152
Office equipment	2,073	1,557
Other expenses (including write-offs)	8,072	6,424
Rates	562	219
Adjustment account	2,027	496
Depreciation	15,086	14,767
Bad debts	(2,372)	(16,040)
	<b>173,014</b>	<b>(161,746)</b>
<b>Operating Profit (loss) for the year</b>	<b>(1,781)</b>	<b>(3,990)</b>

WASCO



**WATER AND SEWERAGE COMPANY**  
**ANNUAL BUDGET**  
**2015/2016**

WASCO



SAVE EVERY DROP

*Save Every Drop!*



**WATER AND SEWERAGE COMPANY**

**APPROVAL OF PROVISIONAL BUDGET FOR THE FINANCIAL  
YEAR 2015/16**

**BY THE BOARD OF DIRECTORS OF WASCO**

**PROPOSAL**

The Board of Directors of WASCO is hereby requested to approve the provisional Budget that Management is presenting for the financial year 2015/16.

**MOTIVE**

For the Company to function properly in the next financial year, a clear recommendation for approval from the Finance Committee to the Board of Directors in the form of the budget must be in place for the following functions to be performed:

- Revenue to be collected from the identified sources at the approved rates or tariffs;
- Expenditure to be incurred within the approved limits and only for the purposes indicated in the Budget;
- Capital Expenditure to be incurred in respect of approved items as indicated in the Budget;
- The Company must discharge its mandate and undertake its operations up to the performance levels that are proposed in the budget. In this instance, the Budget will serve as a solid basis against which actual performance of the Company can be measured.

**BACKGROUND**

The proposed budget is a product of an intense consultative process that has taken place within the Company. Besides closely aligning the Budget to the Annual Business Plan, effort has been taken to ensure that the projected figures are underpinned by the following Budget Objectives for 2015/16 financial year:

- Ensure financial sustainability
- Efficiency Enhancement





### **JUSTIFICATION**

WASCO has been under regulation by the Lesotho Electricity and Water Authority (LEWA) from May 2012. One of the conditions of being regulated is that tariff change has to be applied for from the regulator. This is the main reason why this budget is said to be provisional because it is highly dependent on the tariff that will be approved by LEWA. This provisional budget is based on a proposed tariff increase of 25% on volumetric consumption. In the previous year WASCO had applied for a tariff increase of 35% and was granted 16.5% and a 6.2% increase on both standing charge and sewerage charges.

### ***FINANCIAL IMPLICATIONS***

In terms of the proposed budget, the Company will end the year with a small profit. At the close of the budget year, the Company will post an operating profit amounting to M6.085m and net profit of M0.432m mainly caused by the regulatory emergency fund of M3.85m.

### ***ASSUMPTIONS.***

The proposed budget was based on the following assumptions;

- Inflation at 6%
- Salaries increased by 5% plus notch
- New positions at M5 m.
- Tariff increased by 25%
- New connection fees increased by M500.00 per band



## **RECOMMENDATIONS**

The Board of Directors of WASCO is hereby requested to grant approval of the provisional budget for the financial year 2015/16 as recommended by the Finance Committee and summarised below:

<b><i>Recurrent Budget 2015/16</i></b>	<b><i>Amount(M)</i></b>
<b>Income ( from Business operations)</b>	<b>252,867,818</b>
<b>Less: Total operating costs</b>	<b>(246,782,426)</b>
<b>Operating Profit</b>	<b>6,085,391</b>
<b>Operating Profit %</b>	<b>2.41%</b>
<b>Interest Income</b>	<b>4,708,361</b>
<b>Interest on Loans</b>	<b>(6,511,772)</b>
<b>Emergency Fund</b>	<b>(3,850,000)</b>
<b>Profit(loss) at end of year</b>	<b>431,981</b>
<b>Net Profit Margin</b>	<b>0.17%</b>
<b><i>Capital budget 2015/16</i></b>	
<b>Total Capital Expenditure</b>	<b>257,509,741</b>
<b>Internally financed</b>	<b>22,509,741</b>
<b>Externally financed (GoL)</b>	<b>235,000,000</b>
<b>Investments –Stanlib Lesotho</b>	<b>25,952,552</b>



# **WATER AND SEWERAGE COMPANY**

## **SECTION 1**

### **BUDGET FOR FINANCIAL YEAR 2015/16**

- **SALIENT FEATURES**
- **CORPORATE OBJECTIVES**
- **BUDGET OBJECTIVES**



## WATER AND SEWERAGE COMPANY

### Corporate Objectives -2015 / 16:

- 1 Ensure Financial sustainability; essential for survival and ability to meet the customer needs and annual growth  
This will be achieved through meeting the target of increasing annual revenue to above M175 million by 2015. As a result tariffs will be reviewed every year and the meter reading efficiency will be increased to 98% by 2015.
- 2 Improve Human Resources Management; the Company will develop and implement a comprehensive Manpower plan that will help optimise the Company's human resources.
- 3 Reduce Non-Revenue Water; This will be assisted through major meter maintenance for old and malfunctioning meters, development and implementation of District Metering Area (DMA) scheme and reduce response time to pipe bursts and leakages, and replacement of asbestos pipes.
- 4 Improve customer satisfaction Indicator; This will be done through development of response programme which will assist in addressing customer's concerns.  
Standard Level Agreement has been signed between WASCO sections in order to improve customers service level and monthly monitoring is in place.
- 5 Improve operations efficiency on energy usage; this will involve procurement of Demand Limiting System in order to curb electricity consumption (Variable Speed Drives) on high electricity consuming equipment like pumps.
- 6 Ensure adequate, reliable and quality product; WASCO will improve water management and ensure high level of potable water quality. There are standby generators as a backup for power and installation of demand limiting system will also assist in reduction of electricity consumption.  
Provision of pumps standby capacity have been allocated for in the budget  
The Company is also in the process of implementing Water Safety Plan.
- 7 Strengthen Environmental Management; the Company will develop the strategy for compliance to Environmental requirements/ standards in addressing the treatment and disposal of sewerage. There will also be monitoring for environmental management plans (EMP) and programs for all the projects. A study is ongoing on determining the reasons for failure on effluent quality.
- 8 Improve the working environment; employer-employee relations, and staff welfare, morale and general conduct.  
Strengthening industrial relations and continue implementation of staff wellness programme.





## **Budget Objectives :**

The following objectives were at the centre of the budgeting process for the year 2015/16

### **1 Ensure Financial sustainability**

Detailed below are some of the activities which will be carried out to ensure that the above objective is met.

#### **a) Cost Containment**

A thorough review and assessment has been undertaken to bring the costs in line with the anticipated revenue. A strong emphasis has again been agreed upon to control costs while maintaining the desired efficiency standard.

Consistent with the above objective, the impact of each major decision on the bottom-line has been evaluated in the budget preparation.

#### **b) Revenue Increase**

- i) Increase in revenue has been addressed through a number of reticulation extension projects
- ii) The Company is going to decentralise computerised Customer Care at centers level to decrease the number of days taken to activate customers' accounts in the billing and collection system. This will ensure timely billing of customers.
- iii) Encouraging potential customers to connect to WASCO's system by offering them payments terms over a long period i.e. 24 months.

#### **c) Improve Revenue Collection**

- i) Concerted efforts will continue to be made to collect debts using WASCO's resources.
- ii) There will be concerted efforts to deal with defaulting customers through targeted disconnections
- iii) Use of mobile phone networks as channels of payment
- iv) Additional prepaid pay points to cater for increase on prepaid meters.
- v) Disconnected customers will continue to be encouraged to rejoin the system, failure to rejoin will be followed up by an investigation to ensure no illegal connection.

#### **d) Tariffs**

A required tariff adjustment that will enable WASCO to meet its costs, maintain and improve its services is 25%

#### **e) Working Capital Management**

- i) There are ongoing efforts to streamline procurement activities to avoid stock outs of critical items
- ii) The preventive maintenance plan developed will assist in ensuring that adequate parts are kept in stock

### **2 Efficiency Enhancement**

Under this heading there are a number of objectives which will be addressed:

- i) Replacement and purchasing of stand-by pumps is budgeted for to ensure continuous supply of water.
- ii) Measures will continue to be implemented to enhance the quality of water and waste water from WASCO's plants through application of proper tests in the laboratories and use of appropriate chemicals. Desludging of ponds has also been budgeted for in order to improve effluent quality.
- iii) Review and regular monitoring of the implementation of internal controls.
- iv) Measures have been taken by ICT to reduce technological threats within the Company.
- v) Local and International training programs will also be conducted as a means of improving productivity.

