National Water and Sewerage Corporation

Annual Report 2006-2007

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vision

To be one of the leading water utilities in the world

mission

To provide efficient and cost effective water and sewerage services, applying innovative managerial solutions to the satisfaction of our customers

core values

satisfied customers

Happy and Satisfied Customers paying their bills promptly

adequate network coverage

Adequate water and sewerage network-coverage in all the specified towns where the Corporation operates

conservation of the environment

Working in harmony with, and contributing to the conservation of the environment.

efficient workforce

A strong, secure and committed workforce dedicated to the service of the Corporation.

decentralization/private sector involvement

Working in alliance with the private sector and a high level of devolved power to our area management.

contributing to national development

As the key utility providing adequate water and sewerage service to all sectors for increased economic development of Uganda.

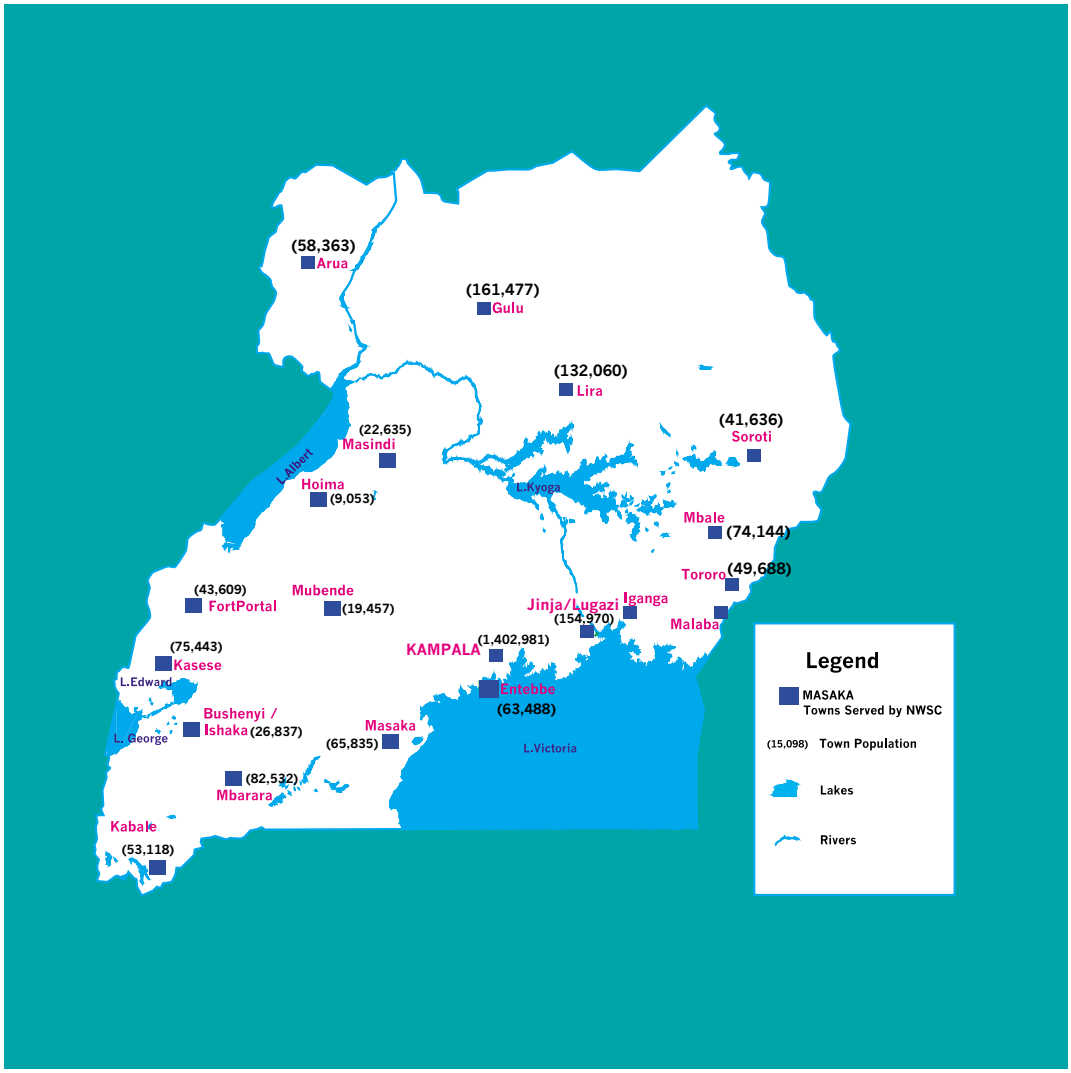
enhanced management autonomy

Devolve more powers from the Centre to Areas of Operation as a basis for the separation of the function of asset management from that of operations

innovation

Continuously develop and apply creative and innovative managerial solutions towards improved service delivery.

towns served by National Water and Sewerage Corporation (NWSC)



National Water and Sewerage Corporation **growth through the years**

1972
Kampala
Jinja
Entebbe

3 Towns

80's
Kampala, Jinja
Entebbe, Mbale
Tororo, Masaka
Mbarara

7 Towns

90's
Kampala Jinja
Entebbe, Mbale
Tororo, Masaka
Mbarara, Gulu
Lira, Kasese
Fort Portal,
Kabale

12 Towns

2007
Kampala, Jinja
Entebbe, Mbale,
Tororo, Masaka,
Mbarara, Gulu,
Lira, Kasese,
Fort Portal, Kabale,
Arua, Soroti,
Bushenyi, Lugazi,
Malaaba, Mukono,
Hoima, Masindi,
Mubende, Iganga

22 Towns

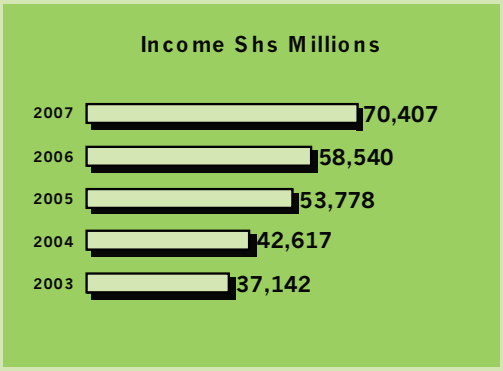
NWSC at a glance

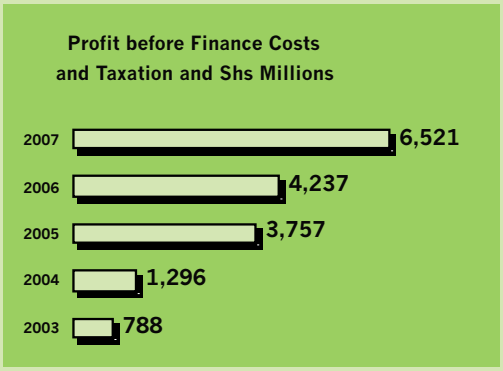
	Unit	June 2007	June 2006
Income	Shs billions	70.41	58.54
Total Asset Value	Shs billions	405.98	279.08
Target Population In Service Area	Millions	2.54	2.38
Service Coverage (Water)	%	71%	70%
No Of Employees	Numbers	1,388	1,067
Water Mains Total Network Length	Kilometres	3,206	2,868
Sewer Mains Total Length	Kilometres	157.4	157.0
Number of subscribers (water)	Numbers	180,697	152,138
Number of subscribers (sewerage)	Numbers	14,186	13,853
Number Of Conventional Water Treat-ment Plants	Numbers	18	18
Number Of Waste Water Treatment Plants	Numbers	17	17
Volume Of Water Sold	Million Cubic Meters	40.89	40.83
Non-Revenue Water	%	32.5	29.7

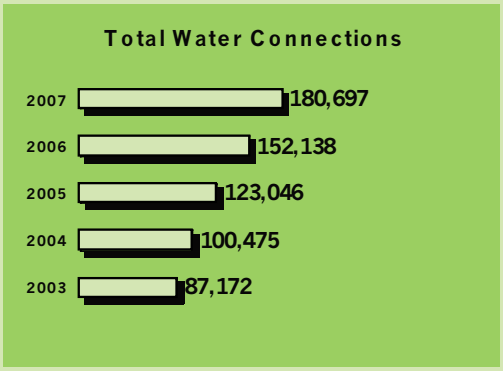
2006/07 highlights

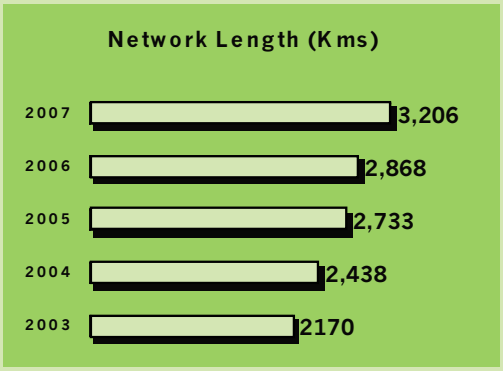
Income	Shs 70.41 billion	20%
Net Profit before Finance Costs	Shs 6.52 billion	54%
Total Water Connections	180,697	19%
Total Network Length	Kms 3,206	12%
Total Asset value	Shs 405.98 billion	45%
Public Stand posts	4,990	3%
Total Sewerage Connections	14,186	2%
Total Service Coverage (Water)	71%	1%

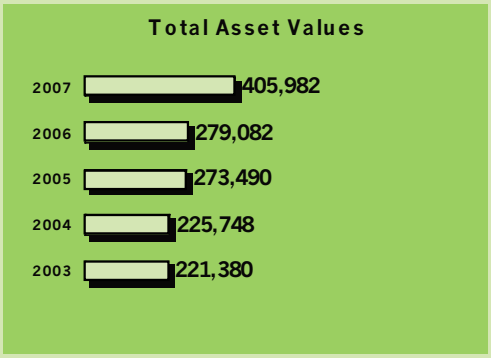
Five year review **2003-2007**

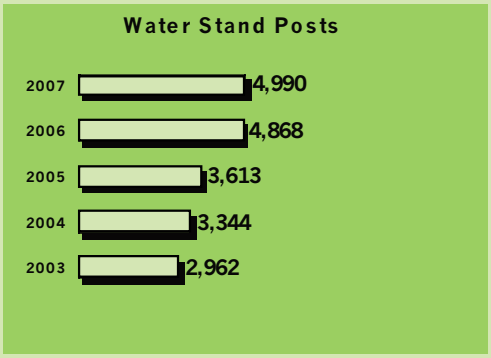


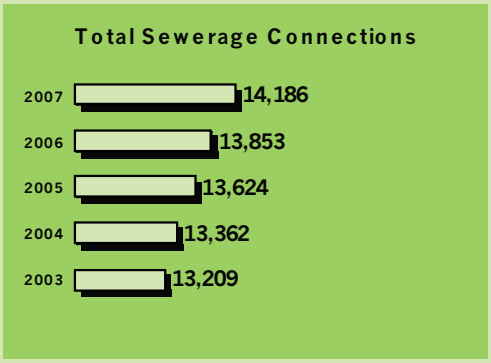


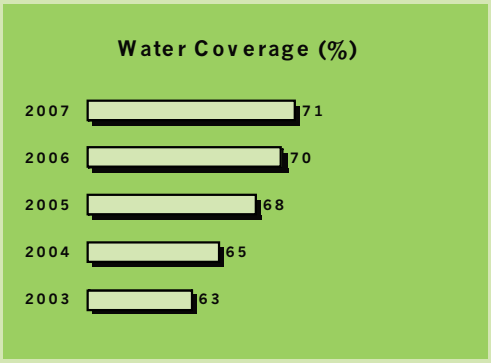





Total Asset Values
2007
405,982
2006
279,082
2005
273,490
2004
225,748
2003
221,380


Water Stand Posts
2007
4,990
2006
4,868
2005
3,613
2004
3,344
2003
2,962


Total Sewerage Connections
2007
14,186
2006
13,853
2005
13,624
2004
13,362
2003
13,209


Water Coverage (%)
2007
71
2006
70
2005
68
2004
65
2003
63

board of **directors**

Mr. Ganyana MIIRO
Chairman

Dr. Elizabeth MADRAA
Deputy Chairperson

Dr. William T. MUHAIRWE
Managing Director

Mr. Stephen KABUYE
Member

Ms. Christine K. NANDYOSE
Member

Mr. Victor KOBEL
Member

Eng. Sottie M. BOMUKAMA
Member

Eng. Yorokamu KATWIREMU
Member

Mr. David SSEBABI
Member

Ms. Florence NAMAYANJA MUKASA
Member (*ex officio*)

Mr. David M. KAKUBA, FCIS
Corporation Secretary

chairman's **statement**

Mr Ganyana MIIRO

Chairman, Board of Directors

The financial year 2006/07 was the first year of our three-year Corporate Planning cycle 2006-2009, in which we redefined our Vision to be "One of the Leading Water Utilities in the World". Despite significant challenges in the form of declining levels of Lake Victoria due to cumulative effects of drought in the Eastern African Region, and accompanying problems of raw water quality, I am happy to report that the year 2006/07 was one of continued growth. Our operational and financial performance for the year 2006/07 indicates that we are on the right track and that looking ahead, we have chosen the right Vision to drive the Corporation forward.

Financial Performance

During the year, our financial performance continued to improve, with our turnover increasing by 20% from Shs. 58.5 billion to Shs. 70.4 billion, and the net profit before finance costs increasing by 54% from Shs. 4.2 billion to Shs.6.5 billion.

Operational Performance

In terms of customer growth, the total number of subscribers reached 180,697 or an increase of 19% from 152,138. However, we acknowledge that due to the prevailing climatic factors, our supply reliability was in some instances affected. This factor, coupled with the high population growth rate in our urban areas, was responsible for a relatively low water coverage growth in the year; from 70% to 71%.

Infrastructure Investments

Among the more visible signs of our growth, I am glad to report that during the year 2006/07, two major projects were completed. These were the Gaba III water project which included the transmission mains to Gunhill, Tank Hill and Rubaga, and the Entebbe Water Supply and Sewerage Project. The Gaba III water supply project resulted into increased production capacity of 80,000 cu,m per day, while the Entebbe water supply project increased production capacity from 8,000 cu.m per day to 20,000 cu.m per day. Furthermore, within the framework of the Entebbe Water and Sanitation project, the water network was extended upto Bwebaja along Entebbe road. The two projects will be followed by networks expansion and intensification in order to ensure equity in service provision. We also took over three new towns namely Masindi, Hoima, and Mubende. These towns, located in the western part of the country, were handed over after successful rehabilitation with funding from

the European Union. The addition now brings the total number of towns under our jurisdiction to 22.

The Corporation continues to plough back its internal revenues for investment in the much needed infrastructure. Key among the projects were the continuation of the extension of water supply to Mukono, the rehabilitation of Arua and Bushenyi water supply systems, the extension of water supply to the peri urban areas of Buloba and Matugga, and the restructuring of the network in Kampala.

In order to further address the issue of funding for our key projects, during the year, Government in principle agreed to the capitalisation of the NWSC through the conversion of the Corporation's long term debt to Government into equity. This move is aimed at enabling the Corporation access various forms of finance including from the financial markets.

Appreciation

We continue to be indebted to all our stakeholders who have stood with us through the year. Special thanks go to the Ministry of Water and Environment, and that of Finance Planning and Economic Development for the continued support rendered to the Corporation. We also want to pay tribute to our development partners who have readily provided the necessary assistance enabling us build a robust asset base.

We again thank our customers who have always been patient with us as we strive to ensure equity and reliability of supply.

Finally, I recognise and I am indebted to my fellow members of the Board of Directors, the staff and all our stakeholders whose commitment and loyalty keeps us in business.

GANYANA MIIRO
Chairman, Board of Directors

corporate strategies /performance for the year 2006/2007

statement of the managing director

Dr. William T. MUHAIRWE,
Managing Director

The year 2006/07 was a challenging one for us. The cumulative years of drought in the region resulted into considerable decline in the levels of Lake Victoria. The result of this phenomenon was that raw water quality and quantity declined resulting into shortage of water specifically in our Kampala, Jinja and Entebbe areas, which together account for over 80% of our water sales.

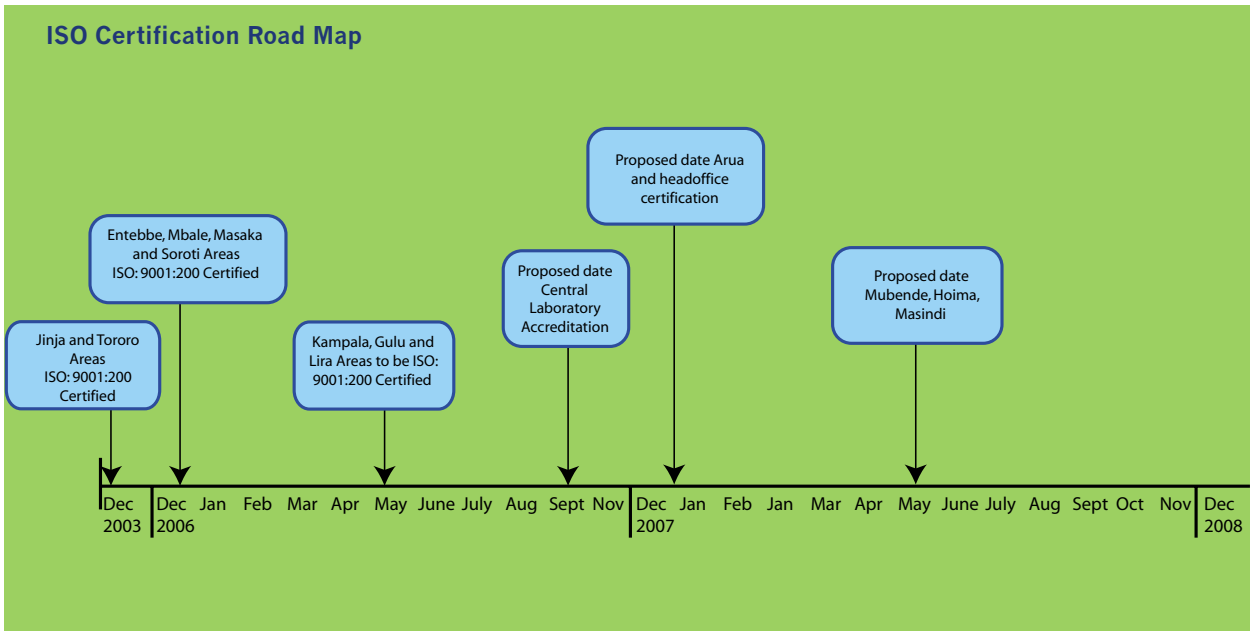
Despite these set backs however, I am pleased to report that the NWSC has continued to realise commendable growth. For the fifth consecutive year, the Corporation has been able to cover all its operating costs including depreciation with an operating profit of Shs 6.5 billion. The healthy financial performance enabled us to increase our ability to finance more capital investments from our own resources.

Faced with the increasing pressure of urbanization, the Corporation continued to rely on its innovative water and sewerage connection policies to reach out to new customers. As a result, the number of water customers increased by 24,418, a growth of 19% from the previous year, while the number of new sewer connections increased by 333, a growth of 2% from the previous. The low growth in sewerage connections is attributed to the limited sewerage network, and the fact that many of our potential customers already have alternative on-site sanitation facilities.

Infrastructure development continues to be the main engine for our growth. In addition to the completion of Gaba III water works, and the Entebbe water supply project, we continued expanding our distribution network to the outskirts of our various service areas. As a result, a total of 96.3 kms of network were laid all of which were financed from our own resources.

One of the key milestones and achievements made by the Corporation was the ISO certification of nine areas by the end of June 2007. The idea of ISO certification started in the year 2003 on a pilot basis. In that year, Jinja and Tororo Areas attained ISO 9001:2000 certification from OQS/Quality Austria, an accredited certification body. Since then, seven other areas have been certified namely Entebbe, Masaka, Soroti, Mbale, Lira, Gulu, and Kampala which attained ISO 9001:2000 certification

from Bureau Veritas Certification, a French Kenya-based firm. It is the Corporation's objective to have all its areas and systems ISO certified by 2009 as shown by the roadmap below.



Strategies Key To Our Performance Improvement (1998 – 2007)

Internal Reform Programmes

The continued progress in the year 2006/07 has been as a result of the cumulative effort of our various internal strategies. Underpinning the long term strategies of the NWSC Corporate Plan and Performance Contract with Government, the Corporation has implemented a series of short-term tactical strategies which were meant to operationalise the long term plans. During the year 2006/07, the major strategies revolved around the redefinition and strengthening of our Internally Delegated Area Management Contracts (IDAMCs) with areas, the renewal of our Checkers system at headquarters, and the implementation of the new water and sewerage connection policies.

Internal Reform Programmes over the past 8 years

- **100 Days Program,** which focused on reversing the operational & financial inefficiencies within the NWSC (1998).

- **Service and Revenue Enhancement Programmes (SEREP) I&II** which aimed at restoring customer confidence in NWSC operations and thus service enhancement (1999-2000).

- **Area & Service Performance Contracts (APCs)** which aimed at break-even (covering all cash operation costs) of areas by empowering managers and giving them autonomy to take decisions (2000 – 2003).

- **Tariff Indexation** in March 2002, Cabinet approved a proposal to index the NWSC tariff so as to protect it from further erosion and thus maintain its real value. The first indexation was done in April 2002 and since then it's done annually.

- **Stretch Out Programme** which aimed at improving cash operating margins in Areas by reducing bureaucracy, increasing speed, simplicity, worker involvement, and instilling self confidence (2002/03).

- **One-Minute Manager Concept,** which was aimed at focusing on individual accountabilities. (2003/04).

- **Internally Delegated Area Management Contracts (IDAMCs),** were introduced in 2004 to promote autonomy and empowerment is based on the principle of separation of the function of asset management from that of operations. As a result of these initiatives, we continued to realize remarkable results in our financial and operational performance.

- **Checkers System** in line with the implementation and consolidation of the Internally Delegated Area Management Contracts (IDAMCs), management developed the "checkers system". The program was meant to enhance the monitoring role of the Head Office and to improve efficiency in the operations of the Areas (2005-2006).