### **3 Strategic Management**

- i) The budget has catered for the implementation of the Organisational Structure Review (OSR), the bulk of which is going to be implemented in the current year



## NOTES TO THE SALIENT FEATURES

### Operating Income - M 252,867,817

The budgeted income for the financial year 2015/2016 is estimated at M252.867m. Income has increased by 14% as compared to the 2014/2015 projected figure of M220.828m. Major part of the increase arises from a proposed 25% adjustment to the water tariffs with LEWA to be implemented in April 2015 and increase on customer base due to increase in the new water and sewerage connections to be made in 2015/16, with a minimal increase in new water connections fees

New Water Connections income has also had an impact on the projected revenue. The budget reflects 6,000 connections countrywide, of which 3,931 connections will be in Maseru.

The operating income is derived from the sources detailed below:

	<u>M</u>
Water Meter Billing	200,707,911
Water Tankered	321,583
Water New Connection: Maseru	15,811,100
Meter Test/Reconnection Fees	845,400
New Water Application Fees	410,620
Sewerage Billing	30,355,282
Sewerage Tankering	365,045
Sewerage New Connection	1,775,060
Sewerage Blockage	3,000
Penalty Income	20,000
Miscellaneous (Incl. sale of FA)	240,000
Delivery fees	672,000
Grant Amortised	1,340,816
<b>TOTAL</b>	<b>252,867,817</b>

A brief analysis has been made of the income categories which are deemed to be material.

### >Water Income - M200,707,911

### >Maseru Water Income - M149,310,244

At the moment the production capacity of Maseru Plant is 45 ML/day (Mega litres per day).

Unaccounted for Water (Ufw) has been assumed to be 25% for the year 2015/16 in respect of Maseru area. The Unaccounted for Water is on the high side mainly due to pipe bursts, which are usually caused by construction works taking place within Maseru. There are teams in place from WASCO which are responsible for carrying out inspections on project areas, to identify pipe bursts on time. Network section together with the Distribution and Metering sections, are also taking initiatives to reduce Ufw, such as, replacement of malfunctioning meters, identifying customers not appearing in the billing and collection system etc.

The Maseru water income budgeted for is 74% of total water billing income.

### >North Region - M28,430,167

North region continues to be the second largest contributor to WASCO's overall income. Maputsoe is the largest urban area following Maseru.

Urban Centre	Billing Amount <u>M</u>	%
Butha - Buthe	3,756,365	13.21%
Leribe	5,697,441	20.04%
Mapoteng	1,552,306	5.46%
Maputsoe	9,523,262	33.50%
Mokhotlong	2,554,099	8.98%
Peka	730,729	2.57%
Teyateyaneng	4,615,965	16.24%
<b>TOTAL</b>	<b>28,430,167</b>	<b>100.00%</b>

The income from the North constitutes around 14% of the total water billing income

### >South Region - M14,814,327

Budgeted income for South region is M14,814,327 and this constitutes 7% of the total



water billing income

Urban Centre	Billing Amount M	%
Mafeteng	6,697,284	45.21%
Mohale's Hoek	3,670,060	24.77%
Qacha's Nek	2,176,658	14.69%
Quthing	2,221,965	15.00%
Semonkong	48,360	0.33%
<b>TOTAL</b>	<b>14,814,327</b>	<b>100.00%</b>

>Central Region - M8,153,172

Budgeted income for Central region is M8,153,172 and this constitutes 4% of the total water billing income

Urban Centre	Billing Amount M	%
Morija	863,366	10.59%
Roma	4,681,260	57.42%
Thaba - Tseka	2,608,545	31.99%
<b>TOTAL</b>	<b>8,153,172</b>	<b>100.00%</b>

> Water new connections - M15,811,100

>Water new connections Maseru - M9,725,000

Budgeted connections are 3,931 for Maseru area. In monetary terms the income is budgeted to be M9.7m and has assumed that an average connection fee of M2,500 will be charged

>Water new connections North - M3,170,750

Budgeted connections for the North are 1,076 and have been charged at average connection fee ranging from M2,210 to M2,643

>Water new connections South - M2,527,800

Budgeted connections for the South are 854 and have been charged at average connection fee ranging from M2,140 to M2,500.

>Water new connections Central - M387,550

Budgeted connections for the Central are 131 and have been charged at average connection fee ranging from fee ranging from M2,450 to M2,500.

Sewerage Billing - M30,355,283

>Sewerage Billing Maseru -	25,021,859
>Sewerage Billing North -	2,643,938
>Sewerage Billing South -	921,811
>Sewerage Billing Central -	1,767,675

Maseru sewerage billing budgeted for constitutes 82% of the total sewerage income, whereas the percentages for North, South and Central are 9%, 3% and 6% respectively.

The actual charge is based on 85% of water consumed (excluding wet industries which have a special rate) However since not all customers are connected to the sewer line a percentage of actual sewage billed to actual water billed, based on historic trends, was used to determine the budget figure

Operating Costs - M246,782,426

The budgeted operating costs are estimated at M246,428,426. This has increased by 24% as compared to the projected figure of M199,241m. Major increase arises from the following expenditure items



**1. Salaries and benefits**

Forecast	Budget	Increase	% increase
90,667,310	104,310,539	13,643,229	15.05%

There is 15.05% increase from projected figure. The increase is attributable to a notch plus a factor of 5% that has been applied to WASCO salaries.

The additional 10.05% increase is due to new positions as envisaged in the new structure which is aimed at improving efficiencies

Benefits such as pension, severance pay, gratuity, housing allowance, shift allowance, operators allowances, acting allowances responsibility allowance and leave pay are salary related and increased at the same rate as salaries

Car allowances and water allowances have increased by a factor of 5% like other costs, and medical aid also increased by 5% inflation rate

**2. Overtime**

Forecast	Budget	Decrease	% increase
1,779,233	1,141,666	-637,567	-35.83%

The decrease in overtime is as a result that WASCO now puts staff on standby for activities such as pipe bursts, breakdowns instead of paying overtime

**3. Fees & Consultancies**

Forecast	Budget	Increase	% increase
7,039,796	7,501,567	461,771	6.56%

The slight increase has been caused by the fact the Organisational Review is at its maturity therefore no need for further costs

The strategic Plan consultancy is also being undertaken now

**4. Staff Welfare**

Forecast	Budget	Increase	% increase
725,178	1,245,152	519,974	71.70%

The budgeted amount is high because of the costs the company will incur when the Interutility games are held in Lesotho as it will be the one hosting and the christmas parties that will be held nation-wide.

**5. Social Responsibility**

Forecast	Budget	Increase	% increase
100,000	200,000	100,000	100.00%

Social Responsibility was one of the costs marginalized in the year 2014/2015, this year it will need to be increased especially due the bad publicity that the company has gone through recently.

**6. Training & Workshops**

Forecast	Budget	Increase	% increase
428,984	926,373	497,389	115.95%

There is an increase of 115.95% for training and workshops.

The training office is now fully functional and the training needs have been assessed to ensure that WASCO staff have the necessary skills and competencies to enable improved efficiencies.

**7. Compensations**

Forecast	Budget	Increase	% increase
300,000	500,000	200,000	66.67%

This figure has increased because of the envisaged implementation of Five Towns project

This is also set to cater for insurance excess for public affected by WASCO services such as pipe bursts etc.

It is also intended to cater for possible litigations against the organisation





**Operating Profit - M6,085,391**

An operating profit of M6,085,391 has been budgeted for, and this has resulted to profit margin of 2.4%. This is mainly due to increased sales from new connections and application of increase on WASCO tariffs.

**Net Profit - M431,981**

**Tariff Increase**

A tariff adjustment factor of 25% on the volumetric water tariffs will be filed with LEWA to continue to assist WASCO to recover its operating and financing costs and be able to make enough investment for smooth operation of the Company





# **WATER AND SEWERAGE COMPANY**

## **SECTION 2**

### **RECURRENT BUDGET**

**2015/16**

- **SUMMARY**
- **DIVISIONAL**

*Save Every Drop!*



**CONSOLIDATED SUMMARY OF RECURRENT BUDGET FOR FINANCIAL YEAR 2015/16**

	BUDGET					BUDGET					Per % of Total	Per % Incr /decr
	Admin	Operations	Core	Nil Cost	TOTAL	2014/15 Actual	TOTAL	2014/15 Forecast				
<b>Overhead</b>	<b>Summary</b>	<b>Summary</b>	<b>Summary</b>	<b>Summary</b>	<b>2015/2016</b>	<b>Sept '14</b>	<b>2014/2015</b>					
Water Meter Billing	-	200,707,911	200,707,911	-	200,707,911	70,051,052	162,222,103	151,162,103			79%	33%
Water Tankered	-	321,583	321,583	-	321,583	-	39,589	19,795			0%	11%
Water New Connection	-	6,086,100	6,086,100	9,725,000	15,811,100	6,914,237	14,750,000	14,289,237			6%	-28%
Meter Test/Reconnection Fees	-	845,400	845,400	-	845,400	438,750	1,458,000	1,167,750			0%	22%
New Water Application Fees	-	85,620	85,620	325,000	410,620	183,750	306,200	336,850			0%	-9%
Sewerage Billing	-	30,355,282	30,355,282	-	30,355,282	13,950,171	38,713,452	33,306,897			12%	-15.1%
Sewerage Tankered	-	365,045	365,045	-	365,045	108,709	642,930	430,174			0%	61%
Sewerage New Connection	-	125,060	125,060	1,650,000	1,775,060	875,942	451,720	1,101,802			1%	-85%
Sewerage Blockage	-	3,000	3,000	-	3,000	9,477	21,500	20,227			0%	0%
Penalty Income	20,000	-	20,000	-	20,000	24,575	30,000	39,575			0%	13%
Miscellaneous (Incl. sale of FA)	240,000	-	240,000	-	240,000	-	347,500	173,750			0%	3%
Delivery Fees	672,000	-	672,000	-	672,000	343,913	504,000	595,913			0%	24%
Grant Amortised	1,340,816	-	1,340,816	-	1,340,816	632,458	1,340,816	1,302,866			1%	100%
<b>TOTAL INCOME</b>	<b>2,272,816</b>	<b>238,895,002</b>	<b>241,167,818</b>	<b>11,700,000</b>	<b>252,867,818</b>	<b>93,533,034</b>	<b>220,827,810</b>	<b>203,946,939</b>			<b>100%</b>	<b>24%</b>
<b>EXPENDITURE</b>												
Salaries	23,311,827	31,711,929	55,023,756	5,937,821	65,961,577	26,429,133	59,341,122.00	56,099,694			27%	18%
Overtime	325,915	749,766	1,075,681	65,985	1,141,666	681,694	2,195,078.00	1,779,233			0%	-35.8%
Other Benefits	16,496,320	16,757,650	33,253,970	3,953,326	37,207,296	15,586,033	29,131,127.00	30,151,597			15%	23%
Temporary Employees	461,534	798,544	1,260,078	65,128	1,325,206	252,433	857,009.00	680,938			1%	95%
Directors Fees	833,920	-	833,920	-	833,920	273,728	720,861.25	634,159			0%	32%
Commission to Agents	1,016,590	-	1,016,590	-	1,016,590	139,670	1,888,887.32	1,084,113			0%	-6%
Consultancy Fees & Comm.	4,394,768	2,056,798	6,451,567	1,050,000	7,501,567	981,236	8,117,118.29	7,039,996			3%	7%
Staff Welfare	1,201,712	37,440	1,239,152	6,000	1,245,152	221,182	1,005,991.12	725,178			1%	72%
Social Responsibility	200,000	-	200,000	-	200,000	11,570	100,000.00	100,000			0%	100%
Traveling	4,615,698	1,502,874	6,118,572	366,744	6,485,316	542,912	3,141,528.00	2,282,045			3%	184%









Depreciation Charges	2,346,068	14,850,199	17,196,267	936,625	18,132,892	8,517,492	17,990,000.00	17,512,492	-	7%	4%
Impaired Debts	4,500,000	-	4,500,000	-	4,500,000	554,535	3,300,000.00	3,000,000	-	2%	50%
TOTAL OPERATING COSTS	84,442,145	126,098,470	210,540,615	31,246,811	246,787,426	82,747,726	210,898,588	199,241,948	-		24%
Operating Profit/(Loss)	(82,169,329)	112,796,532	30,627,203	(19,546,811)	6,085,391	10,785,308	9,929,222	4,704,991	-		
Interest Received	4,708,361	-	4,708,361	-	4,708,361	1,494,918.00	5,470,279.96	4,230,058	-		11%
Financing Costs	6,511,772	-	6,511,772	-	6,511,772	3,606,975	9,170,542.84	8,192,247	-		-21%
PROFIT / (LOSS)	(83,972,740)	112,796,532	28,823,792	(19,546,811)	4,281,981	8,673,251	6,228,959	742,802	-		
PROVISION FOR EMERGENCY	-	3,850,000	3,850,000	-	3,850,000	3,850,000	3,850,000	3,850,000	-		
NET PROFIT / (LOSS)	(83,972,740)	108,946,532	24,973,792	(19,546,811)	431,981	4,823,251	2,378,959	(3,107,198)	-		
Operating Profit Margin					2.41%				-		
Net Profit Margin					0.17				-		





**CHIEF EXECUTIVE  
STRATEGIC SERVICE  
FINANCE**

*Save Every Drop!*



**DIVISIONAL BUDGET 2015 - 2016**

	CHIEF EXECUTIVE	INTERNAL AUDIT	LEGAL SERVICES	PUBLIC RELATIONS	ICT
	CE01	CE02	CE04	CE05	HF07
Insurance (Non Vehicles)	-	-	-	-	-
Rates	-	-	-	-	-
Telephone / Fax	-	-	-	-	2,257,010
Postages	-	-	-	-	-
Freight	10,812	-	-	-	-
Printing	-	-	2,000	293,640	-
Stationery	-	-	500	-	-
Books & Periodicals	-	-	5,000	-	-
Subscriptions	-	-	40,600	1,484	-
Postage & Office Materials.	10,812	-	53,100	295,124	-
Electricity	-	-	-	-	-
Coal, Gas & Oil	-	-	-	-	-
Power	-	-	-	-	-
Chemicals & Consumables	-	-	-	-	-
Vehicle Registration	-	-	-	-	-
Vehicle Insurance	-	-	-	-	-
Vehicle Hire (External contracts)	-	-	-	-	-
Vehicle Repairs (External Contracts)	-	-	-	-	-
Fuel	-	-	-	-	-
Tyres Tubes & Batteries	-	-	-	-	-
Vehicles	-	-	-	-	-
Plant Maintenance (Ext. Cont.)	-	-	-	-	-
Plant Maintenance Materials	-	-	-	-	-
Plant Hire	-	-	-	-	-
Plant	-	-	-	-	-
New Connection External Contracts	-	-	-	-	-
New Connection Materials	-	-	-	-	-
New Connections	-	-	-	-	-
Reticulation Maint. Mats.	-	-	-	-	-
Meter & Service Maint. Mats.	-	-	-	-	-
Audit Fees	-	-	-	-	-
Bank Charges	-	-	-	-	-
Loss From Capital WIP (Compensations)	-	-	-	-	-
<b>LICENSE FEES</b>	750,000	-	-	-	-
Loss From Theft & Cash Shortage	-	-	-	-	-
Loss From Staff Debtors	-	-	-	-	-
Loss From Sale of Assets	-	-	-	-	-
Depreciation Charges	62,619	7,711	-	-	289,060
Impaired Debts	-	-	-	-	-
<b>TOTAL OPERATING COSTS</b>	2,215,107	32,870	130,731	1,326,137	4,055,615
Operating Profit/(Loss)	-2,215,107	-32,870	-130,731	-1,326,137	-4,055,615
Interest Received	-	-	-	-	-
Financing Costs	-	-	-	-	-
<b>PROFIT / (LOSS) before exceptional items</b>	-2,215,107	-32,870	-130,731	-1,326,137	-4,055,615
Exceptional Item :	-	-	-	-	-
<b>PROVISION FOR EMERGENCY</b>	-	-	-	-	-
<b>NET PROFIT / (LOSS)</b>	-2,215,107	-32,870	-130,731	-1,326,137	-4,055,615