- **Decentralization of Kampala Area** during the year 2004/05, faced with an increasing demand for services in Kampala, the NWSC management decentralized and devolved functions from the centre in Kampala to the Zones. With the introduction of the decentralization policy. The zones assumed responsibility for the operational functions, including new connections, mains extensions, leak control and billings.

- **Simplified Water/Sewerage Connections** between the years 2004 to 2006, the Corporations instituted two successive simplified connection policies for its water and sewerage services. The simplified water connection, which entailed the free connection of all customers within a radius of 50 meters from the NWSC mains, was aimed at reduction in water losses, accelerated service coverage and service to the urban poor. On the other hand, the simplified sewerage connection policy was aimed at improving piped sewerage coverage, capacity utilization of sewage treatment ponds and plants and conservation of the environment.

- **External Services Unit** because of the Corporation's successful experience in the various strategic initiatives, the NWSC expertise is sought by many utilities in the region and outside Africa. The NWSC has used this opportunity to create a new business unit, the External Services Unit, whose role is to market promote south to south cooperation through benchmarking with other utilities.

Kampala Water General Manager signing contract of performance with one of the branches

Customer Care Improvements: The Reason We Thrive

During the year, the Corporation continued to focus on the need to improve its customer relations through the Commercial and Customer Care Division. This was carried out through the; Improvement of the Customer Call Centres, enhancement of Corporate Image and Customer responsiveness by designing and publishing of the NWSC Customer Charter, improvement of payment convenience for customers

Dr. William Muhairwe launches the Direct Debit Scheme with Diamond Trust Bank

Board Chairman, Mr Ganyana Miiro, Managing Director, Dr William Muhairwe and Mr. Robert Godwin of UN HABITAT pose for a photo with participants during a training course for change agents from 5 utilities around Lake Victoria sponsored by UN HABITAT

by introducing and promoting payment by Direct Debit, installation and improvement of the billing systems in the new towns of Masindi, Hoima and Mubende by installing, migrating data and training of the staff in the CUSTIMA billing system, and the upgrade of the NWSC Billing system into a more robust and user friendly system, "HiAffinity".

NWSC Capacity Building Exploits For External Clients

Drawing from its own experiences, the NWSC through its External Services continued sharing its experiences with other organizations. As part of its exchange programmes, various course modules were developed targeting performance monitors and regulators, utility managers, operators and policy makers. The Capacity Building programmes were aimed at enhancing the

Signing of Memorandum of Understanding with Kaduna Water Board, Nigeria

skills required for the sustainable management of water and sewerage systems and were run as part of the activities carried out at the NWSC Training Centre in Bugolobi. During the year training programmes were carried out for the Nkana Water and Sewerage Company in Kitwe Zambia, Dar es Salaam Water and Sewerage Authority, and on the local scene, three training sessions on Utility Infrastructure were held between February and March 2007 for private operators, town council engineers and some staff from the Directorate of Water Development (DWD).

During the year, the Corporation received various delegations including a delegation from; Kaduna State Water Board of Nigeria, Nyeri Water and Sewerage Company, the Uganda Revenue Authority, and a team of seven (07) Water and Sanitation experts from South Africa who were being hosted by the Network for Water and Sanitation (NETWAS). The teams visited the NWSC to benchmark and share ideas on the performance improvement approaches and customer care initiatives being implemented by the Corporation.

The visits from different organisation culminated in the signing of a Memorandum of Understanding with Nkana Water and Sewerage Company, for provision of support services. In addition, other Memoranda of Understanding were signed with PA Government Services Inc. USA for design of an incentive based performance contract for Northern and North Eastern Uganda in collaboration with USAID, while another was signed with the Nairobi City Water and Sewerage Company Ltd for consultancy services on customer management systems.

NWSC External Services

Now provides quality services also in Kenya, Tanzania, Ghana and Zambia

Block-Mapping Services

Water Quality Services

Customer Care and IT Services

Static Plant Services

Advisory Services

Interested to find out how our services can be of help to you?

For detailed information on our full range of services, clients and reference projects as well as quotations please contact:

ES
EXTERNAL SERVICES
National Water & Sewerage Corporation

NWSC Extenal Services
Plot 39, Jinja Road
P. O. Box 7053 Kampala, Uganda
Tel: (+)256 41 315 100/315 113
Fax: (+)256 41 258 299/345 531
E-mail: External.Services@nwsc.co.ug
http://www.nwsc.co.ug

WATER IS LIFE
NATIONAL WATER AND SEWERAGE CORPORATION

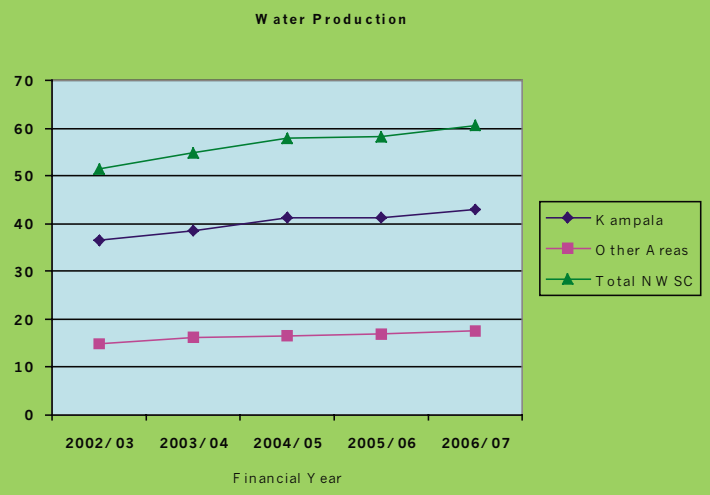
Operational Performance

Water Production: The Foundation For Sustainable Service Delivery

Over the past five years, the water production in the NWSC has increased from 51.4 million cubic meters to the current level of 60.5 million cubic meters a growth of 18%. This growth signifies increased availability of water to the ever-growing urban populations of Uganda. The increased production has been as a result of the increased capacity utilisation of the various existing schemes, and the installation of a number of new water schemes.

Table 1: Water Production: Millions Cubic Meters

Year	2002/2003	2003/2004	2004/2005	2005/06	2006/07
Kampala	36.5	38.6	41.2	41.2	42.8
Other Areas	14.9	16.3	16.5	16.9	17.7
Total	**51.4**	**54.9**	**57.7**	**58.1**	**60.5**
Growth %	**10%**	**7%**	**5%**	**1%**	**4%**



Gaba III Water Plant

One of the key projects completed during the year included the Gaba III water supply project which was commissioned in May 2007 by H.E the President. The new plant has added 80,000 cu.m of water to the production capacity in Kampala.

H.E the President at the commissioning of Gaba III Water Treatment Plant project

Highlift pumps at Gaba III

Pipe laying in the Entebbe Water Supply and Sewerage Project

Entebbe Water Supply and Sewerage Expansion Project

The Entebbe water supply and sanitation project was also substantially completed during the year with the technical commissioning carried out in May 2007. The project has increased water production from 8,000 cu.m/day to 20,000 cu.m/day, and the network from Entebbe was extended upto Bwebaja along Entebbe road. The enhanced production capacity will serve the population up to 2020. The extension of the network to Kajansi and the surrounding areas will be undertaken in the Financial Year 2007/08.

Rehabilitation and Expansion of Gulu, Bushenyi, Arua Water Supply and Sewerage System

Other projects to be implemented by the Corporation include the rehabilitation and expansion of the water supply systems in Gulu, Arua, and Bushenyi. For all these schemes, contracts have been finalised and works are due to commence in the financial year 2007/08. The Gulu project is to be funded by the NWSC in collaboration with the Government. Estimated costs for emergency works are about Ushs.2.7 billion. Emergency works will involve desilting of Oyitino dam, laying of a DN300 raw water pumping main and rehabilitation works at the treatment plant. Works are envisaged to commence in the first half of the financial year 2007/2008. The Arua and Bushenyi Water schemes are to be funded from internal resources.

As a result of the new water treatment plants in Gaba and Entebbe, the overall capacity utilisation of the water works reduced to 52% in the financial year 2006/2007 from 73% in last financial year 2005/06 as shown in Table 2.

Table 2: Capacity Utilization in the Year 2007

Area	Practical capacity m3/day	Average Production m³/day	Capacity Utilisation (%)
Kampala	197,270	117,176	59%
Jinja/Lugazi	24,000	10,715	45%
Entebbe/Kajansi	20,000	6,429	32%
Tororo	5,914	2,139	36%
Mbale	14,408	3,745	26%
Mbarara	10,197	5,889	58%
Masaka	6,382	3,019	47%
Lira	8,586	2,479	29%
Gulu	2,696	2,213	82%
Kasese	2,368	1,580	67%
Fort Portal	2,171	1,733	80%
Kabale	3,600	1,388	39%
Arua	5,400	1,836	34%
Bushenyi/Ishaka	960	673	70%
Soroti	5,529	2,032	37%
Hoima	3,000	1,033	34%
Masindi	3,000	1,033	34%
Mubende	2,500	1,092	44%
Total NWSC	**317,981**	**166,173**	**52%**
Total Other Areas	**120,711**	**50,993**	**42%**

Water Distribution: A Means Of Reaching Out To The Customers

In a bid to achieve the Poverty Eradication Action Plan (PEAP) objectives and the Millennium Development Goals (MDGs), the Corporation continued with its policy to extend its distribution network in all its areas of jurisdiction. A total 96.3 kilometres were extended during the year, and taking into account the assets taken over from the new towns during the year, the total pipe network length increased to 3,206 kilometres. All extensions were financed from the NWSC internal resources.

Table 3: Water Mains Extensions 2003 - 2007

Year	2002/03	2003/04	2004/05	2005/06	2006/07
Annual Extensions (Kms)	354	268.0	294.6	104.0	96.3
Total Network Length (km)	**2,170**	**2,438**	**2,733**	**2,868**	**3,206**
% Increase	**-**	**12%**	**12%**	**4%**	**3%**

* 242 kms are a result of the takeover of the new towns of Hoima, Masindi, Malaba, and Lugazi.

Kampala Peri-Urban Project

Over time, the Corporation has through its own internally generated resources extended the water network to various peri-urban areas in a bid to improve the living conditions of the urban poor in and around Kampala by ensuring effective supply. During the financial year, the Matugga line was completed and the works

entailed laying of 12 kms of pipe sections of DN 250, DN 200, DN 150 and DN 100 and construction of booster pumping station. A reservoir of 560m3 capacity and a limited distribution system was constructed by Wakiso District. Water distribution projects in the pipeline include the extension of water to Buloba which is expected to take off in the financial year 2007/08.

Mukono-Seeta Water Supply and Sanitation Project

During the year, Phase II of the Mukono water supply project, which will cover the construction of reservoirs and laying of a reinforcement transmission main from Mutungo to Namanve commenced. The project is fully financed by the Corporation.

Hon. Minister of State for Water, Hon. J. B Namuyangu, launching phase II of the Mukono Water Supply Project

Kampala Water Supply Network Rehabilitation Project

As at June 2007, the following had been accomplished under Kampala Network Rehabilitation project, implemented as part of the capital works programme in the Kampala area. The project is being funded jointly by the NWSC and the German Government through KfW.

- Rehabilitation of Reservoir/tanks in Kololo, Kireka and Makindye was completed and this has improved the reliability of water supplied in areas of Kireka and Makindye.
- The Contract for Illegal Use Reduction and leak detection was prepared,

negotiated and implemented. This was signed in March 2007, and is meant to reduce NRW percentage in Kampala.

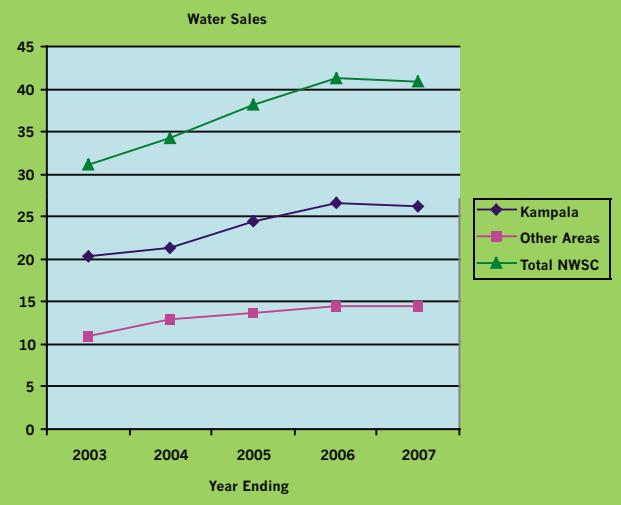
- Electromagnetic meters were procured to measure production from Gaba and preparation for installation were initiated and finalised in June 2007.
- Network improvements to boost water supply in areas of Ntinda-Namugongo, Gayaza-Road-Mpererwe and Jinja Road-Banda were implemented. By end of June 2007, 80% of the works on the Ntinda-Namugongo, Gayaza road-Mpererwe pipelines were completed and labour contractors for Jinja Road-Banda selected.

Sales Volume: An Indicator of the Corporation's Market Growth

Over the last five years, the Corporation's water sales have increased from 31.2 million cubic meters to 40.8 million cubic meters a growth of 31%. However, during the financial year 2006/07, the growth in water sales was negligible due to the scarcity of raw water resulting from the prevailing drought in the region.

Table 4: Water Sales: Millions Cubic Metres

Year	2002/2003	2003/2004	2004/2005	2005/06	2006/07
Kampala	20.3	21.3	24.4	26.5	26.3
Other Areas	10.9	12.9	13.7	14.3	14.5
Total	31.2	34.2	38.2	40.8	40.8
% Increase	11%	10%	12%	7%	0%

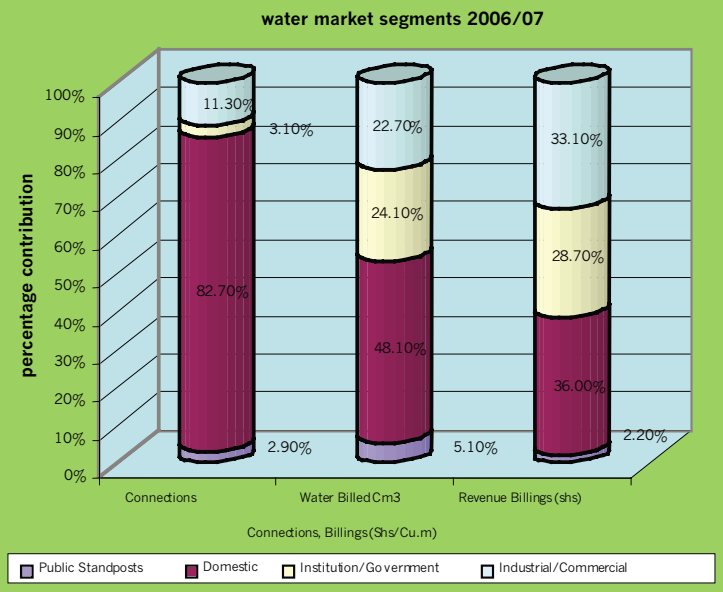


Water Market Segments

In terms of the water consumption, domestic customers comprise the largest segment and account for 48.1% of the NWSC's total water consumption, followed by Institutions/Government (24.1%) and the Industrial/ Commercial sector (22.7%). Table 5 and chart below summarise the status of NWSC market. In terms of connections, the domestic customers still constitute the largest customer base accounting for 82.7% of the total accounts followed by Industrial/Commercial 11.3%. Institutions/Government account for 3.1% and Public stand posts constitute 2.9%. Of significance during the year was the increase in the share usage of the stand posts and the Industrial commercial sector, by 4% and 8% respectively.

Table 5: Water Market Segments

Consumer Category	No. of Connections	As % of Total Connections	Volume of Water billed (cubic meters)	As % of Total billed	Revenue Billings Shs.m	As % of Total Revenue
Public standpipes	5,317	2.9%	2,076,173	5.1%	1,490	2.2%
Domestic	149,478	82.7%	19,672,409	48.1%	23,768	36.0%
Institution/ Government	5,504	3.1%	9,837,446	24.1%	18,849	28.7%
Industrial/ Commercial	20,397	11.3%	9,262,629	22.7%	21,894	33.1%
Total	**180,697**	**100.0%**	**40,848,656**	**100.0%**	**66,102**	**100.0%**



Non-Revenue Water (NRW)

During the year, the Corporation continued with strategies to address the issue of unaccounted for water (UFW), which included, among others intensified leak detection, repairs and replacement of of defective networks, in addition to the reactivation of inactive accounts. However, as at June 2007, the overall NRW was 32.5%, compared to 29.7% at the end of the FY 2006/2007.

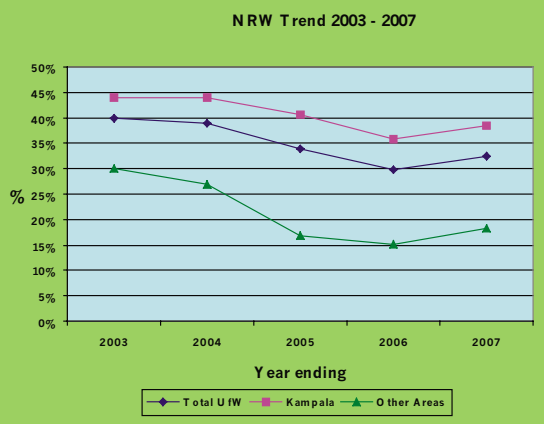
In Kampala, the NRW averaged about 38.5% (previous year 35.7%), while in other areas it averaged 18.2% (15.2% in the year 2005/06). The increase in the level of non-revenue water was due to bulk metering of many outlets which established the fact that the NRW was previously underestimated in some towns. As a result, re-assessed NRW levels were found to be higher in towns such as Mbarara, Masaka, Fort Portal and Kampala. However, with the streamlining of the measurement framework, it is expected that the monitoring of NRW will now be consistent.

It should be noted that for developing countries the accepted level of NRW is 20% which target has been consistently met by other NWSC areas with exception of Kampala.

The high NRW in Kampala is largely due to the age of the network. To reduce the level of unaccounted for water in Kampala, the Kampala Network Rehabilitation project was launched in 2002. The project took off effectively from 2003 and was extended into the current financial year. Under the project, a number of activities are being implemented including; the rehabilitation of the network, the rationalisation of the distribution system, and the institution of an illegal use reduction and leak detection programme.

Table 6: Non- Revenue Water Trends

Year	2002/03	2003/04	2004/2005	2005/2006	2006/2007
Total NRW	39.4%	37.6%	33.8%	29.7%	32.5%
Kampala	44.5%	44.7%	40.6%	35.7%	38.5%
Other Areas	**26.7%**	**20.8%**	**16.8%**	**15.2%**	**18.2%**



Water Subscribers: The Key To The Business Growth Of The Corporation

During the Financial Year 2006/07, a total of 24,418 new water connections were made, bringing the total number of connections to 180,697. The detail of connections installed on a monthly basis is shown below.

Table 7: New Water Connections in NWSC Towns 2006/07

Month	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	April	May	June
Kampala	1,492	1,591	1,361	1,260	1,391	1,111	935	1,285	1,329	1,060	1,370	523
Other Areas	764	833	760	1,007	775	890	816	788	830	700	891	656
Total	**2,256**	**2,424**	**2,121**	**2,267**	**2,166**	**2,001**	**1,751**	**2,073**	**2,159**	**1,760**	**2,261**	**1,179**

Trend of New Water Connections

The number of new water subscribers has grown by an average of 20,150 per annum over the last three years. This further strengthens the notion that connection subsidies are more effective in promoting accessibility than price subsidies.

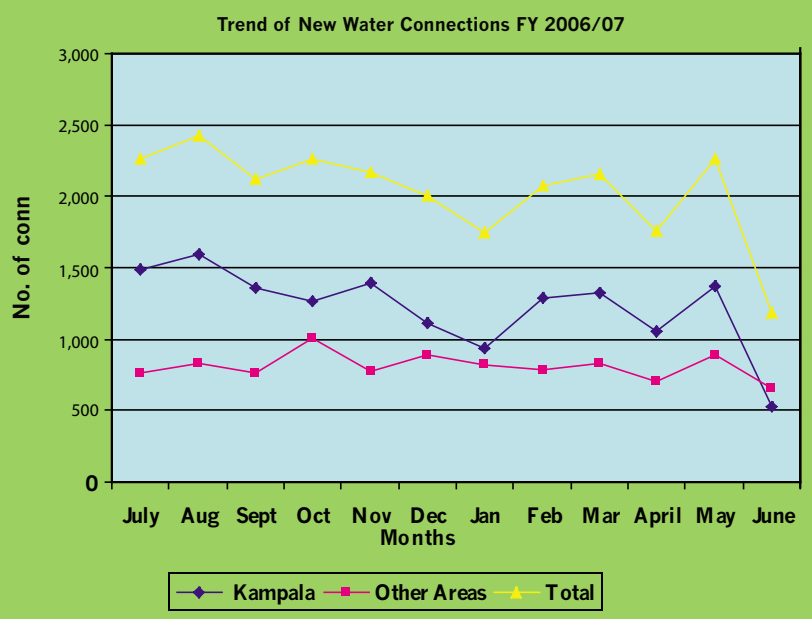
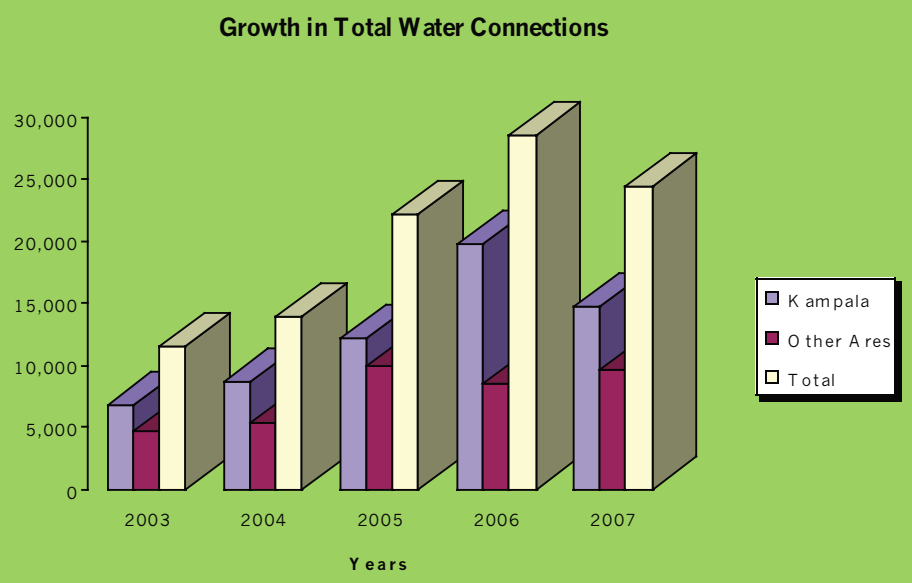


Table 8: Annual Growth of New Water Connections

Year	2002/2003	2003/2004	2004/2005	2005/2006	2006/2007
Kampala	6,821	8,720	12,174	19,908	14,708
Other Areas	4,727	5,325	10,044	8,613	9,710
Total	**11,548**	**14,045**	**22,218**	**28,521**	**24,418**
% Increase	**15.4%**	**16.1%**	**22.1%**	**28%**	**16%**

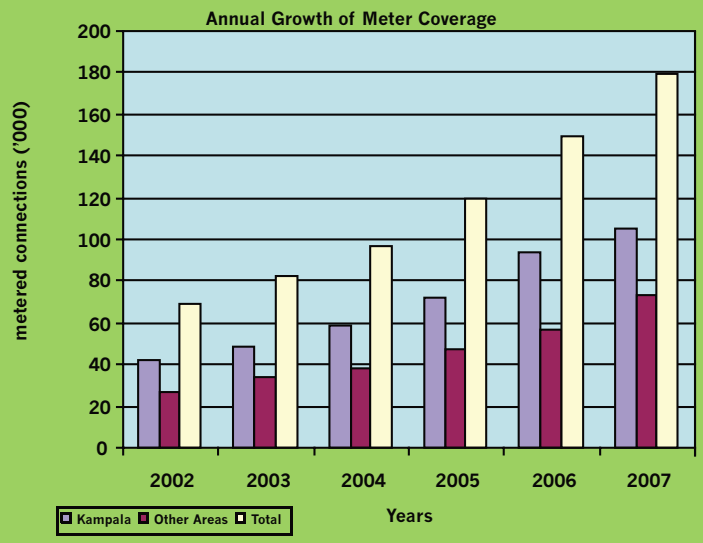


Meter Coverage: For Effective Measurement of Supply

As at June 2007, a total of 179,039 accounts were metered out of 180,697. This represents 99% meter coverage. All active accounts in all areas were metered by the same date. Meter coverage has increased from 95% in 2002/03 to 99% as shown in table 9 below.

Table 9: Metered Accounts

Year	2002/2003	2003/2004	2004/2005	2005/2006	2006/2007
Kampala	48,952	59,022	72,231	93,305	105,531
Other Areas	33,746	38,004	47,823	56,658	73,508
Total metered	82,698	97,026	120,054	149,963	179,039
Total Accounts	**87,172**	**100,475**	**123,046**	**152,138**	**180,697**
% Metered Accounts	**95%**	**97%**	**98%**	**99%**	**99%**



NWSC Gears Up Efforts To Serve The Poor

In recognition of the need to meet the MDG's for water and sanitation, the Corporation has emphasised the provision of services to the rapidly increasing urban poor population and sprawling urbanisation in different towns. Some of the strategic activities that have been undertaken in this respect include;

- intensification of the network,
- establishing public stand posts and
- installing yard taps, within these settlements.

Furthermore, the provision of services to the urban poor population have been streamlined and institutionalised by creating a focal desk and branch in the Kampala area to handle all issues related to this segment. Communities and the private sector have been involved in the planning process so as to ensure stakeholder co-ordination and participation in formulating activities to serve the poor. In addition institutional reforms in Kampala Water of decentralisation and delegation of managerial autonomy to the Branches have made it easier to reach and interface with the urban poor in the slums around Kampala City. Flexibility in technical requirements (waiving of land title requirements, easing construction standards, post-processing of new connection forms) was key to increasing water service coverage in the urban poor communities. Within the framework of the new water connection policy, the Corporation went an extra mile to provide free connection materials, mobilised the communities through their local councils to do pipeline trenching and backfilling and engaged local contractors to meet the overwhelming demand for the new connections. During the FY 2006/2007, a total of 122 standposts were installed as shown in table 10.

Table 10: Trend of New Public Standposts Installed

Year	2002/2003	2003/2004	2004/2005	2005/2006	2006/2007
New Public Standposts	277	382	269	1,255	122
Total	**2,962**	**3,344**	**3,613**	**4,868**	**4,990**
% Growth	**10%**	**13%**	**8%**	**35%**	**3%**

NWSC Tariff Structure: Incorporating a Subsidy to the Poor

The NWSC maintains a uniform tariff policy in all its areas for purposes of ensuring equity as shown in the table below: The lower tariff at the stand posts is aimed at ensuring basic supply to the poor as it translates into a price of Shs 13.76 per jerrican.

Table 11: NWSC Water Tariff Structure 2006/07

Customer Category	Tariff Ush/m3	Price per Jerrican (Shs)
Public Standpipe	688	13.76
Domestic	1,064	21.28
Institution/Government	1,310	26.20
Commercial < 500 m3/month	1,716	34.32
Commercial 500-1500m3/month	1,716	34.32
Commercial > 1500 m3/month	1,496	29.92
Average Commercial	1,643	32.86
Overall Average tariff	**1,332**	**26.64**

Kampala Urban Poor Project

One of the projects to be undertaken to improve the living conditions of the urban population residing in informal settlements in and around Kampala is the Kampala Urban Poor Project. The project is to be funded by the Government of Uganda, NWSC and the German Government. Furthermore, under the Presidential initiative, connections were made in the urban slums of Kisenyi, Katwe, Owino Market, Kagugube, Mengo, Nakawa, Kibuli, Wabigalo, Namuwongo and Nakawa serving about 7,000 people.

H.E. The President commisioning the Urban Poor Project in Nateete sub parish, Kampala

Sewerage Services: Key To Improved Sanitation and Public Health

Improvement in the provision of sewerage services remains a critical task for the Corporation. During the financial year 2006/07, in order to bolster the number of new sewer connections, the NWSC Board approved the implementation of a new sewerage connection policy, which became effective from 1st July 2006. The implementation of the policy followed the following guidelines:

- All customers whose premises are within a distance of 60 meters from NWSC sewer mains are covered
- The NWSC provides all materials for installation of sewer lines and
- Customers are required to pay for the connection fee only.

The policy was aimed at improving the sewerage coverage, capacity utilisation of the sewerage treatment ponds/plants, and the promotion of environmental management through encouraging safe waste water disposal among others. During the year, the growth of sewer connections increased, but not to the expected level envisaged at the time of instituting the policy. A total of 333 sewer connections were installed as shown in the table below. The trend of sewerage connections over the last 5 years is also shown for comparison purposes. The major reason for the low sewer connection rate is the limited sewerage network coverage, and the reluctance of customers to connect to the sewer system due the fact that most of them already have on-site sanitation facilities. Furthermore, some of the NWSC areas have no water borne or piped sewerage services. These include the Areas of Arua, Bushenyi/Ishaka, Kasese, Mubende and Lugazi. However, it is envisaged that the rate of growth will increase to 500 per annum in the next year.

Table 12: Trend of Sewer Connections

Year	2002/03	2003/04	2004/05	2005/06	2006/07
New Sewerage Connections	104	153	262	229	333
Total Sewerage Connections	**13,209**	**13,362**	**13,624**	**13,853**	**14,186**
% Growth	**1%**	**1%**	**2%**	**2%**	**2%**

In regard to sewerage services, the NWSC has of now managed to respond timely to spillages and overflows, and improved the quality of sewerage effluent. Furthermore, most properties which use private on-site sanitation facilities are serviced indirectly by the Corporation through the use of private cesspool emptiers which empty at our various treatment plants through out the country.

The Corporation has already received some funding from the German Government and the European Union to undertake the projects mentioned below.

Kampala Sanitation Master Plan (Protection Of Lake Victoria)

The program will decrease pollution and nutrient discharge into the Inner Murchison Bay Of Lake Victoria, improve the collection and treatment efficiency of the waterborne sewerage system, achieve 100% removal, disposal and treatment of septic tank sludge and will demonstrate ways for a cost effective, hygienic and environmental-friendly collection, haulage and disposal of pit latrine sludge. Euros 6 million has been confirmed for the feasibility study. The financing agreement between KfW and EU has been finalised.

Lake Victoria Environmental Management Project (Industrial and Municipal Waste Water Management Component)

The Project Objectives include: improving the management of industrial and municipal waste, assess the contribution of urban run off to lake pollution, and alleviate the overall environmental degradation, investigating the viability of using constructed wetlands in the tertiary treatment of industrial wastes under a pilot scheme and rehabilitate the Bugolobi Sewage Treatment Works. The project cost is US$: 2.97 million (Ushs.5.5 billion) and the project is being funded by the World Bank through (IDA). Phase II of the project was expected to begin after December 2005, but it has been rescheduled to begin in July 2007.

Water Service Coverage: An Indicator Of The Corporation's Effectiveness In Service Delivery

In consonance with the MDG objectives, the NWSC strives to ensure that it achieves its service coverage targets. The overall water coverage for the 22 large towns served by NWSC now stands at about 71% as at June 2007. Coverage increased by 1% from 70% in the financial year 2005/06. On average, coverage has been increasing at a rate of 2% - 3% per annum since 2001. The growth realised over the years has been as a result of the progressive increase in water mains extensions, and the rate of new water connections, which averaged 2,000 per month in the

financial year 2006/07. However, it should be noted that the high growth rate of the population in the urban areas, which averages 4% per annum, is a major challenge to achieving rapid growth in coverage. On the other hand, sewerage coverage still remains low at about 6%, due to the limited network. Most customers rely on on-site sanitation facilities. The Corporation's contribution in this regard is indirect as most of the waste from the on-site facilities is eventually emptied into the various sewerage systems of the Corporation for treatment.

Table 13: Water Supply and Sewerage Coverage As at 30th June 2007

Town	Total No. of Connections	Pipe Network (Kms)	Targeted Population	Population Served	% Served (Water)	% Served (Sewerage)
Kampala	106,522	1,162.50	1,402,981	999,892	71%	5%
Jinja/Lugazi	12,064	270.53	154,970	123,389	80%	23%
Entebbe/Kajansi	11,038	160.23	63,488	42,285	67%	4%
Tororo	3,383	88.80	49,688	27,266	55%	7%
Mbale	6,023	168.97	77,144	50,501	65%	27%
Masaka	4,847	147.36	65,835	49,418	75%	8%
Mbarara	7,292	125.20	82,532	69,657	84%	5%
Lira	4,268	135.77	132,060	94,669	72%	2%
Gulu	3,232	83.70	161,477	136,525	85%	7%
F/Portal	3,131	134.87	43,609	32,254	74%	2%
Kasese	2,837	66.25	75,443	67,941	90%	0%
Kabale	2,829	110.70	53,118	34,761	65%	11%
Arua	3,408	105.93	58,363	35,751	61%	0%
Bushenyi/Ishaka	1,399	64.43	26,837	11,835	44%	0%
Soroti	2,978	80.63	41,636	15,748	38%	2%
Hoima	1,990	110.20	9,053	4,372	48%	0%
Masindi	1,933	120.00	22,635	8,455	37%	0%
Mubende	1,523	70.00	19,457	6,987	36%	0%
Total	**180,697**	**3,206.08**	**2,540,325**	**1,791,890**	**71%**	**6%**

Notes:

1. Population figures extrapolated from the 2002 Uganda Population and Housing Census Main Report (Uganda Bureau of Statistics, 2005)

Population coverage is based on the assumption that the following number of persons are served per connection:

Domestic.....6 Persons/household/connection

Standpipe.....25 households (each 8 persons)

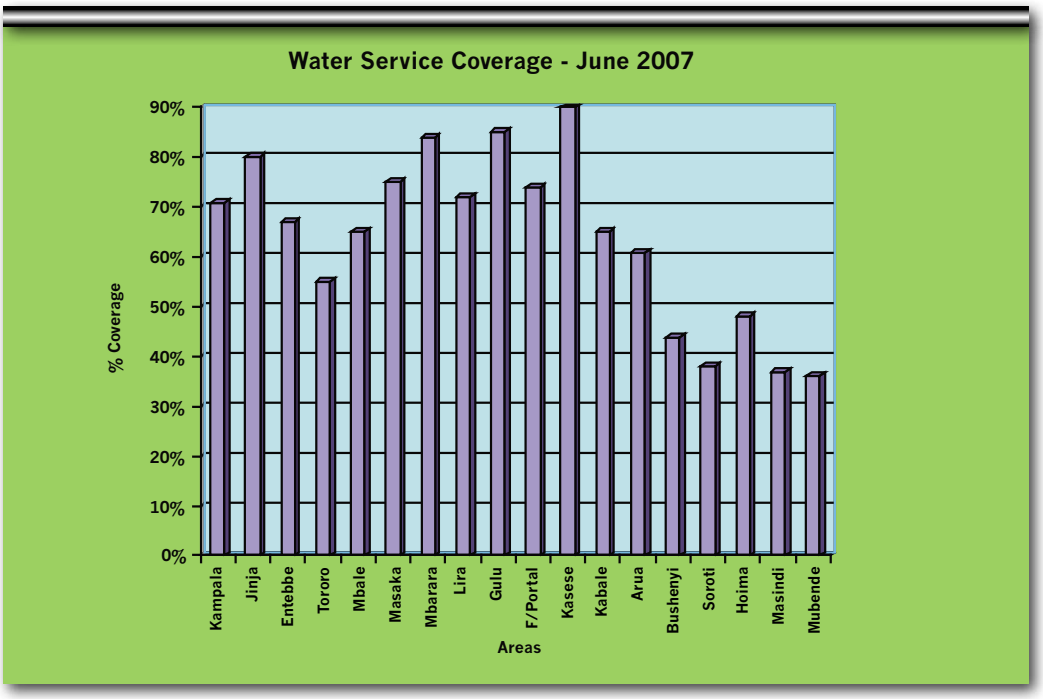
Institutions:

Small towns.....100 persons/Institution per connection

Medium towns.....500 persons/Institution

Large towns.....1,000 persons/Institution

2. Figures in the table exclude Iganga (which is in the final stages of rehabilitation).
3. Figures for Kampala include the suburbs of Mukono, Kajansi and Nansana



Human Resources: The Most Vital Resource

During the year, the staff compliment increased from 1,067 employees as at June 2006 to 1,338 as at 30th June 2007. The staff increase in the year was mainly due to the expansion of NWSC's business activities and takeover of the new towns of Hoima, Masindi and Mubende. The staff as at June 2007 included 47 on permanent terms and 1,291 on contract terms, signifying a gradual shift from permanent to contract terms for all staff. In terms of gender, 22% of the staff are female, with the Corporation elevating more female staff to higher managerial posts. About 30% of our managers in the areas and zones are ladies. However, the Corporation was cognisant of the need to maintain and achieve the productivity co-efficient, which was maintained at 7 staff per thousand connections despite the increase in staff numbers.

Staff of Mbarara Area

Table 14: Staff Productivity Trends

Year	2002/03	2003/04	2004/05	2005/06	2006/07
Staff Numbers	949	990	1,093	1,067	1,338
Staff/000 water connections	11	10	9	7	7

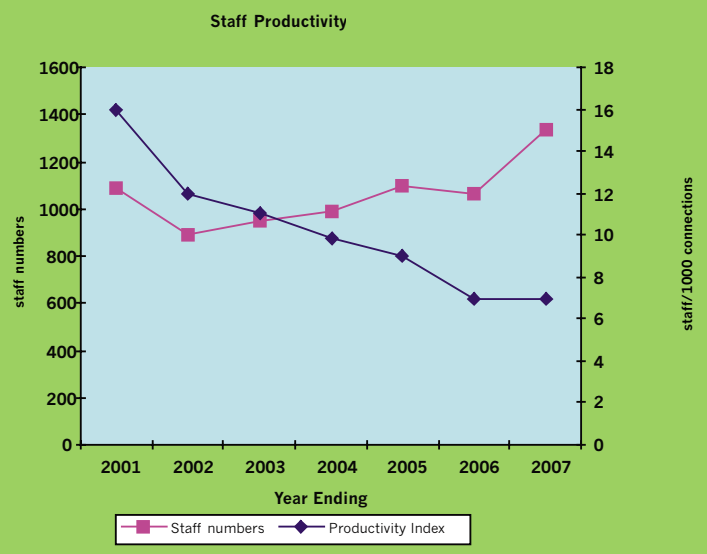


Table 15: Staff Status at June 2007

Area	Permanent Staff	Contract Staff	Male	Female	Female/ Total Staff Ratio	Total June 2007
Headquarters	8	189	133	64	48%	197
Kampala Water	19	599	477	141	30%	618
Jinja/Lugazi	2	78	68	12	18%	80
Entebbe/Kajansi	2	55	39	18	46%	57
Tororo	1	30	28	3	11%	31
Mbale	1	51	42	9	21%	52
Masaka	1	39	36	4	11%	40
Mbarara	4	53	53	4	8%	57
Lira	1	20	19	2	11%	21
Gulu	1	26	25	2	8%	27
Kasese	1	15	14	2	14%	17
Fort Portal	1	17	17	1	6%	18
Kabale	0	24	21	3	14%	24
Arua	1	22	17	6	35%	23
Bushenyi/Ishaka	0	20	17	3	18%	20
Soroti	1	20	16	5	31%	21
Hoima	1	12	11	2	15%	13
Masindi	1	12	10	3	23%	13
Mubende	1	10	8	3	38%	11
Total	**47**	**1,291**	**1,051**	**287**	**22%**	**1,338**

Financial Performance 2006/2007: A Continuous Upswing

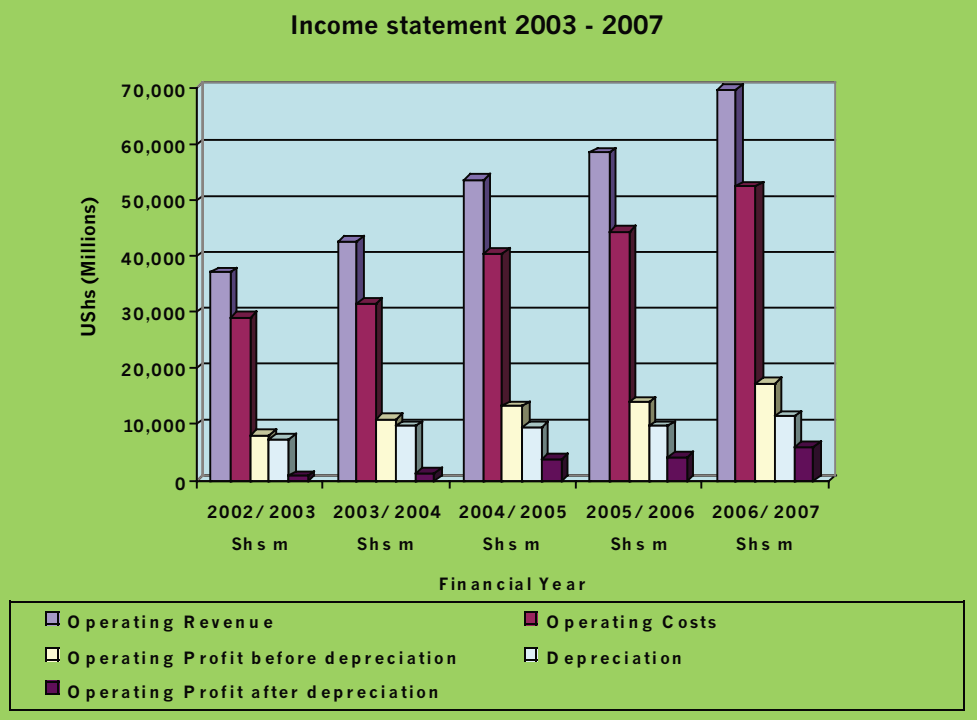
Income

In the year ended June 2007, our turnover grew by 20% from Shs 58.5 billion to Shs 70.4 billion. The operating profit before depreciation for FY 2006/07 was Ushs 18 billion compared to Shs 14.0 billion in the financial year 2005/06. Furthermore, the operating profit after depreciation increased from Shs 4.2 billion in financial year 2005/2006 to Shs 6.5 billion during the financial year ended June 2007 an increase of 54%

Our performance trend for the last five years shows progressive growth in turnover and operating profit as indicated in the following table.

Table 16: Trend of Financial Performance 2003 - 2007

	2002/2003 Shs m	2003/2004 Shs m	2004/2005 Shs m	2005/2006 Shs m	2006/2007 Shs m
Operating Revenue	37,140	42,618	53,778	58,540	70,407
Operating Costs	29,037	31,599	40,477	44,523	52,420
Operating Profit before depreciation	8,103	11,019	13,301	14,017	17,987
Depreciation	7,315	9,723	9,545	9,780	11,465
Operating Profit after depreciation	788	1,296	3,757	4,237	6,522
Operating costs as % of Revenue	**78%**	**74%**	**75%**	**76%**	**74%**



Collection Efficiency

Total cumulative collections for the year 2007, amounted to Shs 71,779 million (gross of VAT) compared to billings of Shs 78,011 million. The collection efficiency was therefore of 92%.

Table 17: Collection Efficiency Trend

Year ending 30 June	2002	2003	2004	2005	2006	2007
Collection Efficiency	92%	92%	98%	89%	90%	92%

Way Forward 2007/08

Our focus in the coming years will be to position ourselves as a strong utility comparable to the leading water utilities in the world.