**DIVISIONAL BUDGET 2015 - 2016**

	CHIEF EXECUTIVE CE01	INTERNAL AUDIT CE02	LEGAL SERVICES CE04	PUBLIC RELATIONS CE05	ICT HF07
<b>INCOME:</b>					
Water Meter Billing	-	-	-	-	-
Water Tankered	-	-	-	-	-
Water New Connection	-	-	-	-	-
Meter Test/Reconnection Fees	-	-	-	-	-
New Water Application Fees	-	-	-	-	-
Sewerage Billing	-	-	-	-	-
Sewerage Tankered	-	-	-	-	-
Sewerage New Connection	-	-	-	-	-
Sewerage Blockage	-	-	-	-	-
Penalty Income	-	-	-	-	-
Miscellaneous (Incl. sale of FA)	-	-	-	-	-
Delivery Fees	-	-	-	-	-
Grant Armoised	-	-	-	-	-
<b>TOTAL INCOME</b>	-	-	-	-	-
<b>EXPENDITURE</b>					
Salary	2,026,280	1,330,940	549,217	-	1,338,286
Overtime	-	10,057	-	-	2,770
Allowances	1,237,510	532,209	379,018	-	746,010
Fringe Benefits Tax	61,094	-	-	-	-
Leave pay	95,000	25,000	26,000	-	30,000
Pension	58,374	101,210	-	-	42,365
Severance	18,914	32,792	-	-	13,726
Gratuities	574,002	206,693	208,703	-	383,365
Salaries	4,071,174	2,258,901	1,162,938	-	2,556,522
Temporary Employees	-	-	-	3,600	-
Directors Fees	873,920	-	-	-	-
Consultancy Fees & Comm.	157,500	-	120,000	-	355,952
Legal & other Fees	-	-	62,400	-	-
Commission to Agents	-	-	-	-	-
Fees & Consultancies	991,420	-	182,400	-	355,952
Staff Welfare	-	-	-	46,200	-
Social Responsibility	200,000	-	-	-	-
Travelling Expenses (Local)	25,376	8,206	15,511	188,497	86,702
Travelling Expenses (International)	219,573	2,800	5,600	3,700	131,600
Travelling	244,949	11,006	21,111	192,197	218,302
Training Expenses (Local)	-	-	10,500	24,000	-
Training Expenses (International)	-	15,000	12,000	12,950	-
Workshops	-	-	-	-	-
Training	-	15,000	22,500	36,950	-
Uniforms	-	-	-	-	-
Protective Clothing	-	5,851	-	8,324	16,896
Tools	-	1,013	-	-	13,200
Advertising Materials	-	-	-	65,600	-
Advertising Contracts / Services	-	-	17,500	557,523	-
Advertising	-	-	13,500	623,123	-
Security Material	-	-	-	-	-
Security Contracts / Services	-	-	-	-	-
Security	-	-	-	-	-
Office Equip. Purchases	-	-	-	-	127,700
Office Equip. Maint. Contrs. / Serv.	-	-	-	62,600	910,555
Office Equip. Maint. Materials	7,926	-	320	7,819	146,000
Office Equipment	7,926	-	320	70,419	1,184,255
Office rent	-	-	-	-	-
Bldg. Maint. Materials	-	-	-	-	-
Cleaning Materials	-	-	-	-	-
Bldg. Maint. Contracts / Services	-	-	-	-	-
Building Maintenance	-	-	-	-	-





## DIVISIONAL BUDGET 2015 - 2016

	HUMAN RESOURCES	STRATEGIC SERVICES	FINANCE ACCOUNTS	PURCHASING	STORES	METERING	CREDIT CONTROL	SHARED SERVICES	TOTAL
	SS01	SS05	HF01	HF02	HF03	HF04	HF05	SS02	ADMIN
<b>INCOME</b>									
Water Meter Billing	-	-	-	-	-	-	-	-	-
Water Tankered	-	-	-	-	-	-	-	-	-
Water New Connection	-	-	-	-	-	-	-	-	-
Meter Test/Reconnection Fees	-	-	-	-	-	-	-	-	-
New Water Application Fees	-	-	-	-	-	-	-	-	-
Sewerage Billing	-	-	-	-	-	-	-	-	-
Sewerage Tankered	-	-	-	-	-	-	-	-	-
Sewerage New Connection	-	-	-	-	-	-	-	-	-
Sewerage Blockage	-	-	-	-	-	-	-	-	-
Penalty Income	-	-	-	-	-	20,000	-	-	20,000
Miscellaneous (Incl. sale of FA)	-	-	-	-	-	-	-	240,000	240,000
Delivery Fees	-	-	-	-	-	672,000	-	-	672,000
Grant Armoured	-	-	1,340,816	-	-	-	-	-	1,340,816
<b>TOTAL INCOME</b>	-	-	1,340,816	-	-	692,000	-	240,000	2,272,816
<b>EXPENDITURE</b>									
Salary	1,976,358	559,452	3,414,731	731,596	1,617,281	4,478,789	2,872,895	2,416,002	23,311,827
Overtime	14,145	-	36,968	8,123	26,801	130,978	38,496	57,577	325,915
Allowances	1,006,483	381,954	1,580,554	254,428	639,310	1,249,601	1,249,814	681,017	9,957,908
Fringe Benefits Tax	5,356	-	6,150	-	4,008	-	-	-	76,608
Leave pay	34,000	31,000	41,000	19,000	29,000	30,000	30,000	28,000	418,000
Pension	97,984	-	215,921	65,218	132,354	575,972	176,142	269,165	1,734,705
Severance	33,747	-	69,959	21,131	42,883	186,616	37,070	87,210	562,048
Gratuities	461,462	212,592	569,574	85,294	223,473	127,930	571,217	122,726	3,747,051
Salaries	3,627,555	1,184,998	5,934,857	1,184,790	2,715,110	6,779,836	4,095,634	3,661,697	40,134,062
Temporary Employees	52,152	-	-	-	280,592	36,750	3,300	85,140	467,534
Directors Fees	-	-	-	-	-	-	-	-	833,920
Consultancy Fees & Comm.	2,617,840	-	-	-	-	-	22,076	9,000	2,682,368
Legal & other Fees	1,050,000	-	-	-	-	-	-	-	1,112,400
Commission to Agents	-	-	-	-	-	-	1,016,590	-	1,016,590
Fees & Consultancies	5,267,840	450,000	-	-	-	-	1,038,666	9,000	6,245,279
Staff Welfare	1,155,512	-	-	-	-	-	-	-	1,201,712
Social Responsibility	-	-	-	-	-	-	-	-	200,800
Travelling Expenses (Local)	3,373,586	26,230	38,177	-	67,918	23,970	88,049	77,604	4,202,023
Travelling Expenses (International)	-	-	19,600	-	2,800	5,600	8,400	14,800	413,673
Travelling	3,373,586	26,230	57,777	-	70,718	29,570	96,449	91,604	4,615,698
Training Expenses (Local)	595,500	75,320	-	-	-	30,500	-	15,000	750,320
Training Expenses (International)	-	-	49,750	-	-	-	-	30,000	119,700
Workshops	-	-	-	-	-	-	-	-	-
Training	595,500	75,320	49,750	-	-	30,500	-	45,000	870,520
Uniforms	78,670	-	-	-	-	-	-	7,022	80,692
Protective Clothing	-	-	-	-	12,371	105,512	-	45,744	194,698
Tools	-	-	-	-	-	7,708	-	24,000	45,911
Advertising Materials	427,500	-	-	-	-	33,000	2,000	-	528,100
Advertising Contracts / Services	427,500	106,548	-	-	-	-	-	32,830	1,137,901
Advertising	855,000	106,548	-	-	-	33,000	1,000	32,830	1,666,001
Security Material	-	-	-	-	-	-	44,000	-	44,000
Security Contracts / Services	-	-	-	-	-	-	475,827	4,815,343	5,291,171
Security	-	-	-	-	-	-	519,827	4,815,343	5,335,171
Office Equip. Purchases	8,000	-	94,650	-	17,400	29,400	-	58,720	335,870
Office Equip. Maint. Contrs. / Serv.	-	-	-	-	8,922	108,000	-	728,085	1,818,162
Office Equip. Maint. Materials	29,205	-	9,628	-	-	7,393	-	12,161	220,451
Office Equipment	37,205	-	104,278	-	26,322	144,793	-	798,966	2,374,484
Office rent	-	-	-	-	-	-	171,789	-	171,789
Bldg. Maint. Materials	-	-	-	-	-	-	-	397,670	397,670
Cleaning Materials	-	-	-	-	-	-	-	53,432	61,526
Bldg. Maint. Contracts / Services	-	-	-	-	-	-	-	665,709	665,709
Building Maintenance	-	-	-	-	-	-	-	1,116,811	1,124,905