The Corporation will continue strengthening its position as a major service provider by carrying out a revaluation of all its assets, and concretising its medium and long term investment plan. This will ensure equitable and timely provision of water and sewerage services to the fast growing urban populations.

The recapitalisation of the Corporation through debt conversion into equity will open up the Corporation to access alternative sources of finance for securing needed investment. In the coming years, we anticipate to invest up to Shs 168 billion in critical aspects of our operations, and to diversify our debt/equity structure

As we strive to achieve these long term aspirations, our major strategy will be that of enhancing our core operations. Water production, distribution, water quality and customer service will be streamlined and improved. On the other hand, sewerage services will be expanded and the notion of innovation shall remain our cherished goal.

As Alfred Einstein noted, *"the challenges we face today cannot be solved at the same level of thinking we were at when they were non existent. We therefore have to put on a new mind if we are to succeed in our search for solutions"*

We believe that this is possible and must be achieved for the benefit of the people of Uganda, and our customers.

As we move to the next year, we shall continue relying on our cordial relationships with our various stakeholders as we strive to achieve our future goals and aspirations.

Dr William Tsimwa Muhairwe
Managing Director

Individual Area Performance Report For The Year 2006/07

Kampala Area: Kampala Water

Kampala Water is the largest Area of NWSC operations and accounts for 66% of the Corporation's revenue. The Area has 10 branches and serves about 999,892 people or 71% of the urban population in Kampala. Kampala Area has a pipe network of about 1,200 kms and a customer base of 106,522 water subscribers by end of June 2007. During the Financial year 2006/07 the Kampala area registered remarkable achievements as follows:

- New Connections 14,708 new water connections were installed against the annual target of 14,100, reflecting an achievement of over 100%.
- Completion and Commissioning of Gaba III was one of the greatest achievements for Kampala Water Area. The plant was handed over to NWSC by the contractor on 23rd February 2007 and was commissioned on 19th April 2007. The plant will help in reducing the problem of water supply in some areas of Kampala like Namugongo, Kirinya and Mukono.
- Carried out an Amnesty programme as a strategy aimed at reducing the number of illegal consumers. The program started in March 2007 and ended in May 2007.
- Carried out promotions, raffle draws and rewarded customers with various prizes in appreciation of their efforts towards paying their bills. They also carried out campaigns for Direct Debit in order to increase customer's awareness.
- The Urban Poor Branch was created during the financial year 2006/07 in a bid to improve the living conditions of the urban poor.
- The Water For All (Bonna Banywe) slogan akin to H.E. the President's campaign slogan "Boona bagaggawale" (Prosperity for All), was adopted by the Kampala Water City Branch. To fulfil this programme, the Branch made special efforts to serve 7,000 urban slum dwellers in kisenyi, Katwe, Owino Market, Kagugube, Mengo, Nakawa, Kibuli, Wabigalo, Namuwongo.
- The Reservoir/tanks in Kololo, Kireka and Makindye were rehabilitated thereby improving the reliability of water supply in areas of Kireka and Makindye.

Jinja/Njeru/Lugazi Area: Kiira Water Partnership

The Jinja/Njeru area is the second largest urban centre operated by NWSC and has a population of about 154,970 people. The Area is strategically located at the source of the Nile in the Eastern part of Uganda. The water service coverage in the area currently stands at 80% of the targeted urban population, translating into 123,389 people accessing NWSC piped water services. The Area has a network length of about 271 kms and a customer base of 12,064 water subscribers. During the financial year 2006/07 the area witnessed a number of successes as summarised below:

- The Area, through strategic alliance with the District, extended a total of 7 km of water mains to the rural areas of Nalinaibi (Busedde Sub County).
- 1,250 new water connections were made as compared to 1,138 in the previous year.
- The level of non revenue water was reduced from 21.4% to 20.4%
- To mitigate the effects and the threats of the falling water levels of Lake Victoria, the area extended temporary intake pipes into the lake as an interim measure,

Temporary intake at Jinja Water Works

until a comprehensive design and construction of a new intake is effected.During the year, the area was able to increase water supply in Lugazi town by 38% by drilling an additional borehole.

- As part of the Jinja Areas corporate social responsibility, the Area sponsored a car rally and participated in the Jinja Town Corporate league, in which it emerged as the champion.

Entebbe/Kajjansi: Greater Entebbe Water Partnership

Entebbe Area is one of the affluent and highly urbanised centres under the auspices of the National Water and Sewerage Corporation. It has a total population of about 63,488 people. The area has about 11,038 water connections serving about 42,285 people. This translates into a water coverage of 67%. The area has a pipe network of about 160 kms. The following were the key achievements realised by the Area in the FY 2006/2007:

- Commissioning of the new and modern Water Treatment Plant with a capacity to produce 20,000m^3 of water/day. The plant was commissioned in April 2007 and it has increased water supply & reduced quality problems in Entebbe.
- As a result of the new Water Treatment Plant, laying of new pipes within Entebbe and surrounding areas along Entebbe – Kajjansi corridor was carried out. New sewer ponds were also constructed at Kitoro and Lunyo, and this greatly boosted the sewerage services in Entebbe.
- A new branch called Kajjansi was added to Entebbe Area to form the Entebbe/ Kajjansi Cluster in July 2006. This has helped the area gain in terms of economies of scale especially, when it comes to purchases and negotiations for funding.
- During the year the Area acquired its own office premises. The office is strategically located on plot 19/21 Kampala Road, Entebbe.

The New Entebbe Office Block

Tororo/Malaba Area: Rock Water Partnership

The Tororo-Malaba Area is located in the eastern part of Uganda and has a population of 49,688 people. Currently, approximately 38,248 or 72% of the targeted population have access to the NWSC piped water services. The area has a pipe network length of about 121.5 km with a customer base of 3,383 connections. During the financial year 2006/2007, the area realised the following achievements amongst others.

- Installed 286 new water connections
- Maintained the non revenue water at 10.3% of water supplied.
- Maintained the suppressed accounts at 168.
- Reduced response time to customer complaints from 4 hours to 2 hours.
- Took over the booster pumping station for Morukatipe prison, thereby improving water supply in the area.
- Replaced the water supply distribution mains to Rubongi barracks
- The area carried out a “zero balance” promotion in the month of December 2006 aimed at reducing the level of arrears and improving revenue collection.
- The area maintained its ISO Certification through adhering to quality management processes.

Mbale Area: Elgon Water Partnership

Mbale Area is located in the Eastern part of Uganda and is second largest town in the Eastern region after Jinja. The area has a total population of 77, 144 people, and currently about 50,051 people or 65% of the targeted population have access to the NWSC water supply services. The area has pipe network of about 169 Kms and a customer base of 6,023 water subscribers. During the FY 2006/07, the Area was able to achieve the following:

Mbale staff in a ISO Certification meeting.

- In its quest to increase service coverage, 3 Kms of water mains were extended to Busamaga, Busiu, Kichafu, Nakaloke, Busano, and Lukki Villages.
- A total of 650 new water connections, 29 new sewer connections and 16 number Public standpipes were connected during the year.
- Non Revenue Water was reduced from 8% to 7.8%.
- The Area achieved ISO 9001:2000 certification in December 2006, and fully adopted the total quality management tools and procedures for the various processes.
- The area introduced customer tips as an attachment to the monthly bills. The tips provide answers to the customer queries raised during the month, and guidelines on how to read the meters, how to optimise water consumption and the nearest cash points where bills can be paid.

Masaka Area: Buddu Water Partnership

Masaka Area is located in the central region of Uganda and has a total population of 65,835 people. Currently, the water service coverage in the area stands at 75% which translates into 49,418 people accessing the NWSC piped water services. The area has a pipe network of about 147 kms and a customer base of 4,847 water subscribers. The financial year 2006/2007 was an eventful year for the Area characterized by the following achievements;

- The Area achieved ISO 9001:2000 certification in December 2006 for its successful establishment, documentation and implementation of a Quality management system.
- The Nyendo Zonal office was established to enhance proximity to customers within Nyendo and Katigondo area.
- The number of new water connections increased by 477, and this increased the number of water subscribers from 4,430 in July 2006 to 4,847 in June 2007.

- The area expanded its network by 3 kms into the urban poor areas of Kirumba, Kigo and Kidda.

Mbarara Area: Rwizi Water Partnership

Mbarara is located in the Western region of Uganda and has a total population of 82,532 people. This is one of the fastest growing towns operated by the Corporation. The water service coverage in the area stands at 84%, which translates into 69,657 accessing the NWSC piped water services. The area has a network length of about 125 kms and had a customer base of 7,292 water subscribers as at July 2007. The Area made the following achievements during the year:

- 3 kms of water mains were extended in the suburbs of Ruharo, Kakiika and Kaberebere.
- Sewerage services were extended to the National Housing and Construction Corporation estates in Mbarara.
- Three new zonal offices were opened in the areas of Bwizibwera, Biharwe and Kaberebere, thereby improving services in the respective areas.
- Installed a new sewage ejector at Victor Bwana road to serve an additional 500 residences
- A total of 1,200 new customers were connected during the year.
- Collections increased from Ushs. 185 million to Ushs. 300 million
- The water losses were reduced from 26% as at June 2006 to 11% as at end of June 2007
- Water sales per month increased from 135,000m3 as at June 2006, to 183,000m3 as at end of June 2007

Lira Area: Lira Urban Water Partnership

Lira Area is located in the Northern region of Uganda and has a population of about 132,060 people. The water service coverage in the area stands at 72%, which translates into about 94,669 people having access to the NWSC piped water services. The rapid increase in the urban population was in part due to the past insurgency which resulted into the influx of people into the town. The Area has a pipe network length of about 136 kms and a customer base of 4,268 water subscribers. During the Financial year 2006/2007 the Area made the following achievements:

- 4 kms of Water mains were extended to various areas.
- 669 new water connections were installed.
- The water losses were maintained at 7%.
- Staff productivity improved from 7 to 6 workers per 1000 connections.
- The area achieved ISO 9001:2000 Certification an accreditation to best practices.

Gulu Area: Gulu Water Partnership

The service area covers Gulu Municipality and the surrounding peri-urban areas. The town is growing at a fast rate and is a major business hub for the northern Uganda region and southern Sudan. The estimated population in the service area is 161,477 and the water coverage stands at about 85%. During the financial year 2006/07, the

Gulu Water Treatment Plant

area registered significant achievements as elaborated below:

- The area achieved ISO 9001:2000 certification marking a big stride in the quest to further improve services to the esteemed customers.
- Good marketing of the NWSC services and the implementation of the simplified new connection policy resulted in an increase of the number of new connections by 502. This increased the customer base to 3,232 connections.
- The financial performance of the area continued to improve, with the net income increasing to Shs 1,191 million representing a 10% increase from the previous financial year.
- As a result of the teamwork and good business practices, the Gulu Water partnership was declared the overall winner of the Chairman's trophy and the most efficiently operated town during the first Internally Delegated Area Management Contract evaluation.

However, one of the major challenges being faced in the area is inadequate supply of water as a result of rapid expansion of the population which has outstripped supply.

Kasese: Margherita Water Partnership

Kasese is located in the western region of Uganda and has a population of 75,443 people. Water service coverage stands at about 90%, which translates into about 67,941 having access to the Corporations piped water services. The area has a pipe network of 66 kms and a customer base of 2,837 water subscribers. The Area has registered considerable success in the financial year 2006/7 as summarised below:

- 3 kms of mains extensions were carried out in the suburbs of Katadoba, Railways and Upper Rukoki which has revived the rate of new connections.

- The customer base rose from 2,536 to 2,837.
- The number of suppressed accounts were reduced from 80 to 70.
- A mini exhibition was held by the area in June at the National celebration of the World Environment day in Maliba Sub County, Kasese district. During the occasion the participants and general public were enlightened about the services of National Water And Sewerage Corporation.
- ISO Certification training for Kasese started in January 2007 and the area is optimistic that it will get certified by the end of the year 2007.

Fort Portal Area: Rwenzori Water Partnership

The Area is located in the western region of Uganda and has a population of 43,609 people. The water service coverage in the area stands at 74% which translates into 32,254 having access to the NWSC piped water services. The area has a network length of about 135 kms and a customer base of 3,131 water subscribers. The achievements realised in the financial year 2006/2007 are summarised below:

- 5 kms of water mains were extended to various urban and peri-urban areas.
- 358 new water connections were installed.
- Dry zones were eliminated in the areas of Kihembo, Kidukuru and Bwamba through pressure boosting in Bwamba and the completion of the works on the booster to Kihembo tank.
- The area commenced on the ISO certification process and completion of the exercise will be by January 2008
- The Area continued with professionalisation of its work force. All sections are now headed by graduates.

Kabale Area: Bunyonyi Water Partnership

Kabale is located in South-western region of Uganda, and has a population of about 53,118 people. The water service coverage in the area stands at about 65% which translates into about 34,761 people having access to the NWSC piped water services. The Area has network length 111 kms and a customer base of 2,829 water subscribers. During the FY 2006/07, the Area the following were the achievements realised:

- 9 Kms of water mains were extended to the suburbs of Bunyonyi, Kashaki, Rwere, Mwisi, Bushuro, Kagarama, Kyanamira and Kiyoora. The major customers that came on board included Kabale University, 30 staff of Kigezi High School and 4 major hotels around Lake Bunyonyi, a national tourist attraction.
- 416 new water connections were installed bringing the customer base to 2,829 accounts.
- The area maintained its water losses at 17.5% despite the increase in water supplied. This has been as a result of the sensitisation of both staff and customers on the importance of reporting leakages/bursts.

Arua Area: Nile Water Partnership

Arua Area is located in the West Nile region of Uganda and has a population of 58,363 people. The current water service coverage stands at 61%, which translates into 35,751 people having access to the NWSC piped water services. The Area has a network length of about 106 kms and a customer base of 3,408 water

subscribers. NWSC-Arua has registered tremendous achievements for the financial year 2006/07, these include among others:

- The extension of 4 kms of water mains to Osu Cresent, Packwach road, Oduluba, Abira II - Muni, Alengo and Driwala.
- The increase in water subscribers by 23% from 2,775 accounts to 3,408 accounts.
- The implementation of a change management programme code named "Catch me if you can" which greatly improved staff productivity.
- The reduction in non revenue water from 22% to 6%.
- The improvement of Staff productivity from 8 to 7 staff per 1000 customers

Bushenyi/Ishaka Area: Nyaruzinga Water Partnership

The Area is located in the Western part of Uganda and has a population of about 26,837 people. The current water service coverage in the area stands at 44%, which translates into about 11,835 people having access to NWSC piped water services. The Area has a network length of about 64 Kms and a customer base of 1,399 water subscribers. The following were the achievements made during the FY 2006/07;

- 3 kms of water mains were extended to various areas
- The area installed 155 new water connections bringing the total number of water subscribers to 1,399.
- The Area ensured adequate water supply through out the whole year regardless of the effect of dry season on the water source. This has been the main challenge for the Area since NWSC took over the town.
- The area team in consultation with the National Environment Management Authority (NEMA) carried out an exploration into Nyaruzinga swamp and discovered a 600m3 natural water storage reserve within the swamp. This ntural reservoir has increased availiability of raw water within the Area.

Bushenyi Staff excavate new water source.

Soroti Area: Soroti Water Partnership

Soroti Area is located in the Eastern region of Uganda with a population of 41,636 people. The current water service coverage stands at 38% which translates into about 15,748 people having accesss to the NWSC piped water services. The Area has a network length of 81 kms and a customer base of 2,978 water subscribers. During the Financial Year 2006/2007, Soroti Area made the following achievements:

- Extended 4 kms of water mains to various urban and peri-urban areas.
- Made 314 new water connections
- The customer base increased from 2,690 customers by June 2006 to 2978 by June 2007
- Connection Efficiency improved by 15%
- Installed 2 public standposts for the urban poor in the Area

It should be noted that the major rehabilitation of the Soroti water supply system being undertaken with funding from Islamic Development Bank (BADEA) was substantially completed during the financial year. The project will result into the expansion of the production, transmission and distribution system within the Soroti town and the neighbouring urban centres, and will positively impact on the service coverage within the area.

Masindi Area

National Water and Sewerage Corporation took over the management of Masindi Water and Sewerage services with effect from 1st July 2006 from the Masindi Town Water Authority. The area has a total population of 22,635 people. The water supply coverage in the area stands at about 37% translating into about 8,455 people having access to the NWSC piped water services. The area has a pipe network length of about 120 km, and a customer base of 1,933 subscribers. The following were the achievements realised by the area during the year.

- Water Production increased from 34,000m3 as at 30th June 2006 to 36,000m3 as at end of June 2007. An increase of 2,000m3 since NWSC took over management.
- Water connections increased from 1,604 from June 2006 to 1,933 as at end of June 2007
- Billings per month increased from Shs.30 million to 48 million
- Collections per month increased from Shs.25 million to 50 million
- Staff/1000 connections improved from 14/1000 to 10/1000 as at end of June 2007.
- Non revenue water decreased from 25% as at June 2006 to 12% as at end of June 2007.
- A sewerage system comprising of 28 km of sewer pipe mains and a set of waste stabilisation ponds were constructed and commissioned during the year.

The Minister of Water and Enviroment, Hon. Maria Mutagamba, commissions and hands over Masindi Water Supply and Sewerage Project to National Water and Sewerage Corporation.

Hoima Area

National Water and Sewerage Corporation took over the management of Hoima Water and Sewerage services with effect from 1st July 2006 from the Hoima Town Water Authority. The area has a population of about 9,053 people. The current water supply coverage stands at about 48%, which translates into 4,372 people having access to the NWSC piped water services. The area has a pipe network length of 110 km, and a customer base of 1,990 subscribers. During the first nine months of NWSC operations in Hoima, the Area management registered a number of improvements as outlined below:

- Water production increased from 10,000m3 from the time of take over to 25,000m3 as at end of June 2007.
- Water connections increased from 877 from June 2006 to 1,990 as at end of June 2007.
- Billings per month increased from Ushs. 8 million to Ushs. 28 million
- Collections per month increased from Ushs 3 million to Ushs. 6 million as at end of June 2007.
- Staff/1000 improved from 18 staff as at June 2006 to 12 staff as at end of June 2007.
- Non revenue water reduced from 45% to 26% as at end of June 2007.

Mubende Area

Mubende area was gazetted to the NWSC with effect from 1st July 2006. Mubende area is located in the central western region of Uganda with a population of 19,457 people. Water service coverage in the area stands at about 36%, which translates into about 6,967 with access to NWSC piped water services. The area has a network length of 70 kms and a customer base of 1,523 water subscribers. The following are the major achievements since NWSC took over management:

- Extended 4.8 km of water mains to the suburbs of Kyejunga and Majani Chai
- A computerized billing system was set up
- A water quality monitoring laboratory was set up
- An inventory of all the consumers on the ground was made and entered into a data base
- An energy optimization study was carried out.
- Increased water supply reliability to 24 hours
- Increased billings to Ushs.40 million
- UFW as at June 2007 was 25%
- Water quality meets WHO standards.

Mubende Katoma Water Works

NATIONAL WATER AND SEWERAGE CORPORATION

Directors' Report and Financial Statements For The Year Ended 30 June 2007

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NATIONAL WATER AND SEWERAGE CORPORATION
CORPORATE INFORMATION
FOR THE YEAR ENDED 30 JUNE 2007

Directors

Mr. Ganyana Miiro	- Chairman
Dr. Elizabeth Madraa	- Deputy Chairperson
Dr. William Tsimwa Muhairwe	- Managing Director
Ms. Christine Nandyose	
Mr. Stephen Kabuye	
Eng. Yorokamu Katwiremu	
Mr. David Ssebabi	
Eng. S. M. Bomukama	
Mr. Victor Kobel	
Ms. Florence Namayanja Mukasa	*ex-officio*

Finance Committee

Mr. Victor Kobel	- Chairman
Mr. Ganyana Miiro	
Dr. William Tsimwa Muhairwe	
Dr. Elizabeth Madraa	
Mr. Stephen Kabuye	
Eng. S.M. Bomukama	

Technical Committee

Eng. Yorokamu Katwiremu	- Chairman
Eng. S.M Bomukama	
Dr. William Tsimwa Muhairwe	
Mr. Ganyana Miiro	
Dr. Elizabeth Madraa	
Ms. Florence Namayanja Mukasa	ex-officio

Administration Committee

Ms Christine Nandyose	(Chairperson)
Mr. Stephen Kabuye	
Dr. Wiliam Tsimwa Muhairwe	
Mr. B. Ganyana Miiro	
Dr. Elizabeth Madraa	
Mr. Victor Kobel	
Ms. Florence Namayanja Mukasa	- *ex-officio*

Audit Committee

Mr. David Sebabi	- Chairman
Mr. B. Ganyana Miiro	
Dr. Elizabeth Madraa	
Mr. Stephen Kabuye	
Ms. Florence Namayanja Mukasa	*ex-officio*

Auditors

Deloitte & Touche
3rd Floor, Rwenzori House
1 Lumumba Avenue
P. O. Box 10314
Kampala

Bankers

Stanbic Bank Uganda Limited
Plot 45, Kampala Road
P.O. Box 7131
Kampala

Crane Bank Limited
P. O. Box 25572
Kampala

Standard Chartered Bank Uganda Limited
Plot 5 Speke Road
P. O. Box 7111
Kampala

Nile Bank Limited
Plot 22, Jinja Road
P.O. Box 2834
Kampala

DFCU Bank Limited
13 Kimathi Avenue
P. O. Box 70
Kampala

Barclays Bank of Uganda Limited
13 Kimathi Avenue
P. O. Box 7101
Kampala

Corporation Secretary
And Registered Office

Mr. D. M. Kakuba, FCIS
Plot 39, Jinja Road
P. O. Box 7053
Kampala

The directors present their report and audited financial statements for the year ended 30 June 2007.

Activities

The principal activity of the Corporation continues to be that of provision of water and sewerage services.

Results

	2007 Ushs '000	2006 Ushs '000
Operating profit before depreciation and finance costs	17,986,616	14,017,034
Depreciation	(11,465,419)	(9,779,601)
Operating profit before finance costs	6,521,197	4,237,433
Net finance costs	394,645	(9,247,152)
Net profit/(loss) before tax	6,915,842	(5,009,719)
Taxation	(5,782,412)	(12,190,027)
Net profit/(loss) for the year	1,133,430	(17,199,746)

Operating profit before depreciation and finance costs

The Corporation recorded an increase in operating profit before depreciation of approximately 24% from Ushs 14 billion in the previous year to Ushs 17.3 billion.

Operating profit before finance costs

The operating profit before finance costs was approximately Ushs. 6.5 billion (Ushs. 4.2 billion in the previous year). This implies an increase of 53.9% and the results indicate that for the fourth year running, the Corporation has been able to markedly cover all its operating costs including depreciation.

Finance costs

Net finance costs in the prior period relate to interest charge on Government of Uganda loans amounted to UShs. 9.2 billion. This was responsible for the net operating loss of approximately UShs. 5.0 billion in 2006. In the current year, no interest charge has been levied on the loans due to the Government of Uganda leading to a profit position of Ushs 6.2 billion. This is because based on negotiations between the National Water & Sewerage Corporation and Government, government approved via resolution number 243, the conversion of loan stock worth UShs. 84.9 billion and interest arrears of UShs. 68.6 billion into equity effective 30 June 2006.

Impairment adjustment

In 2001, the directors assessed the recoverable amount of the Corporation property, plant and equipment and determined an impairment provision for static plant of UShs. 42 billion. Since then, however, the financial performance has improved due to various turnaround strategies such that an average growth rate of 8.4% in turnover has been recorded for the past five years. In the year 2002 an impairment credit of Shs. 15 billion was adjusted leaving a balance of Shs. 26 billion. The recoverable amounts for static plant was assessed during the year under review on the basis of value in use calculations and the results indicated that the static plant's recoverable amounts far exceeds the carrying value. On the basis of this assessment, the balance of impairment loss of Shs. 26 billion was reversed in the year 2005.

No impairment adjustments have been considered necessary for the years 2006 and 2007

Net profit for the year

The net profit for the year after taking into account the tax adjustment for the year of Shs. 5.8 billion amounted to Shs.1,133 million.

Cash flow

The cash flow statement further explains the actual performance of the Corporation during the period ended 30 June 2007.

During the year, the Corporation was able to generate total cash inflow from operating activities of Shs. 14.8 billion as compared to Shs 9.1 billion the previous year.

This has resulted in cash on hand of Ushs 10.6 billion as compared to last year at Ushs 6.2 billion. Management will continue to devise means of investing this cash in short-term ventures to maximise the returns before actual utilisation.

Income

Water Consumption and Sewerage Service Income

Water consumption and sewerage income increased by 18.8% from approximately Ushs. 57.3 billion to Ushs. 68.1 billion in 2007. This improvement is attributed to the increase in customer numbers due to the increased investment in the network system. It is also attributed to new areas taken over from the Government during the year. These included Masindi, Mubende, Hoima and Lugazi. The continuation of the Internally Delegated Area Management Contracts (IDAMCs) played a leading role in improving the financial performance of the Corporation. In addition the new water connection policy introduced at the beginning of the year 2004/05 substantially increased demand for new water connections, leading to higher consumption.

Other Income

In the current year, UShs. 0.6 billion was realised from debtors who were initially categorised as bad and doubtful debts, compared to UShs. 0.4 billion in the previous year. This year, the Corporation also did realise approximately 0.3 billion from obsolete stock. The total revenue from other incomes therefore increased by approximately UShs. 0.4 billion from UShs. 0.6 billion to UShs. 1.0 billion.

Operating Costs

Staff Costs

Staff costs increased by Ushs 1.8 billion from approximately Ushs 16.3 billion to Ushs 18.1 billion. The increase of about 10% in staff costs was largely due to recruitment of new staff at the middle management level as well as the take over of employees from the newly acquired areas of Mubende, Masindi and Hoima.

Administrative Costs

Administrative expenses decreased by approximately Shs. 1.5 billion from UShs. 8.2 billion to UShs. 6.7 billion. The decrease is largely attributed to the reduction in the bad debts expense relating to water services. The reduction in the bad debts expense was due to a write off of debtors to the tune of Ushs 2 billion in the current year.

The geographic spread of the Corporation's branches and the addition of new towns to the Corporation, necessitates travels for supervision and management purposes. During the current financial year, frequent travels were necessary for mobilizing staff in all the areas for seminars and performance evaluation workshops under the Internally Delegated Area Management Contracts (IDAMCs) and other performance improvement programmes. Local traveling expenses for supervision of area operations therefore remained high at UShs. 1.3 billion (UShs. 1.3 billion in 2006).

Static Plant and Pipe Network Maintenance

Static plant and pipe network maintenance costs increased by Ushs. 3.9 billion from approximately Ushs.9.6 billion in the previous year to Ushs. 13.5 billion. The increase is mainly attributed to the rise in the cost of electricity in the treatment works – up from Ushs. 5.8 billion to Ushs. 10.5 billion (78% increase). The increase on this head was also due to the rising fuel and lubricant prices leading to an increase from Shs. 0.36 billion to Shs. 0.7 billion.

Supplies and Services

Supplies and services costs decreased by approximately Ushs. 0.1 billion. The decrease was partly due to less costs incurred relating to Equipment repairs and minor purchases during the year- down to 0.3 billion from 0.5 billion. The decrease is also attributed to the low costs incurred on telephone and lease of data communication links during the year from 0.6 billion to 0.3 billion. However costs incurred on water treatment chemicals increased from approximately Ushs2.5 billion to approximately 2.8 billion due to poor raw water quality resulting from the receding levels of Lake Victoria.

Premises Maintenance Costs

Premises maintenance costs remained relatively stable at UShs. 2.0 billion (previous year UShs. 1.9 billion).

Net Finance Costs

Due to the conversion of the Government of Uganda loans to equity, no interest expense was charged during the current year. This lead to a reduction of approximately Ushs 9 billion. The increased investment by the Corporation in fixed deposit accounts caused the rise in related income by Ushs 0.3 billion. Due to the due to the conversion of the loans to equity, the exchange loss was significantly reduced from approximately Ushs 315 million to Ushs 1 million.

Dividends

The directors do not recommend the payment of a dividend in respect of the year as the retained earnings will be utilised to increase the water and sewerage network coverage in the National Water and Sewerage Corporation Service Areas and to supplement Government funding for donor aided projects.

Outstanding Issues

Unaccounted for Water/Non-revenue Water

During the year, the Corporation continued with strategies to address the issue of unaccounted for water (UFW), which included, among others intensified leak detection, repairs and replacement of defective networks, in addition to the reactivation of inactive accounts. However, as at June 2007, the overall NRW was 32.5%, compared to 20.7% at the end of the FY 2006/2007.

In Kampala, the NRW averaged about 38.5% (previous year 35.7%), while in other areas it averaged 18.2% (15.2% in the year 2005/06). The increase in the level of non-revenue water was due to bulk metering of many outlets which established the fact that the NRW was previously underestimated in some towns. As a result, re-assessed NRW levels were found to be higher in towns such as Mbarara, Masaka, Fort Portal and Kampala. However, with the streamlining of the measurement framework, it is expected that the monitoring of NRW will now be consistent.

It should be noted that for developing countries the accepted level of NRW is 20% which target has been consistently met by other NWSC areas with exception of Kampala.

The high NRW in Kampala is largely due to the age of the network. To reduce the level of unaccounted for water in Kampala, the Kampala Network Rehabilitation project was launched in 2002. The project took off effectively from 2003 and was extended into the current financial year. Under the project, a number of activities are being implemented including; the rehabilitation of the network, the rationalisation of the distributior system, and the institution of an illegal use reduction and leak detection programme.

Title Deeds

During the year under review, progress continued to be made towards acquisition of title deeds. Full titles were acquired for six properties in Mbarara, and one in Kabale whose net book values are worth approximately 0.73 billion. Progress in acquisition of land titles was hampered by the fact that the District Land Boards were not meeting regularly to deal with applications, thus as of June 30th 2007, a number of our applications to land titles were pending with the various land boards in Kampala, Jinja, Entebbe, Mbale, Tororo, Lira and Kabale.

Unpriced Stocks

Unpriced stocks comprise materials which were procured under specific projects and were left behind by the contractors after completion of the respective projects. Because of the circumstances of their procurement, the items were generally handed over to NWSC without price lists, although their costs will have been included in the project costs. During the year 2007/08, management plans to hire a firm to value these items and there after pass adjustments in the books.

Depreciation of Leasehold Land

The Corporation has a significant number of properties for which it does not have title deeds; which deeds are a precondition for determining the basis for depreciation under IAS 17. The NWSC Board has now engaged a

Consultant, with assistance from the German Technical Co-operation (GTZ), on a project to secure outstanding title deeds and to revalue all NWSC property. When the project is completed, it is expected that, with effect from the next financial year 2007/08, the requirements of IAS 17 shall be complied with.

Conversion of Loan stock to Equity

On 30th May 2007 the Cabinet approved the conversion of the loan stock and interests (totalling approximately Shs154 billion at 30th June 2006) into equity. On 25th September 2007 the Minister of Finance, Planning and Economic Development, in accordance with section 10 of the Budget Act, submitted to Parliament a Certificate of Financial Implication for the Capitalisation as one of the final instruments required to enable Parliament approve the loan conversion process. this is to be completed by Parliament within December 2007.

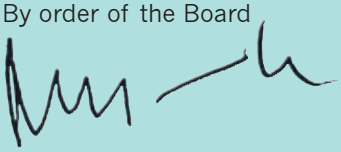
The present membership of the Board of Directors is shown on page 50.

Auditors

In accordance with section 15 of the Public Enterprise Reform and Divestiture Act, the financial statements of the Corporation shall be audited once every year by the Auditor General or an Auditor appointed by him to act on his behalf.

The Auditors, Deloitte & Touche, were appointed by the Auditor General's office to act on its behalf and have expressed their willingness to continue in office.

By order of the Board



David Mpango Kakuba, FCIS
CORPORATION SECRETARY
KAMPALA
20th November 2007

The Board And Management

The National Water and Sewerage Corporation's Board and Management are committed to ensuring the highest standards of corporate conduct and accountability in accordance with the best practice principles of corporate governance. These principles are applied throughout all levels of the Corporation.

The Board

The Board of Directors governs National Water and Sewerage Corporation on behalf of the Government of Uganda. The Board of Director's functions and responsibilities are set out in the National Water and Sewerage Corporation Act (laws of Uganda, 2000) and these include:

- Developing strategies and major policies for the Corporation
- Approving the annual operating plans, the financial statements and major procurements and disposals.

- Ensuring that appropriate systems and practices are established for the management, financial planning and control.
- Ensuring high standards of corporate and business ethics.
- Regularly reporting to the Minister of Water and Environment on the performance of the Corporation.
- Overseeing the performance of senior management.

The Board comprises of nine Government appointed Directors plus the Managing Director of the Corporation. One of the directors is the Director of the Directorate of Water Development (DWD) and another is an ex officio member representing the Kampala City Council. The Board meets regularly and Board papers, which are prepared well in advance of each meeting, include performance reports. Senior managers attend meetings when required to report on issues relating to their divisions.

During the year, Ms. Florence Namayanja the Deputy Mayor of Kampala replaced Mr. James Segane as the new ex-officio Board member . The Directors, other than the Managing Director, are appointed by the Minister of Water and Environment for three-year terms and are not full time officers of the Corporation.

In accordance with the National Water and Sewerage Corporation Act, the Directors have expertise in finance, commerce, business, and environmental management and public health, among others.

Board Committees

The Board has delegated its authority to committees to deal with specific aspects of its responsibilities. These committees have specific terms of reference and meet on a regular basis. The minutes of the meetings of these committees are made available to all the Directors on a timely basis.

The Finance and Audit Committee

The Finance and Audit Committee, which reports its findings to the Board is authorized to:

- Monitor the integrity of the annual financial statements and the quarterly financial reports.
- Review the corporation's financial controls and internal control and its management systems.
- Establish and oversee the Corporation's relationship with external auditors.

- Monitor and review the effectiveness of the Corporation's internal audit function.
- Approve major procurements and disposals.

During the year 2006/2007, the Finance and Audit Committee met regularly. The issues discussed by the Committee and the conclusions reached were reported by the committee chairman. However with effect from July 2007, an Audit committee has been formed separate from that of Finance.

The Administration Committee

The Administration Committee is responsible for, among other things; periodic review of staff remuneration and terms of service; appointments and disciplinary actions for senior staff and negotiations with the workers' union.

The Technical Committee

The Technical Committee has a particular focus on issues arising from NWSC's stewardship of essential infrastructure. It reviews the condition and performance of NWSC's technical assets including projects.

Directors

The following Directors held office for the year 2006/2007:

Mr. B. Ganyana Miiro	Chairman
Dr. Elizabeth Madraa	Deputy Chairperson
Eng. Yorokamu Katwiremu	Member
Eng. Sottie M. Bomukama	Member
Mr. Stephen Kabuye	Member
Ms. Christine Nandyose	Member
Dr. William Tsimwa Muhairwe	Managing Director
Mr. David Ssebabi	Member
Mr. Victor Kobel	Member
Mr. James Ssegane	Member (*ex officio*)- Up to February 2007
Ms. Florence Namayanja Mukasa	Member (*ex officio*)- From March 2007

Mr. Ganyana Miiro – Mr. Miiro holds a Masters degree in Development Economics of the University of Wisconsin, USA. He worked with the Institute of Public Administration where he taught Development Economics from 1971 – 1975. Thereafter he worked with Tropical African Bank Limited as Chief Economist, Director and General Manager respectively for a period of thirteen years. He worked as a member of the Public Service Commission, Uganda for a period of six years and is currently a Commissioner with Amnesty Commission in Charge of West Nile Region.

Dr. Elizabeth Madraa – Dr. Madraa is a medical doctor by profession who joined the Uganda Public Service as a Medical Officer in 1980 and has been in service since then. She is currently the Head of AIDS Control Programme.

Eng. Y. B. Katwiremu – Eng. Katwiremu is an engineer by profession. He served as Chief Engineer at Nile Breweries Ltd. for five years and in Lake Victoria Bottling Company Ltd. for another five years after which he became the General Manager of Uganda Consolidated Properties Ltd. He was a Member of Parliament in the 6th Parliament of Uganda where he served as Chairman of the Works, Housing and Communications Committee. Currently he is a Special Presidential Assistant for AGOA and Trade. Eng. Katwiremu was reappointed to the new Board in July 2006

Eng. S. M. Bomukama · Eng. Bomukama holds a B.Sc. (Hons) Degree in Civil Engineering from Makerere University (1976) and a M.Sc. Degree in Water and Waste Engineering from Longhborough University of Technology (1983). He is a member of the Institution of Public Health Engineers (UK), a member of the Institution of Water and Environment Management U.K. and a fellow of the Uganda Institution of Professional Engineers. He has served as a member of the Engineers' Registration Board for 5 (five) years and presently he is the Director for Water Development in the Ministry of Water and Environment. He was re-appointed to the Board in July 2006.

Mr. Stephen Kabuye – Mr. Kabuye is an experienced administrator and is currently the Mayor of Entebbe Municipal Council, a position he has held since 1992. He has been member of the Board of Directors for the last three and a half years. Mr. Kabuye was reappointed as a member of the new Board in July 2006.

Mr. David Ssebabi – Mr. Ssebabi holds the position of Team Leader in Uganda's largely successful Privatization and Utility Reform Project under the Ministry of Finance, Planning and Economic Development. He is an experienced financial analyst with extensive experience in Banking, Parastatal Monitoring and Utility Reform and Restructuring. He possesses a B. Com (Hons) degree of Makerere University, Kampala, and a MSc. Finance from Strathclyde University, Glasgow. Mr. Ssebabi was reappointed as a full member of the Board in July 2006.

Ms. Florence Namayanja Mukasa · Ms. Namayanja is currently the Deputy Major of Kampala city. She is an ex officio member representing Kampala City Council.

Ms. Christine Nandyose – Ms. Nandyose is a graduate of Economics from Makerere University and also holds a Masters in Economic Policy and Planning of Makerere University. She also holds a Diploma in Tax Administration and Management. She is currently the National Executive Secretary, St. John Ambulance Kampala.

Mr. Victor Kobel – Mr. Kobel is a graduate of Business Administration. He is a fellow of the Institute of Chartered Secretaries and Administrators and an associate of the British Institute of Management. He has held high

profile positions in the civil service including those of Secretary of the Central Tender Board, Commissioner for Industry and Permanent Secretary. Mr. Kobel has served on many boards including Uganda Manufacturers Association, Uganda Investment Authority, Uganda Electricity Board and the Uganda National Chamber of Commerce and Industry. Since retiring from public service, Mr. Kobel has been operating in private business.

Dr. William Muhairwe – Dr. Muhairwe is a Business Management Economist. He was appointed Managing Director of National Water and Sewerage Corporation in 1998. Prior to this appointment, Dr. Muhairwe was General Manager of East Africa Steel Corporation Ltd (1989 - 1994) and General Manager of Steel Corporation of East Africa Ltd (1994 - 1995). He also served as the Deputy Executive Director and Ag. Executive Director of the Uganda Investment Authority from 1995 to 1998. Dr. Muhairwe holds a PhD in Business Management and has competences in private sector development strategic planning and policy formulation among others.

Directors' Remuneration

The total remuneration paid to the Board of Directors in 2006/2007 was Ushs.333 million split between Managing Director Ushs 273 million and Board of Directors 60 million (Ushs. 223 million split between Managing Director 178 million and Board of Directors 45 million in 2005/06). The Managing Director, being an executive Director, is paid a monthly emolument. All other Directors receive a retainer fee only.

NATIONAL WATER AND SEWERAGE CORPORATION
STATEMENT OF DIRECTORS' RESPONSIBILITIES

The National Water and Sewerage Corporation Act (Laws of Uganda 2000), requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Corporation as at the end of the financial year and of the operating results of the Corporation for that year. It also requires the directors to ensure the Corporation keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Corporation. They are also responsible for safeguarding the assets of the Corporation.

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards This responsibility includes: designing, implementing and maintaining internal controls 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.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards and in the manner required by the National Water and Sewerage Corporation Act (Laws of Uganda 2000). The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Corporation and of its operating results. The directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

The directors certify that to the best of their knowledge, the information furnished for the auditors for the purpose of the audit was correct and is an accurate presentation of the Corporation's financial transactions. Nothing has come to the attention of the directors to indicate that the Corporation will not remain a going concern for at least the next twelve months from the date of this statement.

Chairman	**Managing Director**	**Director**
20 November 2007	**20 November 2007**	**20 November 2007**

Auditor General's Report

In accordance with section 17 (1) of the Public Enterprises Reform and Divestiture Act (Cap 98), I am required to audit the accounts of National Water and Sewerage Corporation (NWSC). Under section 17 (4) of the same act, I appointed M/s Deloitte & Touche, Certified Public Accountants to audit the accounts on my behalf and report to me so as to enable me report to Parliament in accordance with Article 163 (4) of the Constitution.

1. Report

The financial statements on pages 63 to 84 which comprise the balance sheet as of 30th June 2007 and the income statement, statement of changes in equity and cash flow statement for the year then ended, together with the summary of significant accounting policies and other explanatory notes, and except for the matters set out in paragraphs 4 to 8 below, have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit.

2 Respective responsibilities of the directors and the independent auditors

The Corporation's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the provisions of the National Water and Sewerage Corporation Act (Laws of Uganda 2000). This responsibility includes: designing, implementing and maintaining internal controls 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 my responsibility is to express an opinion on these financial statements based on the audit.

3 Auditor's Responsibility

The responsibility of the Audit is to express an opinion on the financial statements based on the audit. The audit was conducted in accordance with International Standards on Auditing. Those standards require that the Auditor complies with ethical requirements and plan and performs the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements , whether due to fraud or error. In making those risk assessments, the auditor considers Internal controls 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 appropriatness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements. I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for the audit opinion.

4 Qualifications

As indicated in note 18 (c) to the financial statements, the Corporation has properties with net book value of approximately Ushs 3.24 billion (2006:approximately Ushs 4.01 billion) for which it does not have title deeds. We were unable to obtain adequate assurance over the ownership of these properties. The Corporation is currently in the process of making arrangements to obtain the relevant title deeds, though these had not been finalised by the date of this report.

5 Due to technical and non-technical losses in the supply system, the Corporation is not able to bill all the water produced from the pumping stations. As at 30 June 2007, the unaccounted for water was 32.5% (2006: 29.7%). Because of this limitation, we were unable to place reliance on the system for the purposes of testing the accuracy and completeness of the Corporation's water revenue. There were no other practical procedures we could adopt for this purpose. However, once water has been supplied and billed as income in the Corporation's financial records, such income is subjected to adequate accounting and control procedures.

6 There were significant quantities of unpriced stock held in the Corporation's stores but not included in the inventory balance in the financial statements. We noted that several items of stock held by the entity are valued at historical prices that we could not verify because they were old items. Due to the large volume of inventory and the high number of transactions involving inventory, the amount of misstatement occasioned by this unpriced stock and valuation based on historical pricing could not be accurately determined.

7 Included under land and buildings balance of Ushs 20,950,879,000 (Note 18(a), are leasehold properties shown at valuation. This contravenes International Accounting Standard No 17 (IAS 17) on leases. IAS 17 requires that leasehold land be separately disclosed as an operating lease at cost, and recognized as an expense in the income statement on a straight-line basis over the lease term. Insufficient information was available to calculate the effect on the financial statement of this departure from IAS 17.

8 Based on the prior period negotiations between the Government of Uganda and NWSC, it was resolved that the four major loans obtained by NWSC in the prior years through the Government of Uganda from external donors be converted into equity. On 30 May 2007 via minute no. 243, the cabinet approved the capitalisation of loans from NWSC through the conversion of the long term debt into equity. The Minister of Finance, Planning and Economic Development presented a brief to parliament on the proposed capitalisation of the Corporation through conversion of NWSC long term debt into equity. The resolution is pending parliament approval.