## DIVISIONAL BUDGET 2015 - 2016

	MORija	ROMA	THABA-TSEGA	Sub Total	TOTAL
	DC04	DC07	DC08	Central	OPERATIONS
Insurance (Non Vehicles)	-	-	-	-	-
Rates	-	-	-	-	-
Telephone / Fax	-	-	-	-	-
Postages	-	-	1,350	1,350	1,350
Freight	-	-	-	-	41,714
Printing	-	500	-	500	6,000
Stationery	-	-	-	-	4,000
Books & Periodicals	-	-	-	-	11,000
Subscriptions	-	-	-	-	36,346
Postage & Office Materials	-	500	1,350	1,850	100,316
Electricity	384,000	1,281,816	429,240	2,095,056	18,337,512
Coal, Gas & Oil	5,600	-	4,950	10,550	103,690
Power	389,600	1,281,816	434,190	2,105,606	18,441,202
Chemicals & Consumables	42,939	162,396	15,994	221,330	5,540,747
Vehicle Registration	305	600	335	1,240	22,910
Vehicle Insurance	7,722	7,722	7,722	23,166	436,812
Vehicle Hire (External contracts)	-	-	-	-	207,000
Vehicle Repairs (External Contracts)	28,663	43,835	51,000	123,518	2,235,689
Fuel	27,752	50,336	50,336	128,424	3,321,534
Tyres Tubes & Batteries	5,200	9,300	16,600	31,000	600,600
Vehicles	101,979	118,855	125,993	346,830	6,816,505
Plant Maintenance (Ext. Cont.)	18,500	62,000	62,000	142,500	3,536,100
Plant Maintenance Materials	18,000	74,583	63,345	155,929	2,229,825
Plant Hire	9,600	58,550	22,000	90,150	748,181
Plant	46,100	195,134	147,345	388,579	6,514,105
New Connection External Contracts	-	-	-	-	-
New Connection Materials	15,930	141,720	85,700	243,350	3,720,378
New Connections	-	-	-	-	3,720,378
Reticulation Maint. Mats.	87,451	103,630	26,996	218,077	5,261,055
Meier & Service Maint. Mats.	19,255	69,249	6,822	95,326	4,026,753
Audit Fees	-	-	-	-	-
Bank Charges	-	-	-	-	-
Loss From Capital WEP (Compositions)	-	-	-	-	-
LICENSE FEES	-	-	-	-	-
Loss From Theft & Cash Shortage	-	-	-	-	-
Loss From Staff Debtors	-	-	-	-	-
Loss From Sale of Assets	-	-	-	-	-
Depreciation Charges	94,233	664,855	172,733	931,821	14,850,199
Impaired Debts	-	-	-	-	-
TOTAL OPERATING COSTS	807,421	2,243,105	999,772	4,070,338	62,654,239
Operating Profit/(Loss)	-260,700	4,176,408	950,856	4,866,565	-68,684,239
Interest Received	-	-	-	-	-
Financing Costs	-	-	-	-	-
PROFIT / (LOSS) before exceptional items	-260,700	4,176,408	950,856	4,866,565	-68,684,239
Exceptional Item :	-	-	-	-	-
PROVISION FOR EMERGENCY	-	-	-	-	3,850,000
NET PROFIT / (LOSS)	-260,700	4,176,408	950,856	4,866,565	-63,684,239





# ENGINEERING

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DIVISIONAL BUDGET 2015 - 2016

	PROJECTS	ENVIRONMENT	DESIGN	MWWP	CONTRACTS	Sub Total	TOTAL
	EP01	EP02	EP10	EP11	ADMIN EP18	Engineering	
Insurance (New Vehicles)	-	-	-	-	-	-	605,518
Rates	-	-	-	-	-	-	425,000
Telephone / Fax	-	-	-	-	-	-	3,532,890
Postages	-	-	-	-	-	-	5,794
Freight	-	-	-	24,000	-	24,000	100,956
Printing	33,000	-	-	-	-	33,000	1,710,417
Stationery	-	-	-	-	-	-	11,880
Books & Periodicals	5,000	-	-	-	-	5,000	21,125
Subscriptions	-	-	-	-	-	-	78,330
Postage & Office Materials	32,000	-	-	24,000	-	62,000	1,931,475
Electricity	-	-	-	2,256,000	-	2,256,000	21,259,632
Coal, Gas & Oil	-	-	-	1,600	-	1,000	104,690
Power	-	-	-	2,257,000	-	2,257,000	21,361,322
Chemicals & Consumables	-	-	-	126,045	-	126,045	6,666,782
Vehicle Registration	-	-	-	-	-	-	36,075
Vehicle Insurance	-	-	-	-	-	-	772,845
Vehicle Hire (External contracts)	-	-	-	-	-	-	407,000
Vehicle Repairs (External Contracts)	-	-	-	-	-	-	4,064,277
Fuel	-	-	-	-	-	-	5,355,828
Tyres Tubes & Batteries	-	-	-	-	-	-	941,400
Vehicles	-	-	-	-	-	-	11,573,425
Plant Maintenance (Ext. Cont.)	-	-	-	-	-	-	3,836,100
Plant Maintenance Materials	-	-	-	-	-	-	2,229,825
Plant Hire	-	-	1,280,000	-	-	1,280,000	2,028,181
Plant	-	-	1,280,000	-	-	1,280,000	8,084,195
New Connection External Contracts	-	-	-	-	4,800,000	4,800,000	4,800,000
New Connection Materials	-	-	-	-	1,685,300	1,685,300	12,325,578
New Connections	-	-	-	-	19,405,200	13,465,700	17,125,578
Reticulation Maint. Mats.	-	-	173,063	-	-	173,063	5,434,121
Meter & Service Maint. Mats.	-	-	-	-	-	-	4,026,793
Audit Fees	-	-	-	-	-	-	200,000
Bank Charges	-	-	-	-	-	-	890,000
Loss From Capital WIP (Competition)	500,000	-	-	-	-	500,000	500,000
LICENSE FEES	-	-	-	-	-	-	750,000
Loss From Theft & Cash Shortage	-	-	-	-	-	-	-
Loss From Staff Debtors	-	-	-	-	-	-	-
Loss From Sale of Assets	-	-	-	-	-	-	-
Depreciation Charges	922,399	1,650	7,468	5,108	-	936,625	18,132,892
Impaired Debts	-	-	-	-	-	-	4,586,000
TOTAL OPERATING COSTS	1,429,899	36,733	1,569,332	3,741,330	15,375,361	22,152,858	246,737,476
Operating Profit/(Loss)	-1,429,899	-36,733	-1,569,332	-3,741,330	-500,561	-7,277,855	-6,085,391
Interest Received	-	-	-	-	-	-	4,708,361
Financing Costs	-	-	-	-	-	-	6,511,772
PROFIT / (LOSS) before exceptional items	-1,429,899	-36,733	-1,569,332	-3,741,330	-500,561	-7,277,855	-4,331,961
Exceptional Items :	-	-	-	-	-	-	-
PROVISION FOR EMERGENCY	-	-	-	-	-	-	3,850,000
NET PROFIT / (LOSS)	-1,429,899	-36,733	-1,569,332	-3,741,330	-500,561	-7,277,855	-431,961