9 **Opinion**

Except for the matters referred to in paragraphs 4 to 8 above, in our opinion, proper books of account have been kept by the organisation and the financial statements, which are in agreement therewith, give a true and fair view of the state of the financial affairs of the corporation at 30 June 2007 and of the profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the National Water and Sewerage Corporation Act and Water Act.

John F. S. Muwanga, FCIS
Auditor General
20th November 2007

NATIONAL WATER AND SEWERAGE CORPORATION
INCOME STATEMENT
FOR THE YEAR END 30 JUNE 2007

	Note	2007 Ushs '000	2006 Ushs '000
Income			
Water and sewerage income	4	68,146,128	57,347,723
Other income	5	1,017,226	632,257
Deferred income recognised	6	1,243,701	560,173
		70,407,055	58,540,153
Expenditure			
Staff costs	7	(18,191,510)	(16,322,253)
Service gratuity	8	(2,016,563)	(1,722,933)
Terminal Benefits	9	(2,810,073)	-
Administrative costs	10	(6,670,410)	(8,242,555)
Static plant and pipe network maintenance	11	(13,544,922)	(9,612,548)
Supplies and services	12	(4,729,052)	(4,814,334)
Premises maintenance	13	(2,023,403)	(1,922,711)
Transport and mobile costs	14	(2,434,506)	(1,885,785)
		(52,420,439)	(44,523,119)
Operating profit before depreciation		17,986,616	14,017,034
Depreciation and amortisation	15	(11,465,419)	(9,779,601)
Operating profit before finance costs		6,521,197	4,237,433
Net finance income/(costs)	16	394,645	(9,247,152)
Net profit/(loss) before tax		6,915,842	(5,009,719)
Taxation charge	17	(5,782,412)	(12,190,027)
Profit/(loss) for the year		1,133,430	(17,199,746)

NATIONAL WATER AND SEWERAGE CORPORATION
BALANCE SHEET
AS AT 30 JUNE 2007

	Note	2007 Ushs '000	2006 Ushs '000
ASSETS			
Non-Current Assets			
Property, plant and equipment	18	313,906,463	230,438,239
Capital work-in-progress	19	41,999,133	11,094,331
Intangible assets	20	136,684	191,934
		356,042,280	241,724,504
Current assets			
Inventories	21	7,868,399	7,504,120
Trade and other receivables	22	29,964,985	22,327,966
Tax recoverable		1,419,107	1,353,612
Short term bank deposits	23	5,957,328	1,741,336
Cash and bank balances	24	4,730,258	4,430,755
		49,940,077	37,357,789
Total Assets		405,982,357	279,082,293
Equity and Liabilities			
Equity and reserves			
Government funding	25	238,363,303	65,718,868
Revaluation reserve		4,042,803	4,383,996
Retained earnings		9,419,424	7,944,801
		251,825,530	78,047,665
Non-current liabilities			
Borrowings	26	-	43,609,610
Service gratuity	8	5,824,160	4,415,840
Terminal Benefits	9	4,848,191	1,156,968
Deferred tax liability	17	14,314,255	8,531,843
Deferred income	6	116,180,728	22,114,138
		141,167,334	79,828,400
Current Liabilities			
Trade and other payables	27	10,489,737	6,692,834
Interest payable	28	-	68,597,020
Borrowings	26	-	41,376,252
Deferred income	6	1,243,701	560,173
Service gratuity	8	1,025,493	2,692,066
Terminal Benefits	9	230,562	1,287,884
		12,989,493	121,206,229
Total equity and liabilities		405,982,357	279,082,293

The financial statements on pages 13 to 33 were approved by the board of directors on20 November 2007 and were signed on its behalf by:

Chairman **Managing Director** **Director**

NATIONAL WATER AND SEWERAGE CORPORATION
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR END 30 JUNE 2007

	Government Funding Ushs 000	Revaluation Reserve Ushs 000	Retained Earnings Ushs 000	Total Equity Ushs 000
At 1 July 2005	57,300,768	4,871,414	24,657,129	86,829,311
Government assets taken over	8,418,100	-	-	8,418,100
Transfer revaluation surplus realised to retained earnings	-	(487,418)	487,418	-
Net loss for the year	-	-	(17,199,746)	(17,199,746)
At 30 June 2006	65,718,868	4,383,996	7,944,801	78,047,665
At 1 July 2006	65,718,868	4,383,996	7,944,801	78,047,665
Government assets taken over	19,061,553	-	-	19,061,553
Transfer revaluation surplus realised to retained earnings	-	(341,193)	341,193	-
Term debt converted to equity*	153,582,882	-	-	153,582,882
Net profit for the year	-	-	1,133,430	1,133,430
At 30 June 2007	238,363,303	4,042,803	9,419,424	251,825,530

***Term debt converted to equity**

Based on prior period negotiations between the Government of Uganda and NWSC, it was resolved that the four major loans obtained by NWSC in prior years through the Government of Uganda from external donors be converted into equity. On 30 May 2007 via minute no 243, the cabinet approved the capitalisation of NWSC through the conversion of NWSC long term debt into equity. The Minister of Finance, Planning and Economic Development presented a brief to parliament on the proposed capitalisation of the Corporation through conversion of NWSC long term debt into equity. A resolution was presented to parliament for approval.

NATIONAL WATER AND SEWERAGE CORPORATION
CASHFLOW STATEMENT
FOR THE YEAR END 30 JUNE 2007

		2007 Ushs'000	2006 Ushs'000
Reconciliation of operating profits to cash generated from operations			
Operating profits		6,521,197	4,237,433
Adjustments for:			
Depreciation		11,391,511	9,692,920
Amortisation of accounting and billing software		73,915	86,681
Deferred income realised		(1,243,701)	(560,173)
Adjustments in fixed assets		-	144,874
Prior year adjustment for creditors/(bad debts error)		-	(3,452,550)
Operating profit before working capital changes		16,742,922	10,149,185
Increase in inventories		(364,279)	(76,176)
Increase in trade and other receivables		(7,637,019)	(714,311)
Increase/(Decrease) in trade payables		3,796,903	(1,137,728)
(Decrease)/Increase in service gratuity		(258,253)	1,031,038
Increase/(Decrease) in terminal benefits		2,633,901	(90,703)
Tax paid		(65,495)	(31,387)
Net cash generated from operating activities		14,848,680	9,129,918
Investing Activities			
Additions to capital work-in-progress		(10,471,555)	(9,237,224)
Purchase of property, plant and equipment		(238,569)	(1,546,365)
Purchase of computer software		(18,665)	(51,542)
Net cash used in investing activities		(10,728,789)	(10,835,131)
Financing Activities			
Government of Uganda Grants		-	710,847
Interest received		395,604	94,676
Net cash generated from financing activities		395,604	805,523
Net Increase/(Decrease) in Cash and Cash Equivalents		4,515,495	(899,690)
Cash and cash equivalents brought forward		6,172,091	7,071,781
Cash and cash equivalents at 30 June		10,687,586	6,172,091
Represented by:	**Note**		
Cash and cash equivalents	29	10,687,586	6,172,091

1. Accounting Policies

The financial statements have been prepared in accordance with International Financial Reporting Standards. The principal accounting policies adopted remain unchanged from the previous year and are stated below:

(a) Basis of Accounting

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain assets.

(b) Revenue Recognition

Revenue from water consumption and sewerage services is recognized when water and sewerage services are delivered to customers and billed by the corporation. They are recognized net of Value Added Tax.

(c) Property, Plant and Equipment

(i) Valuation in financial statements

The Property, plant and equipment are stated at cost or valuation less accumulated depreciation. The cost of purchased property, plant and equipment is the value of consideration given to acquire the asset and the value of other directly attributable costs, which have been incurred in bringing the asset to the location and the condition necessary for their intended use.

Increases in the carrying amount arising on valuations are credited to the revaluation reserve. Decreases that offset previous increases of the same assets are charged against the revaluation reserve; all other decreases are charged to the income statement.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. Gains on revaluation are capitalized and amortized over the remaining useful life of the revalued assets. On disposal of revalued assets, amounts in the revaluation reserve relating to the assets are transferred to retained earnings.

(ii) Valuation of properties acquired from local municipalities

Property, plant and equipment taken on from district municipalities were valued and recorded in the balance sheet as at 30 June 1998 based on Open Market Valuation.

The basis of valuation for accounts is the "Deprival Value" which means, "what loss would the organization suffer if deprived of the asset in question?" The loss would equal the cost of purchasing an equivalent asset in the open market. Deprival value is the open market value of the property in its existing use, including any potential for development that is within that use.

Furniture and equipment was valued and recorded in the balance sheet as at 30 June 2001 based on Depreciated Replacement Cost (DRC) basis, as the conditions above were not applicable. Other properties to which the DRC basis was applied to include: ·

- Those properties due to their specialized nature are rarely if ever, sold on the open market for single occupation for a continuation of their existing use, except as part of a sale of the business in occupation. Their specialized nature may arise from the construction, arrangement, size or location of the property, or a combination of these factors, or the function or the purpose to which the buildings are put,

(ii) Valuation of properties acquired from local municipalities (continued)

- Standard properties particularly those in remote areas from main business centres, located there for occupational or business reasons, which are of such an abnormal size that either there would be no market for such buildings or there is no competing market demand from other organizations wishing to use these types of property in the locality.

(iii) Recoverable amount of non-current assets

All non-current assets are reviewed at least annually to determine whether their carrying amounts require write down to recoverable amounts. Assets may be reviewed more regularly if an event or a change in circumstances indicates that the carrying amount of an assets may not be recoverable. If the asset is determined to be impaired, an impairment loss will be recorded and the asset written down, based on the amount by which the asset carrying amount exceeds the higher of the net realizable value and the estimated recoverable amount. Estimated recoverable amount is determined using the discounted cash flow method.

(iv) Depreciation of property, plant & equipment

Depreciation is calculated to write off the cost or the revalued amounts of property, plant and equipment on a straight-line basis over the assets expected useful lives. The annual rates generally in use are:

Leasehold land and buildings	1%
Static plant	3%
Motor vehicles and mobile plant	20%
Furniture and equipment	20%

(d) Intangible Assets

Intangible assets comprise the accounting and billing software that is stated at cost less accumulated amortization. The software is amortized of on straight-line basis over 5 years.

(f) Inventories

Inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less estimated costs necessary to make the sale. Cost is determined on a weighted average cost basis. Provisions are made for all anticipated stock losses and charged to the income statement.

(g) Foreign Currency Translation

Assets and corresponding liabilities expressed in foreign currencies are translated into Uganda shillings at the exchange rates ruling at the balance sheet date. Individual transactions during the year are converted into Uganda shillings at the exchange rate ruling at the time of each transaction and realised gains/losses relating to these transactions are dealt with through income statement.

(h) Bad and Doubtful Debts

General provisions are made based on management evaluation of the debtors' balance and other exposures in respect of losses, which, although not specifically identified, are known from experience to be present in the debtors balance. The general provision for bad debts is made on the following basis;

0- 90 days late	0%
90- 180 days late	10%
180- 360 days late	20%
1-2 years late	50%
>2 years late	100%

Specific provision is made for all known doubtful debts and written off when all reasonable steps to recover them have been taken without success and in the opinion of the Directors, recovery is doubtful.

(i) Retirement Benefits Scheme

National Social Security Fund

The corporation contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act (1985). The company's obligations under this scheme are limited to specific contribution regulated from time to time and currently stated at 10% of the employee's gross pay. The company's contributions are charged to the income statement in the year to which they relate.

Service Gratuity

The corporation operates an in-house service gratuity scheme. Service gratuity is based on an employee's gross salary at the end of the financial period, and number of complete years of employment. Provisions for gratuity are charged to the income statement.

(j) Capital and Revenue Grants

Grants are recognized at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be applied with.

When the grant relates to an expenses item, (Revenue) it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

Where the grant relates to an asset, (Capital) the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual installments.

(k) Provisions

Provisions are recognized when the company has a legal or constructive obligation as a result of past events and it is probable that an out flow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the corporation expects a provision to be reimbursed, for example under insurance, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

(l) Deferred Income

The landed cost or estimated market values of assets obtained through grants are credited to deferred income account on receipt, and systematically released to the income statement on issuance or through annual depreciation of the relevant assets respectively.

(m) Bank borrowings

Interest bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortized cost, using the effective interest rate method. Any differences between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognized over the term of the borrowings in accordance with the company's policy on borrowing costs.

(n) Taxation

Current Taxation
Taxation is provided in the income statement on the basis of the results included therein adjusted in accordance with provisions of the Income Tax Act, 1997.

Deferred Taxation
Deferred taxation is provided using the liability method for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes.

Deferred tax is computed using the liability method for all temporary differences arising between the tax base of assets and liabilities. It is recognised for all temporary differences, carry forward losses of unused tax losses and credits.

(o) Cash and Cash Equivalents

For purposes of the cash flow statement, cash and cash equivalents comprises of cash on hand, and balances held with the banks, net of bank over drafts.

(p) Comparative information

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current period.

2 Going Concern

From our assessment of the Corporation, we found out that there are no events or conditions that may cast doubt upon its continuity in business. Therefore, the financial statements have been prepared on a going concern basis.

		2007 Ushs'000	2006 Ushs'000
3	**Operating Profit**		
	The operating profit has been arrived at after charging:		
	Depreciation and amortisation	11,465,419	9,779,601
	Directors' emoluments	333,472	223,808
	Increase in provision for specific bad and doubtful debts	386,724	2,713,451
	Auditors' remuneration	122,000	180,312
	and crediting:		
	Decrease in provision for specific bad and doubtful debts	555,367	431,927
4	**Water Consumption And Sewerage Services Income**		
	Water and sewerage charges	62,612,445	52,781,900
	Service charges	3,489,289	2,475,148
	Connection fees	1,692,229	1,682,355
	Reconnection fees	167,134	144,962
	Other water and sewerage income	185,031	263,358
		68,146,128	57,347,723
5	**Other Income**		
	Decrease in provision for bad and doubtful debts	555,367	431,927
	Decrease in provision for obsolete stock	254,309	-
	Other income	207,550	200,330
		1,017,226	632,257
6	**Deffered Income**		
	At July	22,674,311	22,523,637
	Donor Grant Funds KFW	62,412,559	-
	Donor grant KFW	26,398,064	-
	DONOR Grants IDA-LVEP	1,099,956	-
	Donor Funds KFW Kabale Project	1,816,149	-
	Government of Uganda Grants	4,267,091	710,847
		118,668,130	23,234,484
	Released to income statement	(1,243,701)	(560,173)
	At 30 June	117,424,429	22,674,311
	Less: Due with one year	(1,243,701)	(560,173)
	Due after more than one year	116,180,728	22,114,138

		2007 Ushs'000	2006 Ushs'000
7	**Staff Costs**		
	Basic pay	9,281,470	7,874,337
	Housing expense	2,040,475	1,586,511
	Medical expense	1,211,021	1,205,052
	National Social Security Fund contributions	1,378,591	1,251,973
	Lunch, transport and soap allowance	882,208	725,950
	Car and cycle allowance	338,423	350,587
	Performance/attendance bonus and overtime	424,734	339,213
	Work bonus	1,779,044	2,261,035
	Responsibility and dirty work allowance	738	21,057
	Leave transport and allowance	575,192	449,876
	Servant's allowance	0.00	1,198
	Workmen's compensation	187,104	168,535
	Water, telephone and electricity allowance	0.00	14,804
	Shift allowance and gross wages	66,412	43,978
	Funeral expenses	26,098	28,147
		18,191,510	16,322,253
8	**Service Gratuity**		
	At 1 July	7,107,906	6,076,868
	Charge for the year	2,016,563	1,722,933
	Less service gratuity paid during the year	(2,274,816)	(691,895)
	Service gratuity at 30 June	6,849,653	7,107,906
	Less due within one year	(1,025,493)	(2,692,066)
	Due after more than one year	5,824,160	4,415,840
9	**Terminal Benefits**		
	At 1 July	2,444,852	2,535,555
	Charge for the year	2,810,073	-
	Payments during the year	(176,172)	(90,703)
	At 30 June	5,078,753	2,444,852
	Due within one year	230,562	1,287,884
	Due after more than one year	4,848,191	1,156,968
		5,078,753	2,444,852

		2007 Ushs'000	2006 Ushs'000
10	**Administrative Expenses**		
	Board expenses	333,472	223,808
	Meeting expenses	364,971	306,530
	Local travels on supervision monitoring and co-ordination	1,309,175	1,331,160
	Foreign travels on seminars, workshops and short courses	453,272	394,500
	G.O.U. performance contract review expenses	30,733	83,692
	Publicity	422,874	396,515
	Entertainment	39,091	83,674
	General insurance	137,839	149,546
	Legal and professional expenses	117,673	89,445
	Training expenses and allowances	207,758	132,099
	Audit fees	122,000	180,312
	Donations and subscriptions	178,925	163,559
	Lunch and transport for weekends/public holidays	912,128	915,154
	Contribution to staff sports	56,553	61,164
	Process bench marking	45,761	32,131
	Security	821,547	722,512
	Bad debts - water services	386,724	2,713,451
	Commission-Bad debts recovery	132,844	-
	Stock losses (Stock write down)	146,354	-
	Staff transfer	128,541	5,501
	Other professional charges	179,076	121,767
	Bad debts-others	8,626	-
	Bank charges	134,473	136,035
		6,670,410	8,242,555
11	**Static Plant And Pipe Network Maintenance**		
	Electricity	10,490,551	5,893,102
	Plant repairs & maintenance	887,473	1,520,161
	Pipe network repairs & maintenance	1,226,210	1,587,712
	Fuel and lubricants	695,232	357,358
	Insurance	164,448	193,942
	Sand	64,838	27,984
	Disludging Sewerage Ponds	16,170	-
	Water abstraction permits	0.00	32,289
		13,544,922	9,612,548
12	**Supplies And Services**		
	Water treatment chemicals	2,787,786	2,451,895
	Equipment repairs and minor purchase	301,701	536,521
	Printing and stationery/publications	601,506	592,704
	Tools and light plant	107,469	135,198
	Uniforms and protective wear	198,428	108,255
	Computer license	143,297	66,469
	Office supplies	308,167	354,533
	Telephone and lease of data communication links	280,698	568,759
		4,729,052	4,814,334

		2007 Ushs'000	2006 Ushs'000
13	**Premises**		
	Rent, rates and telephone	847,033	807,753
	Repairs and maintenance	622,288	729,148
	Insurance	88,945	73,001
	Cleaning materials	84,530	127,314
	Electricity	167,503	100,404
	Water	109,956	27,886
	Fixtures and fittings	103,148	57,205
		2,023,403	1,922,711
14	**Transport And Mobile Plant Costs**		
	Fuel and lubricants	1,343,558	1,128,741
	Repairs and maintenance	442,810	433,340
	Hire of transport	378,380	72,896
	Insurance	206,369	182,506
	License, road toll and taxes	63,389	68,302
		2,434,506	1,885,785
15	**Depreciation**		
	Depreciation - premises	235,742	232,012
	Depreciation - static plant	9,888,012	8,316,594
	Depreciation - transport and mobile plant	293,869	252,482
	Depreciation - furniture and equipment	973,881	891,832
		11,391,504	9,692,920
	Amortisation of accounting software	73,915	86,681
		11,465,419	9,779,601
16	**Net Finance Costs**		
	Interest payable	-	9,026,815
	Exchange loss	959	315,014
	Interest receivable on bank deposits	(392,338)	(91,689)
	Interest receivable on staff loans	(3,266)	(2,988)
		(394,645)	9,247,152

	2007 Ushs'000	2006 Ushs'000
17 Taxation		
(a) Taxation (charge)/credit		
Deferred taxation - Current	(2,003,636)	(959,094)
Deferred taxation - Prior	(3,778,776)	(11,230,933)
	(5,782,412)	(12,190,027)
(b) Reconciliation of taxation (credit)/charge:		
Accounting profit/(loss) before taxation	6,915,842	(5,009,719)
Tax effect at the applicable rate of 30%	(2,074,753)	1,502,916
Tax effect of non-taxable income	170,257	-
Tax effect of expenses not deductible	(245,365)	(2,462,010)
Deferred Tax relating to the revaluation surplus	146,225	
Prior year under-provision of deferred taxation	(3,778,776)	(11,230,933)
Taxation charge	(5,782,412)	(12,190,027)

(c) Deferred income tax liability

Deferred income taxes are calculated on all temporary differences under the liability method at the applicable rate of 30%. The net deferred tax asset is made up as follows:

	2007 Ushs'000	2006 Ushs'000
Accelerated capital allowance	(83,557,610)	(61,310,387)
Accumulated tax loss	64,518,069	48,051,120
Revaluation reserve	(1,168,973)	(1,315,199)
Provision for bad debts	2,217,860	2,908,394
Provision for obsolete stock	97,604	173,897
Retirement benefit	3,578,522	2,865,827
Unrealised exchange loss	273	94,504
	(14,314,255)	(8,531,843)
The movement in the deferred income tax liability is as follows:		
At 1 July	(8,531,843)	3,658,184
Income statement charge	(5,782,412)	(12,190,027)
Credited directly to equity		-
At 30 June	(14,314,255)	(8,531,843)

NATIONAL WATER AND SEWERAGE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007 (Continued)