DIVISIONAL BUDGET 2015 - 2016

	PROJECTS	ENVIRONMENT	DESIGN	RWWP	CONTRACTS	Sub Total	TOTAL
	EP01	EP02	EP10	EP11	ADMIN EP16	Engineering	
<b>INCOME</b>							
Water Meter Billing	-	-	-	-	-	-	200,707,911
Water Tankered	-	-	-	-	-	-	321,583
Water New Connection	-	-	-	-	9,725,000	9,725,000	15,811,100
Meter Test/Reconnection Fees	-	-	-	-	-	-	845,400
New Water Application Fees	-	-	-	-	325,000	325,000	410,620
Sewerage Billing	-	-	-	-	-	-	30,355,282
Sewerage Tankered	-	-	-	-	-	-	365,045
Sewerage New Connection	-	-	-	-	1,650,000	1,650,000	1,776,060
Sewerage Blockage	-	-	-	-	-	-	-3,000
Penalty Income	-	-	-	-	-	-	20,000
Miscellaneous (Incl. sale of FA)	-	-	-	-	-	-	240,000
Delivery Fees	-	-	-	-	-	-	672,000
Grant Amortised	-	-	-	-	-	-	1,340,816
<b>TOTAL INCOME</b>	-	-	-	-	11,700,000	11,700,000	252,567,818
<b>EXPENDITURE</b>							
Salary	4,188,513	-	569,972	1,179,336	-	5,937,821	60,961,577
Overtime	36,480	-	8,133	21,372	-	65,985	1,141,686
Allowances	1,914,508	-	110,908	304,542	-	2,329,958	22,505,449
Fringe Benefits Tax	16,728	-	-	-	-	16,728	154,240
Leave pay	73,000	-	26,000	31,000	-	130,000	968,000
Pension	253,138	-	73,293	151,663	-	478,099	5,967,990
Severance	82,017	-	23,748	49,139	-	154,904	1,933,640
Gratuities	843,637	-	-	-	-	843,637	5,677,977
Salaries	7,408,021	-	812,059	1,737,052	-	9,957,132	104,310,539
Temporary Employees	32,384	-	5,520	17,264	9,960	65,128	1,325,208
Directors Fees	-	-	-	-	-	-	833,920
Consultancy Fees & Comm.	50,000	-	-	1,000,000	-	1,050,000	6,389,167
Legal & other Fees	-	-	-	-	-	-	1,112,400
Commission to Agents	-	-	-	-	-	-	1,016,590
Fees & Consultancies	50,000	-	-	1,000,000	-	1,050,000	9,352,677
Staff Welfare	6,000	-	-	-	-	6,000	1,245,152
Social Responsibility	-	-	-	-	-	-	200,000
Travelling Expenses (Local)	111,867	31,733	42,872	3,160	109,112	303,744	5,787,847
Travelling Expenses (International)	43,400	-	-	19,600	-	63,000	697,669
Travelling	155,267	31,733	42,872	27,760	109,112	366,744	6,485,516
Training Expenses (Local)	12,000	-	-	-	-	12,000	762,820
Training Expenses (International)	30,000	-	-	-	-	30,000	163,553
Workshops	-	-	-	-	-	-	-
Training	42,000	-	-	-	-	42,000	926,373
Uniforms	-	-	-	-	-	-	80,892
Protective Clothing	17,754	-	15,120	44,322	37,660	114,857	1,726,173
Tools	3,494	-	25,850	27,592	-	56,936	929,314
Advertising Materials	-	-	-	-	-	-	528,100
Advertising Contracts / Services	156,000	-	26,907	189,964	28,829	505,700	1,689,727
Advertising	156,000	-	26,907	189,964	28,829	505,700	2,217,317
Security Material	-	-	-	-	-	-	44,000
Security Contracts / Services	-	-	-	-	-	-	5,291,171
Security	-	-	-	-	-	-	5,335,171
Office Equip. Purchases	30,000	-	-	8,000	-	38,000	614,767
Office Equip. Maint. Costs. / Serv	285,000	-	-	-	-	285,000	2,233,932
Office Equip. Maint. Materials	-	-	-	2,440	-	2,440	453,421
Office Equipment	315,000	-	-	10,440	-	325,440	3,202,120
Office rent	-	-	-	-	-	-	171,789
Bldg. Maint. Materials	-	-	-	-	-	-	548,170
Cleaning Materials	-	-	-	16,942	-	16,942	272,929
Bldg. Maint. Contracts / Services	-	-	-	-	-	-	677,709
Building Maintenance	-	-	-	16,942	-	16,942	1,498,808



# **WATER AND SEWERAGE COMPANY**

## **SECTION 3**

### **CAPITAL EXPENDITURE**

**2015/16**

**INTERNAL**

**&**

**EXTERNAL**

<b>TOTAL EXPENDITURE</b>	<b>&gt; M 257,509,741</b>
<b>INTERNAL EXPENDITURE</b>	<b>&gt; M 22,509,741</b>
<b>EXTERNAL EXPENDITURE</b>	<b>&gt; M 235,000,000</b>

*Save Every Drop!*





# WATER AND SEWERAGE COMPANY

## SUMMARY CAPITAL BUDGET 2015 -2016

### INTERNALLY FINANCED

	<u>M</u>	Percentage allocation %
1. INVESTMENT PROJECTS	13,329,497	59%
2. PLANT AND EQUIPMENT	3,413,228	15%
3. ICT	671,260	3%
4. MOTOR VEHICLES	4,230,000	19%
5. OTHER CAPITAL ITEMS	865,756	4%
<b>TOTAL</b>	<b>22,509,741</b>	<b>100%</b>



# CAPITAL BUDGET : 1. INVESTMENT PROJECTS

Items	Unit cost	Cost (M)	Remarks
SEMPHETHENYANE WATER INFILL LINES	216,902	216,901.88	63mm diameter HDPE of 900m length to supply 25 households. Official request letter submitted to WASCO requesting service provision for the 25 households.
GOALING WATER INFILL LINES	165,238	165,238.04	63mm diameter HDPE of 183m length and 110mm diameter uPVC, 283 to supply 20 households. Official request letter submitted to WASCO requesting service provision for the 20 households.
THETSANE NEAR SEWER PONDS WATER INFILL LINES	407,376	407,375.59	63mm diameter HDPE of 1757m length to supply 39 households and sites still to be developed. Official request letter submitted to WASCO requesting service provision for the 39 households.
LEQELE NEAR MAKOANYANE FENCE WATER INFILL LINES	218,352	218,351.59	63mm diameter HDPE of 954m length to supply about 24 households. There are a number of outstanding applications to be processed. Customers have been promised infill lines as they are above 150m away from the nearest sub-main.
PHAKALATSANE WATER INFILL LINES	433,109	433,108.70	230m length of 32mm diameter HDPE pipe, 347m length of 63mm diameter HDPE pipe and 1260m length of 110mm diameter pipe to cover about 72 potential customers. Letter received from local chief requesting service provision
LINAKOTSENG WATER INFILL LINES	262,950	262,950.00	354m length of 63mm diameter HDPE pipe and 780m length of 110mm diameter uPVC pipe lines to supply about 45 households and still to be developed sites awaiting water availability.
TSOAPOLLE BOJULA WATER INFILL LINES	243,295	243,294.79	63mm diameter HDPE pipe line of 1122m length to supply 40 households. Official request letter submitted to WASCO requesting service provision for the 40 households.
LEKHOBYANYANE WATER INFILL LINES	153,928	153,927.95	63mm diameter, 514m length to supply 10 households. Official request letter submitted to WASCO requesting service provision for the 10 households.
THETSANE, NTSIRELE, NEAR NEW STEEL TANK WATER INFILL LINES	638,584	638,584.00	550m length of 32mm diameter, 63mm diameter uPVC of 667m length and 1,035m length of 63mm diameter pipeline to supply 75 households. Official request letter submitted to WASCO requesting service provision for the 75 households.
SELAKHAPANE (KHUBETSOANA) WATER INFILL LINES	136,250	136,250.00	500m length of 63mm diameter HDPE, 1,035m length to supply 48 households. Official request letter submitted to WASCO requesting service provision for the 48 households.
KOALABATA LJ TEN RANTENG WATER INFILL LINES	253,890	253,890.00	63mm diameter HDPE of 900m length to supply 35 households. A number of application have been received and design section observed a need to provide infill lines.
<b>MAFETENG INFILL PROJECTS</b>			
INFILL PROJECT PIPE ASBESTOS REHABILITATION	1,010,371	1,010,371.04	Replacement of asbestos main pipe for a total of 5.4km to minimise water losses. 2.4km of 160mm diameter, 1.2km of 90mm diameter and 1.8km of 63mm diameter.
LIKHOELE INFILL WATER RETICULATION PROJECT	411,518.54	411,518.54	Provision of 90mm diameter uPVC Water Supply Mains for a total distance of 3km to supply an estimated 120 potential customers
MATHOLENG INFILL WATER RETICULATION PROJECT	130,922.11	130,922.11	Provision of 90mm diameter uPVC Water Supply Mains for a total distance of 1km to supply an estimated 100 potential customers
HA MOTLERE INFILL WATER RETICULATION PROJECT	264,409.49	264,409.49	Provision of 110mm diameter uPVC Water Supply Mains for a total distance of 2km to supply an estimated 120 potential customers