18.(a) Property, Plant & Equipment

	Land and Buildings Ushs '000	Static Plant Ushs '000	Furniture & Equipment Ushs '000	Motor Vehicles & Mobile Plant Ushs '000	Total Ushs '000
COST OR VALUATION					
At 1 July 2005	19,517,215	264,541,581	5,094,783	4,212,646	293,366,225
Additions	253,374	854,778	199,692	238,521	1,546,365
Government assets taken over	768,500	7,649,600	-	-	8,418,100
Reclassification from WIP	157,037	6,567,445	405,679	73,774	7,203,935
Adjustments	-	-	-	(808,883)	(808,883)
As at 1 July 2006	20,696,126	279,613,404	5,700,154	3,716,058	309,725,742
Additions	674	18,807	199,119	19,969	238,569
Government assets taken over	1,561,600	17,218,620	-	-	18,780,220
Reclassification from WIP	1,315,811	73,868,141	451,044	205,950	75,840,946
At 30 June 2007	23,574,211	370,718,972	6,350,317	3,941,977	404,585,477
COMPRISING					
At cost	19,037,798	268,512,345	5,176,003	3,541,734	296,267,880
At valuation	3,307,100	33,717,076	1,161,688	299,943	38,485,807
	22,344,898	302,229,421	6,337,691	3,841,677	334,753,687
DEPRECIATION					
At 1 July 2005	2,155,339	61,739,200	2,926,677	3,437,376	70,258,592
Charge for the year	232,251	8,316,594	891,832	252,243	9,692,920
Adjustments	-	-	(17,062)	(646,947)	(664,009)
At 1 July 2006	2,387,590	70,055,794	3,801,447	3,042,672	79,287,503
Charge for the year	235,742	9,888,018	973,881	293,870	11,391,511
At 30 June 2007	2,623,332	79,943,812	4,775,328	3,336,542	90,679,014
NET BOOK VALUE					
At 30 June 2007	20,950,879	290,775,160	1,574,989	605,435	313,906,463
At 30 June 2006	18,308,536	209,557,610	1,898,707	673,386	230,438,239

18(b) Property, Plant & Equipment (Continued)

Katuramu & Company Consulting Surveyors revalued the property, plant and equipment assets taken over by the corporation from district municipalities on the open market value basis, existing use basis and Depreciated Replacement Cost on the dates indicated below, on the assumption that the National Water and Sewerage Corporation is a going concern and will have surplus sufficient enough to absorb the revalued amounts. These revaluations were reflected in the financial statements for the year ended 30 June 1998. The corporation subsequently obtained a professional valuation for all furniture and equipment as at 20 April 2001 The total value of the revaluation surplus has been credited to the capital reserve. In the current year, the Corporation took over the operations in Mubende, Masindi, Hoima and Lugazi from the Government of Uganda. These were valued by Katuramu & Company Consulting Surveyors and brought into the books of the Corporation. The details of the asset revaluations on the different dates and locations are as follows:

Location	Name of Consultant	Basis of Valuation	Assets Valued	Date of Valuation
Plot 43-49 Sixth Street Industrial Area Kampala	M/S Katuramu & Company Consulting Surveyors	Open Market Value	Land and Building	16-Nov-92
Plot 43-49 Sixth Street Industrial Area Kampala	M/S Katuramu & Company Consulting Surveyors	Open Market Value	Furniture and equipment	20-Jan-04
Kasese, Fort Portal, Jinja, Mbarara, Masaka	M/S Katuramu & Company Consulting Surveyors	Open Market Value	Land and Building Plant and Machinery	30-Nov-97
All area offices including Head Office	M/S Katuramu & Company Consulting Surveyors	Depreciated Replacement Cost	Furniture and equipment	24-Apr-01
Kabale	M/S Katuramu & Company Consulting Surveyors	Open Market Value	Land and Building Plant and Machinery	23-Mar-04
Arua	M/S Katuramu & Company Consulting Surveyors	Open Market Value	Land and Building Plant and Machinery	8-Aug-03
Soroti	M/S Katuramu & Company Consulting Surveyors	Open Market Value	Land and Building Plant and Machinery	26-Jun-03
Bushenyi/ Ishaka	M/S Katuramu & Company Consulting Surveyors	Open Market Value	Land and Building Plant and Machinery	26-Jun-03
Lugazi	M/S Katuramu & Company Consulting Surveyors	Open Market Value	Land and Building Plant and Machinery	19-Jun-06
Masindi	M/S Katuramu & Company Consulting Surveyors	Open Market Value	Land and Building Plant and Machinery	16-May-07
Mubende	M/S Katuramu & Company Consulting Surveyors	Open Market Value	Land and Building Plant and Machinery	16-May-07
Hoima	M/S Katuramu & Company Consulting Surveyors	Open Market Value	Land and Building Plant and Machinery	16-May-07

18 (c) Property, Plant & Equipment (Continued)

Leasehold land and buildings include the following properties for which the Corporation has no title deeds:

PLOT NO/AREA	Cost Ushs'000	Net Book Value 2007 Ushs'000	Net Book Value 2006 Ushs'000
43-49 Sixth Street/Central Stores/Workshop (Kampala)	353,000	296,822	300,352
M80 Naguru, Building for Reservoir (Kampala)	12,600	10,595	10,721
5 Kome Crescent Residential (Kampala)	120,000	-	-
2,4,6 Byatike road residential (Entebbe)	9,900	8,619	8,718
6 Martin road (Jinja)	186,000	156,407	158,267
Ojwina Lagoon (Lira)	12,000	10,210	10,330
Namatala Lagoons (Mbale)	10,208	8,888	8,990
Kabazaire Close, Plot 2-6(Mbarara) - Title deeds obtained in 2007	-	0	685,794
3 Galt Road Office (Mbarara)	443,700	399,635	404,072
Sewerage Lagoons (Mbarara) - Title deeds obtained in 2007	-	0	5,747
Doko Sewerage treatment ponds (Mbale)	558,000	369,787	375,367
Malaba reservoirs (Tororo)	582,000	385,691	391,511
Malaba pumping station (Tororo)	1,451,284	961,765	976,278
12 Lake Bunyonyi (Kabale)	36,500	33,945	34,310
10, Makanga hill (Kabale)	40,500	37,665	38,070
Golf course, Makanga (Kabale) - Title deeds obtained in 2007	-	0	35,720
Sewerage treatment land, Bwankosya by-pass (Kabale)	30,000	27,900	28,200
Plots 62-66 Nile Crescent (Jinja)	71,000	59,640	60,350
Plots M11-12, Old Port Bell Road (Kampala)	566,340	475,812	481,476
	4,483,032	3,243,381	4,014,272

19 Capital Work-in-Progress

Capital Work in Progress relates to on-going development work for the Kabale Water Project (KWP), Kampala Network Rehabilitation Project (KNRP), and Small Towns Water and Sanitation Project –Part B (STWSP), Entebbe II project, Mukono Water supply project, Bushenyi Water supply project, Jinja Intake pipeline, Urban poor project and the Gulu water project

19 Capital Work-in-Progress (Continued)

	1-Jul-06 Total	Additions	Reclassification of non capital items to expense	Reclassified to Property, Plant, and Equipment	30-Jun-07 Total
	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000
Rehabilitation Project	1,631,088	5,602,679	-	-	7,233,767
Gaba III Project	729,105	62,278,376	-	(63,007,481)	-
Other Capital Work in Progress	1,130,906	7,873,994	(2,162,675)	(6,021,783)	820,442
Mukono Water Supply Project	6,365,871	3,135,222	-	(6,811,682)	2,689,411
Entebbe II Project	90,074	27,453,780	-	-	27,543,854
Bushenyi Water Supply Project	-	76,879	-	-	76,879
Urban Poor Project	-	466,905	-	-	466,905
Jinja Intake Pipeline	-	204,439	-	-	204,439
Work in Progress-Kabale		1,816,149	-		1,816,149
Gulu Water Supply Project	1,147,287	-	-	-	1,147,287
Total	11,094,331	108,908,423	(2,162,675)	(75,840,946)	41,999,133

20 Intangible Assets

	2007	2006
	Ushs'000	Ushs'000
COST		
At 1 July	526,951	475,409
Additions	18,665	51,542
At 30 June	545,616	526,951
Amortisation		
At 1 July	335,017	248,336
Charge for the year	73,915	86,681
At 30 June	408,932	335,017
Net book value at 30 June	136,684	191,934

Intangible assets relate to the accounting software, which is being amortised over 5 years.

21 Inventories

Water fittings	4,658,171	4,854,793
Chemicals	1,515,715	1,676,586
Spare parts	263,993	361,268
Stationery	136,058	136,058
Others	184,138	133,539
	6,758,075	7,162,244
Goods in transit	1,435,672	921,533
	8,193,747	8,083,777
Provision for slow moving and obsolete stock	(325,348)	(579,657)
	7,868,399	7,504,120

	2007 Ushs'000	2006 Ushs'000
22 Trade And Other Receivables		
Water and Sewerage debtors	35,983,558	30,874,746
Other receivables	1,193,386	1,147,868
Advance payments	180,909	-
	37,357,853	32,022,614
Provision for bad debts	(7,392,868)	(9,694,648)
	29,964,985	22,327,966
Provision for bad debts		
Balance b/f	9,694,648	5,342,236
Prior year adjustment	0	3,452,550
Charge for the year	386,724	2,713,451
Bad debts realized	(555,367)	(431,927)
Bad debts written off	(2,133,137)	(1,381,662)
	7,392,868	9,694,648

23 Short Term Deposits		
Nile Bank Limited	4,206,269	925,216
DFCU Bank fixed deposit	670,972	619,927
Barclays fixed deposit	1,014,959	-
Crane Bank Limited	65,128	196,193
Fixed deposits	5,957,328	1,741,336

The Corporation holds a short-term investment account with Nile Bank Limited and DFCU Bank Limited, which will be held to maturity. The interest rate is negotiated from time to time.

	2007 Ushs'000	2006 Ushs'000
24 Cash And Bank		
Cash at hand	6,018	8,472
Cash collection accounts	4,034,300	2,561,206
Cash in transit	35,690	41,202
Bank balances	654,250	1,819,875
	4,730,258	4,430,755

25 Government Funding		
At 1 July	65,718,868	57,300,768
Assets taken over during the year	19,061,553	8,418,100
Term debt converted to equity	153,582,882	-
At 30 June	238,363,303	65,718,868

This amount represents a build-up of various Government of Uganda capital contributions to Corporation through the years. The principal components are:

a) The value of assets taken over by the Corporation whenever new towns are handed over to the Corporation.

b) Portions of loans extended to Government of Uganda for various Corporation projects but which government passed on to the Corporation as part of equity.

c) Direct equity contributions by Government of Uganda.

26 Borrowing

	2007 Ushs'000	2006 Ushs'000
Loans from:		
International Development Association (IDA)- CR2124	-	36,022,942
Government of Austria (GOA)	-	27,772,208
International Development Association (IDA)- CR2583	-	17,470,758
Government of the French Republic (GFRP) denominated in French Francs	-	3,719,954
	-	84,985,862
Less: Loans due within one year	-	(41,376,252)
	-	43,609,610
The loans are due as follows:		
Due within one year	-	41,376,252
Due between one and two years	-	4,723,453
Due between two and five years	-	14,170,360
Due after five years	-	24,715,797
	-	84,985,862
At 1 July	84,985,862	84,670,849
Converted to equity	(84,985,862)	-
Exchange loss/(gain)	-	315,013
At 30 June	-	84,985,862

Debt Restructuring Negotiations

During the 1980's and 1990's, the Government of Uganda lent a number of unsecured loans to the corporation from various development partners. The debt obligations in reference as at 30 June 2006 comprised loan principal of Ushs 84.98 billion and accrued interest of Ushs 68.59 billion. Following an agreement between the Government of Uganda (GOU) and the world bank, it was decided that the GOU shall freeze the Corporation's accrued debt service obligations as at the end of the FY 1999/2000 until the end of the FY 2001/2002. The debt freeze was then extended to the FY 2005/2006 as stipulated within the two successive performance contracts between the GOU and the Corporation, to enable the NWSC carry out critical investments from it own resources.

Based on prior period negotiations between the Government of Uganda and NWSC, it was resolved that the four major Loans obtained by NWSC in prior years through the Government of Uganda from external donors be converted into equity. On 30 May 2007 via minute no 243, the cabinet approved the capitalisation of NWSC through the conversion of NWSC long term debt into equity.

	2007 Ushs'000	2006 Ushs'000
27 Trade And Accounts Payable		
Trade payables	4,671,241	2,878,251
Valued Added Tax	(58,431)	779,774
Rechargeable works	1,269,669	1,145,201
Accruals and provisions	3,205,636	1,509,153
Sundry creditors (Customer Deposits)	1,401,622	380,455
	10,489,737	6,692,834

28 Interest Payable		
Interest payable on loans	-	68,597,020

29 Related Party Disclosures

The top management of the corporation received the following remuneration in the period:

	2007 Ushs'000	2006 Ushs'000
Short –term employee benefits	648,000	586,201
Performance bonuses	-	68,388
Terminal benefits	81,600	146,550
	729,600	801,139

30 Commitments		
Contracted and provided for in the financial statements		
Mukono project	2,884,483	2,800,000
Gulu project	-	800,000
Entebbe project	1,072,715	150,000
	3,957,198	3,750,000

31 Contingent Liabilities		
Pending legal cases	-	109,274
	-	109,274

32 Cash And Cash Equivalents

	2007 Ushs'000	2006 Ushs'000
For the cash flow statement, the cash and cash equivalents comprises of the following		
Cash at hand	6,018	8,472
Cash at bank	4,724,240	4,422,283
Short-term deposits	5,957,328	1,741,336
	10,687,586	6,172,091

33 Financial Risks

Foreign Exchange

The corporation's operations are in Uganda where the currency is subjected to gradual devaluation against the major currencies. All water consumption and sewerage services charges are invoiced in Uganda Shillings. The majority of the corporation's equipment and material purchases are denominated in US dollars and UK pound Sterling. The corporation does not hedge its foreign currency risk.

Interest

The corporation has long-term fixed and variable rate borrowings (note 26) used to fund ongoing activities.

Credit Risk

In the normal course of its business, the corporation incurs credit risk from financial institutions and accounts receivable. The credit risk exposure is, however, limited due to the management's constant monitoring of the status of financial institutions where deposits are maintained and the ongoing procedures, which monitor the credit worthiness of its large customer base.

34 Currency

The financial statements are presented in Uganda shillings (Ushs'000).

NATIONAL WATER AND SEWERAGE CORPORATION
SUMMARY OF INCOME AND EXPENDITURE STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

APPENDIX I

	KAMPALA Ushs '000'	ENTEBBE Ushs '000'	JINJA Ushs '000'	MBALE Ushs '000'	TORORO Ushs '000'	MASAKA Ushs '000'	MBARARA Ushs '000'	LIRA Ushs '000'	GULU Ushs '000'	Sub- total C/F Ushs '000'
Income	45,639,801	3,118,929	5,540,388	2,187,365	1,014,002	1,327,142	2,724,792	1,180,999	1,259,630	63,993,048
Total operating expenses	(20,634,037)	(1,988,560)	(2,685,777)	(1,311,542)	(784,595)	(1,084,071)	(1,870,278)	(814,630)	(836,989)	(32,010,479)
Profit before depreciation	25,005,764	1,130,369	2,854,611	875,823	229,407	243,071	854,514	366,369	422,641	31,982,569
Depreciation	(5,331,393)	(162,134)	(967,281)	(190,578)	(142,922)	(663,039)	(636,206)	(551,253)	(313,237)	(8,958,043)
Profit / (loss) before taxation	19,674,371	968,235	1,887,330	685,245	86,485	-419,968	218,308	-184,884	109,404	23,024,526

NATIONAL WATER AND SEWERAGE CORPORATION
SUMMARY OF INCOME AND EXPENDITURE STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007 (Continued)

APPENDIX II

	Sub total B/F Ushs '000'	KASESE Ushs '000'	F/ PORTAL Ushs '000'	BUSHENYI Ushs '000'	KABALE Ushs '000'	SOROTI Ushs '000'	ARUA Ushs '000'	Sub(total C/F Ushs '000'
Income	63,993,048	654,125	826,750	724,559	299,095	692,964	785,801	67,976,342
Total operating expenses	(32,010,479)	(387,874)	(604,462	(555,371)	(382,665)	(660,004)	(501,544)	(35,102,399)
Profit before depreciation	31,982,569	266,251	222,288	169,188	(83,570	32,960	284,257	32,873,943
Depreciation	(8,958,043)	(100,272)	(134,578)	(533,757)	(70,276)	(207,966)	(80,131)	(10,085,023)
Profit / (loss) before taxation	23,024,526	165,979	87,710	(364,569)	(153,846	(175,006	204,126	22,788,920

NATIONAL WATER AND SEWERAGE CORPORATION
SUMMARY OF INCOME AND EXPENDITURE STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007 -Continued)

APPENDIX III

	Sub total B/F	MASINDI	MUBENDE	HOIMA	HEADQUAR-TERS	2007	2006
	Ushs '000'	Ushs '000'	Ushs '000'	Ushs '000'	Ushs '000'	Ushs '000'	Ushs '000'
Income	67,976,342	447,855	360,476	193,124	1,429,258	70,407,055	58,540,153
Total operating expenses	(35,102,399)	(451,664)	(369,542)	(282,699)	(15,819,491	(52,025,795)	53,770,271
Profit before depreciation	32,873,943	(3,809)	(9,066)	(89,575)	(14,390,233)	18,381,260	4,769,882
Depreciation	(10,085,023)	(177,501)	(218,616)	(121,189)	(863,089	(11,465,418)	9,779,601
Profit / (loss) before taxation	22,788,920	(181,310)	(227,682)	(210,764)	(15,253,322)	6,915,842	(5,009,719)

NATIONAL WATER AND SEWERAGE CORPORATION
INCOME AND EXPENDITURE STATEMENT
FOR THE YEAR ENDED 30 JUNE 2007

Kampala

Income	**2007 Ushs '000'**	**2006 Ushs '000'**
Water sales	32,424,428	27,600,589
Sewerage services	9,323,819	7,965,958
Connection fees	1,277,835	1,256,909
Service Charge	1,758,759	1,493,368
Septic Tank emptying	96,602	80,717
Other sewerage income	426,618	-
Rent from Offices/ Residential premises	16,180	18,921
Bad debt recovery	46,044	-
Reversal of stock provision	254,309	-
Released from deferred income	-	-
Other incomes	15,207	101,363
	45,639,801	38,517,825
Operating Expenses		
Staff costs	7,202,478	7,346,258
Premises Maintenance	748,197	676,194
Static plant and pipe network maintenance	7,880,089	5,565,119
Transport and mobile plant costs	911,973	606,535
Supplies and services	2,283,841	1,875,526
Administrative costs	1,611,545	2,069,151
Financing costs	(4,086)	9,024,696
	20,634,037	27,163,479
Profit before Depreciation	25,005,764	11,354,346
Depreciation	5,331,393	4,348,602
Profit before Taxation	19,674,371	7,005,744

Entebbe

Income	**2007 Ushs '000'**	**2006 Ushs '000'**
Water sales	2,535,117	2,142,092
Sewerage services	284,872	299,735
Connection fees	57,855	59,045
Service Charge	178,830	133,196
Septic Tank emptying	-	307
Bad debt recovery	49,268	59,273
Other incomes	12,987	14,078
	3,118,929	2,707,726
Operating Expenses		
Staff costs	695,698	593,311
Premises Maintenance	58,890	29,841
Static plant and pipe network maintenance	938,150	415,058
Transport and mobile plant costs	65,398	35,990
Supplies and services	87,920	47,484
Administrative costs	138,848	89,502
Financing costs	3,656	773
	1,988,560	1,211,959
Profit before Depreciation	1,130,369	1,495,767
Depreciation	162,134	151,359
Profit before Taxation	968,235	1,344,408

Jinja

Income	**2007 Ushs '000'**	**2006 Ushs '000'**
Water sales	3,825,631	3,278,479
Sewerage services	1,305,128	1,162,329
Connection fees	76,754	75,645
Service Charge	191,715	168,436
Septic Tank emptying	885	10,261
Rental Income	2,315	-
Bad debt recovery	123,025	234,093
Other incomes	14,935	30,986
	5,540,388	4,960,229
Operating Expenses		
Staff costs	906,464	834,088
Premises Maintenance	169,853	192,475
Static plant and pipe network maintenance	988,199	649,141
Transport and mobile plant costs	161,338	157,563
Supplies and services	196,251	212,432
Administrative costs	250,951	261,577
Financing costs	12,721	9,100
	2,685,777	2,316,376
Profit before Depreciation	2,854,611	2,643,853
Depreciation	967,281	926,489
Profit before Taxation	1,887,330	1,017,331

Mbale

Income	**2007 Ushs '000'**	**2006 Ushs '000'**
Water sales	1,470,001	1,219,950
Sewerage services	449,889	580,998
Connection fees	42,724	41,819
Service Charge	129,139	100,360
Other sewerage income	2,156	-
Bad debt recovery	93,262	34,572
Other incomes	194	2,606
	2,187,365	1,980,305
Operating Expenses		
Staff costs	558,160	552,353
Premises Maintenance	59,406	90,424
Static plant and pipe network maintenance	301,087	401,817
Transport and mobile plant costs	78,733	69,645
Supplies and services	142,567	150,490
Administrative costs	164,724	162,617
Financing costs	6,865	6,001
	1,311,542	1,433,347
Profit before Depreciation	875,823	546,958
Depreciation	190,578	182,148
Profit before Taxation	685,245	364,810

Tororo

Income	**2007 Ushs '000'**	**2006 Ushs '000'**
Water sales	838,611	888,796
Sewerage services	52,461	33,851
Connection fees	15,331	7,802
Service Charge	48,725	42,284
Other sewerage income	669	-
Stock adjustment	399	-
Other incomes	57,806	846
	1,014,002	973,579
Operating Expenses		
Staff costs	292,847	365,193
Premises Maintenance	48,047	42,714
Static plant and pipe network maintenance	220,278	148,642
Transport and mobile plant costs	32,676	35,301
Supplies and services	99,171	110,653
Administrative costs	88,692	88,078
Financing costs	2,884	2,436
	784,595	793,017
Profit before Depreciation	229,407	180,562
Depreciation	142,922	140,780
Loss before taxation	86,485	39,782

Masaka

Income	**2007 Ushs '000'**	**2006 Ushs '000'**
Water sales	1,020,215	873,951
Sewerage services	190,881	176,416
Connection fees	25,890	46,729
Service Charge	84,607	71,833
Septic Tank emptying	100	-
Bad debt recovery	2,212	9,836
Interest Income	227	-
Rent from Offices/ Residential premises	-	6,840
Other incomes	3,010	4,426
	1,327,142	1,190,031
Operating Expenses		
Staff costs	446,866	447,787
Premises Maintenance	44,517	64,383
Static plant and pipe network maintenance	302,064	205,898
Transport and mobile plant costs	20,955	31,721
Supplies and services	174,072	183,271
Administrative costs	90,419	83,574
Financing costs	5,178	4,184
	1,084,071	1,020,818
Profit before Depreciation	243,071	169,213
Depreciation	663,039	648,814
Profit before Taxation	(419,968)	(479,601)

Mbarara

Income	**2007 Ushs '000'**	**2006 Ushs '000'**
Water sales	2,192,134	1,785,666
Sewerage services	326,421	220,459
Connection fees	49,349	61,625
Service charge	132,240	110,124
Septic tank emptying	6,624	5,151
Other income	18,024	20,449
	2,724,792	2,203,474
Operating expenses		
Staff costs	650,493	533,397
Premises maintenance	53,485	36,603
Static plant and pipe network maintenance	745,091	467,467
Transport and mobile plant costs	40,893	45,174
Supplies and services	237,337	397,201
Administrative costs	136,996	196,782
Financing costs	5,983	6,760
	1,870,278	1,683,384
Profit before depreciation	854,514	520,090
Depreciation	636,206	628,973
Profit/(loss) before taxation	218,308	(108,883)

Lira

	2007 Ushs '000'	2006 Ushs '000'
Income		
Water sales	951,353	752,753
Sewerage services	86,712	91,515
Connection fees	47,631	45,017
Service charge	72,624	59,833
Other incomes	22,679	8,491
	1,180,999	957,609
Operating expenses		
Staff costs	289,226	299,006
Premises maintenance	29,705	49,811
Static plant and pipe network maintenance	332,668	269,161
Transport and mobile plant costs	27,064	20,079
Supplies and services	35,461	42,587
Administrative costs	99,655	70,055
Financing costs	851	2,086
	814,630	752,785
Profit before depreciation	366,369	204,824
Depreciation	551,253	546,270
Loss before taxation	(184,884)	(341,446)

Gulu

Income	**2007 Ushs '000'**	**2006 Ushs '000'**
Water sales	903,823	804,367
Sewerage services	187,852	140,371
Connection fees	50,005	43,210
Service charge	58,825	48,277
Bad debt recovery	51,349	52,860
Other income	7,776	1,727
	1,259,630	1,090,812
Operating expenses		
Staff costs	309,481	262,223
Premises maintenance	32,983	30,830
Static plant and pipe network maintenance	281,284	233,181
Transport and mobile plant costs	31,634	23,748
Supplies and services	84,387	88,905
Administrative costs	95,394	99,560
Financing costs	1,826	3,460
	836,989	741,907
Profit before depreciation	422,641	348,905
Depreciation	313,237	307,115
Profit before taxation	109,404	41,790

Kasese

	2007	2006
Income	**Ushs '000'**	**Ushs '000'**
Water sales	519,566	433,336
Connection fees	21,817	20,743
Service charge	50,746	43,116
Septic tank emptying	13,547	8,212
Stock adjustment	33,655	-
Other income	14,794	1,512
	654,125	506,919
Operating expenses		
Staff costs	216,095	183,419
Premises maintenance	21,159	31,788
Static plant and pipe network maintenance	32,771	65,174
Transport and mobile plant costs	21,936	26,090
Supplies and services	38,878	30,070
Administrative costs	55,269	48,514
Financing costs	1,766	2,361
	387,874	387,416
Profit before depreciation	266,251	119,503
Depreciation	100,272	99,175
Profit before taxation	165,979	20,328

Fort Portal

	2007 Ushs '000'	2006 Ushs '000'
Income		
Water sales	677,289	567,188
Sewerage services	32,765	21,745
Connection fees	19,762	20,463
Service charge	57,010	49,877
Septic tank emptying	6,994	5,331
Bad debt recovery	15,017	1,843
Stock adjustment	14,649	-
Other income	3,264	1,478
	826,750	667,925
Operating expenses		
Staff costs	267,672	241,292
Premises maintenance	30,253	31,037
Static plant and pipe network maintenance	204,399	130,957
Transport and mobile plant costs	19,614	25,623
Supplies and services	26,527	31,080
Administrative costs	52,961	57,045
Financing costs	3,036	3,639
	604,462	520,673
Profit before depreciation	222,288	147,252
Depreciation	134,578	135,782
Profit before taxation	87,710	11,470

Kabale

	2007 Ushs '000'	2006 Ushs '000'
Income		
Water sales	510,179	402,671
Sewerage services	114,661	99,183
Connection fees	30,625	27,118
Service charge	49,405	42,513
Septic tank emptying	16,739	13,586
Other income	2,950	3,548
	724,559	588,619
Operating expenses		
Staff costs	253,408	221,380
Premises maintenance	27,183	20,044
Static plant and pipe network maintenance	133,084	99,137
Transport and mobile plant costs	41,595	29,915
Supplies and services	24,959	18,824
Administrative costs	71,933	81,157
Financing costs	3,209	2,737
	555,371	473,194
Loss before depreciation	169,188	115,425
Depreciation	533,757	523,489
Loss before taxation	(364,569)	(408,064)

Bushenyi - Ishaka

	2007 Ushs '000'	2006 Ushs '000'
Income		
Water sales	258,103	214,285
Sewerage services	-	93
Connection fees	15,492	22,710
Service Charge	24,586	23,032
Bad debt recovery	541	1,060
Other incomes	373	700
	299,095	261,880
Operating Expenses		
Staff costs	156,919	207,939
Premises Maintenance	12,505	8,508
Static plant and pipe network maintenance	123,785	77,780
Transport and mobile plant costs	10,891	9,414
Supplies and services	45,824	59,355
Administrative costs	31,297	33,496
Financing costs	1,444	1,587
	382,665	398,079
Profit before depreciation	(83,570)	(136,199)
Depreciation	70,276	62,699
Loss before Taxation	(153,846)	(198,898)

Soroti

Income	**2007 Ushs '000'**	**2006 Ushs '000'**
Water sales	539,435	490,238
Sewerage services	59,502	53,219
Connection fees	28,265	41,091
Service charge	42,555	36,543
Rental Income	940	-
Bad debt recovery	19,306	50,309
Other incomes	2,961	3,396
	692,964	674,796
Operating expenses		
Staff costs	252,585	219,314
Premises maintenance	29,316	30,900
Static plant and pipe network maintenance	266,739	171,691
Transport and mobile plant costs	11,866	9,460
Supplies and services	36,662	56,823
Administrative costs	60,459	65,013
Financing costs	2,377	3,120
	660,004	556,321
Profit before depreciation	32,960	118,475
Depreciation	207,966	137,429
Loss before taxation	(175,006)	(18,954)

Arua

Income	**2007 Ushs '000'**	**2006 Ushs '000'**
Water sales	657,291	481,662
Connection fees	60,526	57,391
Service charge	65,255	52,360
Rent from offices/ residential premises	120	1,080
Bad debt recovery	2,609	-
Other income	-	518
	785,801	593,011
Operating expenses		
Staff costs	269,801	250,597
Premises maintenance	18,901	20,205
Static plant and pipe network maintenance	101,046	117,741
Transport and mobile plant costs	10,401	22,804
Supplies and services	52,874	51,436
Administrative costs	47,052	53,339
Financing costs	1,469	2,005
	501,544	518,127
Profit before depreciation	284,257	74,884
Depreciation	80,131	76,420
Profit/(loss) before taxation	204,126	(1,536)

Masindi

	2007 Ushs '000'	2006 Ushs '000'
Income		
Water sales	392,741	-
Connection fees	22,220	-
Service charge	28,623	-
Rent from offices/ residential premises	900	-
Other income	3,371	-
	447,855	0.00
Operating expenses		
Staff costs	189,210	-
Premises maintenance	21,478	-
Static plant and pipe network maintenance	115,083	-
Transport and mobile plant costs	20,728	-
Supplies and services	48,579	-
Administrative costs	56,586	-
Financing costs	0.00	
	451,664	0.00
Profit before depreciation	(3,809)	
Depreciation	177,501	-
Loss before taxation	(181,310)	0.00

Mubende

Income	**2007 Ushs '000'**	**2006 Ushs '000'**
Water sales	321,850	-
Connection fees	4,142	-
Service Charge	27,242	-
Rent from offices/ residential premises	6,000	-
Other income	1,242	-
	360,476	-
Operating Expenses		
Staff costs	147,356	-
Premises maintenance	18,900	-
Static plant and pipe network maintenance	130,951	-
Transport and mobile plant costs	6,913	-
Supplies and services	24,060	-
Administrative costs	39,806	-
Financing costs	1,556	
	369,542	-
Profit before depreciation	(9,066)	
Depreciation	218,616	-
Loss before taxation	(227,682)	-

Hoima

	2007	2006
Income	**Ushs '000'**	**Ushs '000'**
Water sales	159,712	-
Connection fees	4,166	-
Service Charge	28,356	-
Rent from Offices/ Residential premises	0.00	-
other income	813	-
Stock adjustment	77	-
	193,124	-
Operating Expenses		
Staff costs	90,017	-
Premises maintenance	19,114	-
Static plant and pipe network maintenance	94,064	-
Transport and mobile plant costs	23,263	-
Supplies and services	12,668	-
Administrative costs	43,573	-
	282,699	
Profit before depreciation	(89,575)	
Depreciation	121,189	-
Loss before taxation	(210,764)	-

Headquarters

Income	**2007 Ushs '000'**	**2006 Ushs '000'**
Released from deferred income	1,243,701	560,173
Miscellaneous income	78,442	71,730
Rent from offices/ residential premises	67,200	37,260
Profit on sale of stock/scrap	0.00	1,604
Prior period adjustment	19,339	-
Interest Income	-	-
Stock adjustment	20,576	(5,354)
	1,429,258	665,413
Operating expenses		
Staff costs	9,865,763	5,487,629
Premises maintenance	579,511	566,953
Static plant and pipe network maintenance	354,089	594,584
Transport and mobile plant costs	896,634	736,719
Supplies and services	1,077,013	1,458,198
Administrative costs	3,413,900	4,732,848
Financing costs	(367,419)	222,457
	15,819,491	13,799,389
Profit before depreciation	(14,390,233)	(13,133,976)
Depreciation	863,089	864,057
Loss before taxation	(15,253,322)	(13,998,033)

Unit Cost Of Water Production 2006/07

	ANNUAL PRODUCTION M³ 2006/07 2006/07	(Comparative) 2005/06 2005/06	OPERATING EXPENSES ONLY 000' shs	TOTAL COSTS (SHS) OPERATING EXPENSES+ DEPRECIATION 000'shs	OPER. EXPS+ DEPR+HQ EXPENSES 000'shs	OPERATING EXPENSES ONLY	COST PER M³ SHS OPER.EXPS + DEPRECIATION	2006/07 (FINAL) OP. EXP+ DEP+HQ EXPENSES	COMPARATIVE 2005/06 SHS OP. EXP+ DEP+HQ EXPENSES	% CHANGE from 2005/2006 to 2006/07
KAMPALA	42,769,202	41,169,798	19,880,257	22,574,607	34,369,908	465	528	804	784	3%
JINJA	3,911,000	3,991,000	2,673,058	3,653,059	4,731,672	683	934	1,210	1,050	15%
ENTEBBE	2,346,712	2,584,144	1,988,561	2,154,351	2,801,550	847	918	1,194	765	56%
MBALE	1,367,000	1,574,000	1,304,676	1,502,119	1,879,123	954	1,099	1,375	1,264	9%
TORORO	777,000	974,000	781,711	927,517	1,141,806	1,006	1,194	1,470	1,196	23%
MASAKA	1,102,000	1,006,000	1,078,892	1,747,109	2,051,029	979	1,585	1,861	1,897	-2%
MBARARA	2,149,453	1,811,000	1,864,296	2,506,485	3,099,282	867	1,166	1,442	1,514	-5%
LIRA	905,000	893,011	813,778	1,365,882	1,615,472	899	1,509	1,785	1,692	5%
GULU	807,850	876,820	835,164	1,150,226	1,373,023	1,034	1,424	1,700	1,434	19%
KASESE	576,655	574,480	386,108	488,146	647,181	670	847	1,122	1,085	3%
FORTPORTAL	632,700	567,100	601,426	739,041	913,533	951	1,168	1,444	1,395	3%
KABALE	506,509	508,560	552,164	1,089,132	1,228,822	1,090	2,150	2,426	2,197	10%
ARUA	670,322	583,892	500,074	584,283	769,151	746	872	1,147	1,256	-9%
BUSHENYI	245,535	241,404	381,223	452,943	520,659	1,553	1,845	2,121	2,146	-1%
SOROTI	741,860	730,805	657,628	867,971	1,072,568	886	1,170	1,446	1,187	22%
HOIMA	256,924		280,998	403,888	474,745	1,094	1,572	1,848		
MASINDI	377,051		449,549	629,165	733,152	1,192	1,669	1,944		
MUBENDE	398,617		367,986	588,158	698,092	923	1,475	1,751		
						Average	Average	Average	Average	Average
TOTAL	**60,541,390**	**58,086,014**	**35,397,549**	**43,424,082**	**60,120,768**	**585**	**717**	**993**	**924**	**7%**

The Head Office

Plot 39, Jinja Road
P. O. Box 7053 Kampala, Uganda
Tel. (+) 256 41 315100, 256 41 345299
E-mail: info@nwsc.co.ug

Kampala Area-Kampala Water

Kampala Area-Main Branch
18/29 Sixth Street
P. O. Box 7053 Kampala
Tel: (+) 256 312 264 870/1
(+) 256 41 315500/501
Fax: (+) 256 712-226 633
E-mail: gm@kampalawater.co.ug

Kampala Branch Offices

Branch 1 - City Centre
Tel: (+) 256 41 315600
Mob: (+) 256 772 588 555

Branch 2 - Nsambya
Tel: (+) 256 41 315610/315611/315612
Mob: (+) 256 772 473 194

Branch 3 - Najjanankumbi
Tel: (+) 256 41 315630/1/2
Mob: (+) 256 782 433 044

Branch 4 - Bwaise
Tel: (+) 256 41 315640/1/2
Mob: (+) 256 772 486 350

Branch 5 - Ntinda
Tel: (+) 256 41 315650/1/2
Mob: (+) 256 772 453 931

Branch 6 - Kitintale
Tel: (+) 256 41 315660/1/2
Mob: (+) 256 772 466 473

Branch 7 - Nateete
Tel: (+) 256 41 315680/1/2
Mob: (+) 256 772 442 820

Kampala Areas Sub-Zones

Mukono
Tel: (+) 256 41 315696
Mob: (+) 256 712 928 274

Kajjansi
Tel: (+) 256 41 315 693
Mob: (+) 256 772 498158

Nansana
Tel: (+) 256 41 315690
Mob: (+) 256 772 409 007

Other Areas

Jinja Area-Kiira Water Partnership
Plot 7 Bell Avenue East
P.O. Box 301 Jinja, Uganda
Tel: (+) 256 43 121150, 122052
(+) 256 772 442 946
Fax: (+) 256 43 122053

Entebbe Area- Greater Entebbe Water Partnership
Plot 73, Kampala Road
P.O. Box 79 Entebbe
Tel: (+) 256 41 321692, 320706
(+) 256 712 504 870
Fax: (+) 256 41 320091, 321692

Mbale Area-Elgon Water Partnership
Plot 49, Republic Street
P.O. Box 2548 Mbale
Tel: (+) 256 45 33709, 33742
(+) 256 772 468 828
Fax: (+) 256 45 33742

Mbarara Area- Rwizi Water Partnership
Plot 3, Galt Road
P.O. Box 1371 Mbarara
Tel: (+) 256 485 20723
(+) 256 772 517 272
Fax: (+) 256 485 21304

Masaka Area- Buddu Water Partnership
Plot 11, Elgin Road
P.O. Box 56 Masaka
Tel: (+) 256 481 20561/20038
(+) 256 772 412561
Fax: (+) 256 481 20038

Kasese Area- Margherita Water Partnership
Rukidi Street
P.O. Box 353 Kasese
Tel: (+) 256 39 548282
(+) 256 772 656278
Fax: (+) 256 483 44876

Fort Portal Area- Rwenzori Water Partnership
Water Works- Fort Portal
P.O. Box 203 Fort Portal
Tel: (+)256 382 274423
(+) 256 772 656278
Fax: (+) 256 483 22606

Soroti Area- Soroti Water Supply
Plot No.1 , Station Road
P.O. Box 377 Soroti
Tel: (+) 256 45 61968/ 61306
(+) 256 772 685314
Fax: (+) 256 45 61968

Tororo Area- Tororo Rock Water Supply
Plot 13, Bazaar Street
P.O. Box 889 Tororo
Tel: (+) 256 045 45105/45172
(+) 256 772 494 236
Fax: 45105

Bushenyi Ishaka Area- Nyaruzinga Bushenyi Water
Tank Hill- Bushenyi
P.O. Box 339 Bushenyi
Tel: (+) 256 485 42339/43245
(+) 256 712 503566

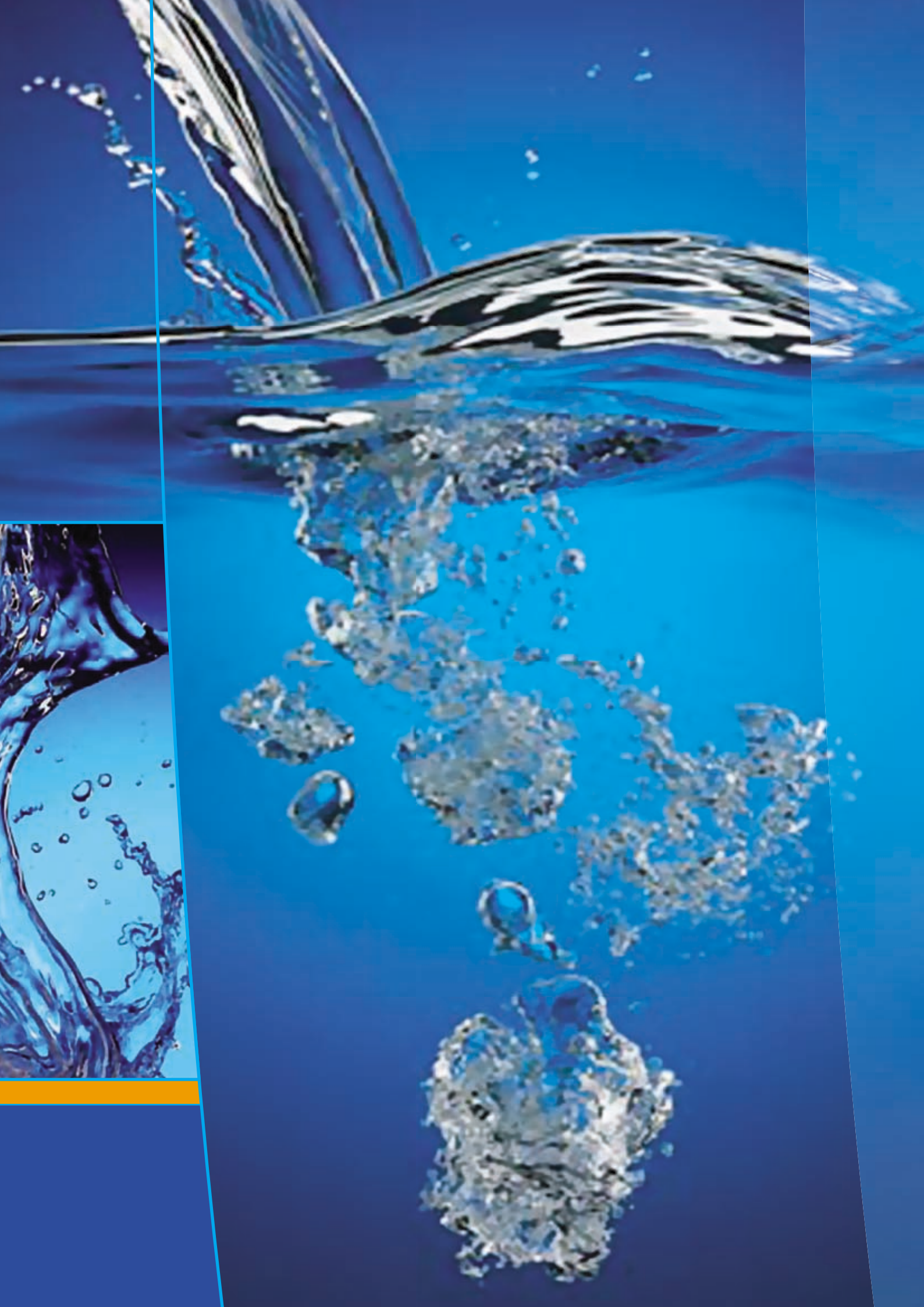
Lira Area-Lira Urban Water Partnership
Plot 10/12, Maruzi Road
P.O.Box 243 Lira
Tel: (+) 256 473 20111/20311
(+) 256 772 489607

Arua Area-Nile Water
Plot 13/15, Pakwach Raod
P.O. Box 980 Arua
Tel: (+) 256 039 672979
(+) 256 772 672 979

Gulu Area-Gulu Water Partnership
Coronation Road
P.O. Box 167 Gulu
Tel: (+) 256 471 32381
(+) 256 772 589743

Kabale Area-Bunyonyi Water Partnership
Plot 89, Katuna Road
P.O. Box 627 Kabale
Tel: (+) 256 486 24217/9
(+) 256 712 898376

Mubende Area
Kwewalyanga Road
P.O.Box 348 Mubende
Tel: (+) 256 46 44986
(+) 256 712 503566

Hoima Area
Plot 12, Kampala Road
P.O.Box 275, Hoima
Tel: (+) 256 465 40686
(+) 256 772 494 236

Masindi Area
Masindi Port Road,
P.O.Box 545 Masindi
Tel: (+) 256 465 20607
(+) 256 772 494236