Items	Unit cost	Cost (M)	Remarks
PABALLONG INFILL WATER RETICULATION PROJECT	379,161.29	379,161.29	Provision of 110mm diameter uPVC Water Supply Mains for a total distance of 3km to supply an estimated 70 potential customers
REPLACE 300M AC PIPE		320,000.00	REPLACE UNECONOMICAL REPAIRS AT SEKANTSING AREA
<b>QUTHING INFILL PROJECTS</b>			Area Manager has received requests, from community leaders, for service provision and has established that there is indeed a need to provided Infill projects for the selective areas.
OUTTHING UPVC PIPE REHABILITATION	90,450	90,450.00	Replacement of 1800mm distribution UPVC OF 900mm diameter with GI pipe to reduce number of bursts occurrences as a result of water hammer.
<b>QACHA'S NEK INFILL PROJECTS</b>			Area Manager has received requests, from community leaders, for service provision and has established that there is indeed a need to provided Infill projects for the selective areas.
QACHA'S NEK ISOLATION OF PUMPING AND DISTRIBUTION MAIN	141,467	141,467.48	Isolation of Pumping Main from Treatment Plant with distribution main at reservoir 2 Velganog as only one pipe is serving as both inlet and outlet pipe
MOSQAQANE INFILL HILL SIDE	75,000	75,000.00	TO ENABLE GTRAVITY WATER FROM MOSQAQANE RESERVOIR
SEWERAGE RETICULATION	70,000	70,000.00	Construction of pumping main and provision of pump set to supply water in a high zone areas to reduce number of customers supplied less than 18hrs
RETICULATION AT HA- MANTEKO	302,369	302,369.00	VILLAGE HAS POTENTIAL FOR CONNECTING
<b>MORIJA INFILL PROJECTS</b>			Area Manager has received requests, from community leaders, for service provision and has established that there is indeed a need to provided Infill projects for the selective areas.
LETAPENG WATER INFILL LINES	846,300.00	846,300.00	Reticulation Extension at Letlapeng of a 63mm diameter HDPE pipe for about 3000m to serve about 250 homesteads
THABAWA LETSOKU WATER INFILL LINES	231,322.00	231,322.00	Reticulation Extension at Letlapeng of a 63mm diameter HDPE pipe for about 820m to serve about 50 homesteads
110MM RISING MAIN CONSTRUCTION	300	300,000.00	REPLACEMENT OF OLD AC RISING MAIN PIPE FOR 1 KM
<b>ROMA PONDS REHABILITATION PROJECT</b>			Area Manager has received requests, from community leaders, for service provision and has established that there is indeed a need to provided Infill projects for the selective areas.
REHABILITATION OF ROMA SEWER PONDS	435,000	435,000.00	Rehabilitation of Roma Sewerage Ponds to stop leakages that are affecting maize fields for local community
<b>MOHALES HOEK INFILL PROJECTS</b>			Area Manager has received requests, from community leaders, for service provision and has established that there is indeed a need to provided Infill projects for the selective areas.
CONSTRUCTION OF PUMPING MAIN TO SUPPLY LINOTSING VILLAGE	410,500	410,500.00	Construction of pumping main and provision of pump set to supply water in a high zone areas to reduce number of customers supplied less than 18hrs.



Items	Unit cost	Cost (M)	Remarks
<b>MAPUTSOE INFILL PROJECTS</b>			
MAPUTSOE SEWER INFILL PROJECT	351,571.19	351,571.19	Area Manager has received requests, from community leaders, for service provision and has established that there is indeed a need to provided infill projects for the selective areas.
<b>MAPOTENG INFILL PROJECTS</b>			
THABONG RETICULATION EXTENSION	506,000.00	506,000.00	This sewer line is aimed at connecting a factory that has employed about 300 people using a 200mm diameter uPVC pipe for a total of 530m length.
MOKOALLONG RETICULATION EXTENSION	157,000.00	157,000.00	Provision of 2km length of 110mm and 63mm diameter pipeline to serve about 78 households.
Sand for filter (bag is 40kg)	140.00	420,000.00	Provision of 0.7km length of 63mm diameter pipelines.
Selang reticulation extension	200,000.00	200,000.00	Replacement of the old filter's sand that keeps on glogging filters and produces bad quality water at a very low filtration rate.
Mosagane infill at Hill side	75,000.00	75,000.00	80 house holds to be connected on this reticulation
Sewerage Reticulation Extension	70,000.00	70,000.00	To enable gravity water from Mosagane spring to gavitate straight to the town reservoir rather than Hillside pump station. To minimize electricity consumption incurred at present
Red Cross reticulation extension	100,000.00	100,000.00	Continuation of phase two of sewerage reticulation to cover veigahog and leropong villages
Reticulation extension to Ha-manteko (white city)	0	865,000.00	50 house holds to be connected on this reticulation
Rehabilitation of ponds	400,000.00	800,000.00	This village has a potential of connecting 300 house holds, several requests were made through councilors and village committees. Third year appearance in our requests
SKANSKA REHABILITATION	595.10	238,040.00	
SELIBENG INFILL	96,027.41	96,027.00	FOR 63 HOUSEHOLDS
MOHLAKENG HOLIMA TSELA	34,999.55	349,999.55	23 HOUSEHOLDS
UPPER KUBAKE II	86,760.52	86,761.00	WITHIN THE VILLAGE MCA
MOHLAKNG	75,882.27	75,882.27	MOHLAKENG INFILLS
HA TANKA	48,029.24	48,029.24	LESOTHO HOUSING
LETAPENG 11 MAINS EXTENSION	341,523.00	341,523.00	300 BENEFICIARIES
<b>TOTAL INVESTMENT PROJECTS</b>		<b>13,329,496.74</b>	



# CAPITAL BUDGET 2. PLANT AND EQUIPMENT

Items	No. Required	Unit cost	Cost (M)	Remarks
ELECTRICAL PANEL	1	34,648.32	34,648.32	replacement of the old unsafe panel that is costing a lot to maintain
Flygt pump for Moshoeshoe 11 (PS10)	1	250,000.00	250,000.00	Standby capacity to avoid overflows during break downs
Goman Rupp pump for Industrial (PS 9)	1	300,000.00	300,000.00	Standby capacity to avoid overflows during break downs
Flygt pump for Flour Mills (PS3)	1	300,000.00	300,000.00	Standby capacity to avoid overflows during break downs
Flygt pump for Border Post (PS2)	1	300,000.00	300,000.00	Standby capacity to avoid overflows during break downs
Primary sludge pump (Flygt) for Rajomose WWTP	1	325,000.00	325,000.00	Standby and improving operational efficiency of the plant
Secondary sludge pump (Flygt) Rajomose WWTP	1	200,000.00	200,000.00	Standby and improving operational efficiency of the plant
Electric rodding machine (Ian Dickie)	1	180,000.00	180,000.00	Improve rodding capacity to adhere to LEWA's standards
Ksb highlift Pump and motor	2	120,000.00	240,000.00	Stand by Capacity at the river intake
Chlorine pump	1	25,000.00	25,000.00	Stand by Capacity at the office pump station
SUBMERSIBLE PUMP	3	15,000.00	45,000.00	Spare capacity allowance for six 3.7 Kw borehole pumps in operation.
SUBMERSIBLE PUMP	2	12,000.00	24,000.00	Spare capacity allowance for three 2.5 Kw borehole pumps in operation.
37 KW FRANKLIN PUMP FOR INTAKE	1	42,000.00	42,000.00	FOR INTAKE TREATMENT PLANT
DOSING PUMP	1	12,000.00	12,000.00	FOR DOSING
KSB KRT K40 SUBMERSIBLE PUMP	1	110,580.00	110,580.00	STANDBY CAPACITY AT MAKHALANENG WTP
200MM FLOAT COBTROL VALVE	1	65,000.00	65,000.00	REDUCTION OF NRW
Red Cross reticulation extension	1	100,000.00	100,000.00	50 house holds to be connected on this reticulation
KSB PUMP (RAW WATER ) ETA 100-250	1	80,000.00	80,000.00	PACKAGE PLANT
Standby capacity treatment (High lift and motor)	1	75,000.00	75,000.00	To cater for purchase and replacement of highlifts at treatmnt plant . Due to daily operation
BOOSTER PUMP EB32-200	1	100,000.00	100,000.00	STANDBY CAPACITY FOR BOOSTER STATION
Standby Capacity for Hill side (highlift and motor)	1	75,000.00	75,000.00	To cater for purchase and replacement of highlifts at Hillside pump station . Due to daily
LOW LIFT PUMP KSB 40-250/122 UGS-S	1	125,000.00	125,000.00	STANDBY CAPACITY FOR LOWLIFT PUMP STATION
Sewerage Maintenance Equipment	1	50,000.00	50,000.00	To Cater for daily maintenance and clearing of blockages at hospital ponds, line and our
HIGH LIFT PUMPS	3	50,000.00	150,000.00	STANDBY CAPACITY
Pressure Reducing Valves	2	40,000.00	80,000.00	Several places experiencing high pressures that results in frequent line breakages and
HIGH LIFT PUMP AND MOTOR	1	75,000.00	75,000.00	Stand by Capacity at the river intake
Float Valves for Reservoir A and B	1	50,000.00	50,000.00	To cater for and control overflows at reservoirs that always results in high UFW figures
<b>TOTAL</b>			<b>3,413,228.32</b>	





# CAPITAL BUDGET: 3. ICT

Items	No. Requir	Unit cost	Cost (M)	Remarks
LAPTOP	1	15,600.00	15,600	Replacement of old one.
LAPTOP	1	15,600.00	15,600	Replacement of old one.
Desk Top Computer	2	12,240.00	24,480	To replace old ones at the customer care desk
Printer	1	3500	3,500	For customer care clerks and for printing job cards.
COMPUTER FOR STORES ASSISTANT	1	12,240.00	12,240	
LAPTOP	1	15,600.00	15,600	FOR CREDIT CONTROL ACCOUNTANT
Desk Top Computer FOR BILLING STAFF	4	8,000.00	32,000	
SMART METERING SYSTEM:SOFTWARE	1	15,000.00	15,000	
SMART METERING SYSTEM:DRIVEBY HANDHELD	1	10,000.00	10,000	
SMART METERS	200	2,200.00	440,000	
DESK TOP	2	12,420.00	24,840	FOR CREDIT CONTROL ACCOUNTANT AND CALL CENTRES
LAPTOP	2	15,600.00	31,200	
LAPTOP	2	15,600.00	31,200	FOR LEGAL OFFICER
TOTAL		153,600.00	671,260.00	





# CAPITAL BUDGET 4. VEHICLES

Items	Unit cost	Cost (M)	Remarks
TOYOTA HILUX 4X4 DOUBLE CAB	420,000.00	420,000	Replacement of AB 356 that is now costly to repair ans has lived beyond expected life, it also spends a lot of time in maintenance garages than at work
TOYOTA HILUX 4X4 DOUBLE CAB	420,000.00	420,000	Replacement of AB 356 that is now costly to repair ans has lived beyond expected life, it also spends a lot of time in maintenance garages than at work
TOYOTA HILUX 4X4	420,000.00	420,000	Replacement of AB 356 that is now costly to repair ans has lived beyond expected life, it also spends a lot of time in maintenance garages than at work
Toyota Hilux sld bakkies	210,000.00	630,000	Replacements for AS 613, AR 774 & AV 840
Toyota Avanza	200,000.00	200,000	Replacements for A 4352
Isuzu Crew cab	540,000.00	540,000	Replacement for AW 496
TWIN CAB 4X4	350,000.00	350,000	TRANSPORTATION OF STAFF OF STAFF DURING ADVERSE WEATHER CONDITIONS
TOYOTA D/CAB 4*4	450,000.00	450,000	Replacement
4*4 TWIN CAB WITH CANOPY AND RACK	400,000.00	400,000	Replacement
4*4 TWIN CAB FOR 3RD TIME	400,000.00	400,000	Replacement
<b>TOTAL</b>		<b>4,230,000.00</b>	



# CAPITAL BUDGET 5. OTHER

Items	Unit cost	Cost (M)	Remarks
Executive office desk	20,000	20,000	For Director Corporate Services
Credenza	12300	12,300	For Director Corporate Services
Desk top computer	13,000.00	13,000	For registry Office
Technical Boardroom chairs	1,600.00	16,000	Furnishing alternative Boardroom
Fencing Roma Office pallsade	600.00	27,000	Perimeter 136 m
Fencing Roma Office poles	170.00	7,820	
Fencing Bultha-Bulthe Office pallsade	600.00	24,000	Perimeter 120 m
Fencing Bultha-Bulthe Office poles	170.00	6,970	
Guard houses	12,720.00	25,440	Guard houses for Mohale's Hoek and Quthing
CASH BOXES	4,990.00	4,990	CASHIERS
Toilets	4,770.00	14,310	Toilets for Lithabaneng and Mabote
DEVILS' FORK FENCING THE FRONT SIDE OF OFFICE	628.00	62,800.00	The fence is down and the safety is highly compromised as a result
FENCING OF SEWER PONDS		81,700.00	
TARMARC ROAD CROSSINGS (SLEEVES)			
OFFICE EXTENSION	209,426.00	209,426	PROVISION OF AN INLET PIPE
Guard houses	75,000.00	75,000	
REPAIR OF BACKWASHING ELEVATED TANK	12,000.00	12,000	
Guard houses	15,000.00	15,000	
WWTP PONDS BANK PROTECTION SLABS	12,000.00	24,000	
BURGLAR PROOFIN AM RESIDENCE	4,000.00	96,000	
FENCING AT WELL	1,000.00	8,000	
BULK METER CHAMBER	42,000.00	42,000	
TANKER UNLOADING BAY	23,000.00	23,000	
	45,000.00	45,000	
<b>TOTAL</b>		<b>865,756</b>	



## WATER AND SEWERAGE COMPANY

### CAPITAL BUDGET 2015/2016- GOL BUDGET AND OTHER EXTERNAL FINANCING

Project Title	Source of Funding	Type of Fund	Status of Project	Requested Budget 15-16 (Maloti)	Project Description/Objective
1. Maseru Waste Water	GOL	Grant	Ongoing	60,000,000	The project is intended to provide the population residing within Maqalika catchment area with waste water treatment plant thereby reducing the pollution that eventually collects at Maqalika dam. It comprises of the following components: Construction of Agric-College waste water treatment plant, Rehabilitation and extension of sewerage system, Construction of new pumping stations and rehabilitation of the existing pumping stations and on-site facilities in unsewered areas.
<b>Sub-Total</b>	EIB	Loan		95,850,000 <b>155,850,000</b>	
2. MCC Urban and Peri-Urban Water Network	MCC	Grant	Ongoing	-	The Project is intended to provide for Water Network , Reticulation Extension, Infrastructure Rehabilitation, New Water Supply system to Semonkong and Augumentation of Mazenod Water Supply
	GoL	Grant		19,500,000	
<b>Sub-Total</b>				<b>19,500,000</b>	



3. Five Towns Water Supply		GOL	Grant	Ongoing	10,000,000	To contribute towards general welfare of the population in the covered towns by facilitating access to quality water supply at economically affordable rates.
		OPEC Saudi Fund BADEA	Loan Loan Loan		45,150,000	
<b>Sub Total</b>					<b>55,150,000</b>	

4. Greater Maseru Water and Sanitation		GOL BADEA	Grant Loan	Ongoing	500,000 4,000,000	The project is aimed at providing water and sanitation services for people living at peripherals of Maseru City.
<b>Sub Total</b>					<b>4,500,000</b>	

### Summary Sources of Funding

<u>Summary Sources of Funding</u>				
Total GOL Contributions  Total Other Grants  Total Loans (WASA is responsible for Principal and interest payment.)  GRAND TOTAL		2015/2016		
		90,000,000		
		4,000,000		
		141,000,000		
		235,000,000		

